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26 August 2009

MEMORANDUM FOR Office of the Army General Counsel, ATTN: Ms. Stephanie Barna, 104 Army Pentagon, Washington, D.C. 20310

SUBJECT: Whistleblower Investigation, Office Of Special Counsel, Case File No. DI-00-1499

INTRODUCTION.

This Memorandum contains my review and analysis of my interview with Mr. Clarence N. Daniels. I conducted the interview at the request of the Office of the Army General Counsel. The interview was held on 14 and 15 July 2009, at Redstone Arsenal, Alabama. Attached is the transcript of that interview which contains documents that were furnished by Mr. Daniels during the course of that interview marked as Exhibits 1-22. Also included with the transcript and exhibits is a letter from Mr. Daniels to me dated July 23, 2009, with additional documents at TABs A-G that Mr. Daniels provided after the interview.

In preparation for the interview, I reviewed the Office of Special Counsel (OSC) referral letter to the Secretary of the Army, August 20, 2003; Army Report to OSC, July 21, 2008, and Army Report to OSC, dated January 5, 2009, (hereinafter referred to as Army Report 1 and Army Report 2, respectively). I also reviewed a Letter from Mr. Clarence Daniels to the U.S. Office of Special Counsel, March 11, 2009, with TABs marked "A-F" as well as a March 17, 2009 e-mail message to OSC, Subject: False/misleading statements and omissions found in defective DA Secretary Report of Investigation of DI-00-1499.

The interview addressed each of the six allegations raised by Mr. Daniels as described in the August 20, 2003, referral letter from OSC. This memorandum which addresses each of these allegations is intended to supplement the Army Report, not replace it.

ALLEGATION 1. Unauthorized Technical Direction Letters (TDLs).

Mr. Daniels asserted that the issuance of certain TDLs in support of the Multiple Launch Rocket System (MLRS) program were unauthorized and outside the scope of the Industrial Engineering Services contracts under which those TDLs were placed. He suggested that the effort associated with these TDLs should have been placed under existing fixed price production contracts or existing research & development contracts rather than Industrial Engineering Services (IES) contracts.

When questioned during the interview as to the basis for his assertions that these efforts were unauthorized and outside the scope of the IES contract, Mr. Daniels was unable to articulate any reasonable basis to support his assertions. For example, Mr. Daniels stated that his objection to issuance of TDL TR 99-001 for a Low Cost Reduced Range Practice Rocket (LCRRPR) under IES contract DAAH01-98-C-0157 was premised upon his assertion that there was no valid government requirement for the LCRRPR (Transcript page 16, lines 9-19, hereinafter referred to

Enclosure 1

as Tr. 16, L. 9-19). Mr. Daniels stated that since the government did not own the technical data package (TDP) for the Reduced Range Practice Rocket (RRPR) the government had no liability in maintaining or updating the TDP. The placement of this TDL was not premised upon any "liability" of the government for the TDP, but rather a bona fide Army requirement to "solve issues and problems" associated with the RRPR which the Army was producing to support MLRS training requirements (Army Report 1, 17-19 and Tab 19). It was clearly in the Army's best interest to acquire a cheaper and more effective training round (LCRRPR) regardless of "ownership of the TDP" and doing so through the initiation of an ECP under the IES contract was not legally objectionable.

Mr. Daniels also asserted that the issuance of this TDL was outside the scope of the IES contract (Tr. 16, L. 20-21). He supported that position by stating that the LCRRPR could have been submitted as a VECP to the government (Tr. 17, L. 2-3 and L. 13-14; Tr. 45, L. 3-20; Army Report 1, Tab 20). Mr. Daniels also stated the LCRRPR could not have been submitted as a VECP under a government contract because there was no "mandatory VECP provision" (Tr. 40, L. 9-17). Mr. Daniels also stated that the LCRRPR should have been done as a new requirement supported by a sole source determination (Tr. 44, L. 8-18). Then still later in the interview, Mr. Daniels stated that this effort could have been submitted under an appropriate production contract (Tr. 46, L. 5-13). Despite these somewhat contradictory statements, Mr. Daniels apparently had no objections to the submission of the LCRRPR as a VECP, but more importantly, neither did he have an objection to the Army contracting for this work on a sole source basis and paying Lockheed Martin (L-M) to perform the LCRRPR effort under a new contract. Mr. Daniels only consistent point throughout this discussion of the LCRRPR was his assertion that the work could not have been done under the IES contract since he believes that the LCRRPR work was "out of scope."

The determination whether particular work effort is within or outside the scope of a particular contract is largely a matter of judgment. The Army provided its rationale in support of the determinations that these TDLs were within the scope of the IES contract (Army Report 2, pages 12-16 and 21-24). Although Mr. Daniels may disagree with that judgment, the evidence contained in the Army Report provides a reasonable basis to conclude that those determinations are legally supportable.

Mr. Daniels offered Tr. Exhibits 2 and 3 to support his allegation that L-M had improperly charged costs to IES contracts, in particular IES contract 92-C-0243 (Tr. 26-34). Mr. Daniels specifically pointed to his Exhibit 2, at the page marked "40", to support this allegation (Tr. 28, L. 9-14). These documents are not what Mr. Daniels purports. First, Exhibit 2 which Mr. Daniels provided during the interview is dated 4 January 2003, as are all the attached pages, except for the page marked "40" which is dated 28 September 1992. Second, the activities reported on page 40 of Exhibit 2 appear to pertain to FY 86-88. The IES contract under which Mr. Daniels asserted L-M improperly charged costs related to the development of VECP 1423, i.e. DAAH01-92-C-0243, was not awarded until April 30, 1992. Third, the dollars that are associated with what Mr. Daniels claimed are improper costs being charged to the IES contract appear in the last column at page 40 in parentheses, "(1,400,000)." This typically indicates a

deducted amount. The net total at the bottom of that page supports that interpretation. Finally, as Mr. Daniels pointed out, Exhibits 2 and 3 are documents that L-M prepared and submitted to the Army. These Exhibits appear to be reports that L-M delivered in accordance with their IES contract that track change proposal status throughout the MLRS program history, rather than reflecting development costs charged to this particular IES contract as alleged by Mr. Daniels. Even the title of Exhibit 2, "*Thirty-Fifth Quarterly* (emphasis added) ECP Cost Impact Report", refutes his assertion that the data in this report reflects cost actually charged to this IES contract that was awarded in April 1992. It also seems highly implausible that L-M would submit quarterly reports to the Army and Defense Contract Management Agency (DCMA) officials responsible for administering their contracts that contained such obvious evidence of gross mischarging if these reports were as Mr. Daniels' purports.

Mr. Daniels expressed a strong conviction that L-M engaged in a "continuous pattern of mischarges" (Tr.87, L. 5-8). He pointed to an internal L-M document in support of that conviction (Tr. 85-89 and Ex. 4). Exhibit 4 pertains to IES contract DAAH01-98-C-0157. While Mr. Daniels initially stated that the L-M disclosure in Exhibit 4 was "voluntary", he then indicated that he did not think it was voluntary (Tr. 87, L. 16-17), and then minutes later, states with certainty that he "had no doubt that it was not voluntary" (Tr. 88, L. 9-11). He also pointed to a Settlement Agreement that was reached with L-M in January 2005 as further evidence of rampant fraud (Tr. 57-59; Mr. Daniels' letter to OSC, 11 March 2009, Tab B). The Settlement Agreement resolved allegations of mischarging by L-M. These allegations concerned mischarging between cost reimbursement IES contracts and fixed price production contracts on the MLRS program. Contrary to frequent assertions by Mr. Daniels that appropriate audits were not conducted, Defense Contract Audit Agency (DCAA) did conduct an audit in support of that investigation leading to the eventual settlement. (Contract DAAH01-94-C-A005 was one of the production contracts subjected to that DCAA audit). Rather than supporting his generalizations that fraud is rampant and pervasive, these instances and the record presented by the Army Report demonstrate that the AMCOM acquisition officials acted responsibly in taking appropriate action in those circumstances where L-M failed to charge costs accurately to the proper contract.

During the interview, I asked Mr. Daniels whether he believed the Army Criminal Investigation Command (CID) had conducted a thorough investigation of possible mischarging by L-M (Tr. 347-356; see Tab 5, Army Report 1). At Tab 5, counsel provided a summary of CID's investigative efforts and the basis for the CID conclusion that, other than the costs associated with the Safety Assessment Report and costs incurred to correct some of the safety deficiencies with the launchers, the six allegations raised by Mr. Daniels were unfounded. Mr. Daniels admitted that he was not familiar with the information at Tab 5, that he had not even read the document at Tab 5 "completely" and that the first time he was reading this information was during the interview (Tr. 347, L. 11-16; Tr. 349, L. 16-22). Mr. Daniels acknowledged that he had been provided a copy of the Army's Report sometime in February 2009 (Tr. 339, L. 2-9). I pointed out to Mr. Daniels that CID, in addition to interviewing himself, had coordinated with the Defense Contracting Audit Agency (DCAA), the Department of Justice and the U.S. Attorney's Office for the Northern District of Alabama. When asked whether he still disagreed with the conclusion of the CID that there was no criminal offense committed regarding

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Allegation 1, Mr. Daniels replied, "...I just don't know because I have no idea what was the context of the investigation..." (Tr. 355, L. 16-21). It is my conclusion that the Army conducted appropriate investigation and review of this allegation and that this allegation is unfounded.

NOTE: Mr. Daniels' letter of July 23, 2009, and its referenced TABs (A-G) do not address this allegation.

ALLEGATION 2. Reimbursement for Voluntary Value Engineering Concepts

VECP 1450 concerned the RRPR. Mr. Daniels alleged L-M conducted this effort under IES contract DAAH01-92-C-0243 and not under the '89 MLRS production contract DAAH01-89-C-0336 as described by the Army in Report 1. Extensive evidence provided in the Army Report, however, supports the conclusion that L-M initially developed the RRPR as a voluntary VECP that L-M submitted to the Army and the Army eventually accepted under the '89 production contract. Both the L-M documentation as well as government records reflect that L-M initiated the development of the RRPR as an Independent Research and Development (IR&D) effort in fiscal year (FY) 88 and continued into FY 89 and FY 90 (Army Report 1, TABs 9, 10 and 12).

Mr. Daniels asserted that the RRPR was developed under the IES contract as an ECP with Army funding. He referenced TAB I of his March 11, 2009 letter to OSC as support for his assertion (Tr. 19-20). L-M initially submitted this VECP to the Army on October 28, 1991 (TAB 9). This initial submission was designated as VECP 1423. This initial submission was rejected by the Army, resubmitted by L-M, and then approved by the Army as VECP 1450 on March 27, 1992 (TAB 10). The contracting officer then incorporated VECP 1450 into the '89 production contract on July 10, 2002 (TAB 12). These facts and dates are also supported by documentation provided by Mr. Daniels (Tr. Exhibit 3, sheets 87 and 88.) These documents show that L-M initially developed the RRPR as a VECP and then submitted it to the Army under the '89 production contract, not under the IES contract as alleged by Mr. Daniels.

Negotiation memoranda provided by Mr. Daniels also support the Army's conclusion that this VECP was submitted and accepted by the Army under the '89 production contract and that L-M's development costs were reimbursed under the terms of the VECP clause of that contract (Letter to OSC, March 11, 2009, TAB G). These memoranda are Army records of discussions with L-M and also describe the Army's negotiation position at the time the contracting officer was finalizing the incorporation of VECP 1450 into the '89 production contract (Army Report 1, TABs 14 and 15). The memoranda show that the contracting officer at that time agreed to reimburse L-M up to \$4.8 million under the '89 production contract for L-M's costs in developing the RRPR VECP and that L-M would provide data rights (i.e. government purpose rights) for the RRPR (TAB G: Business Clearance Memorandum, 15 December 1994, Paragraph 2, Section IV, Section VIII, and Section IX; Memorandum for Record, 29 June 1995, para. 2.d.; Memorandum for Record, 20 July 1995, para. 14; Memorandum for Record, 23 October 1995). The subsequent contract modifications (Army Report 1, TABs 14 and 15) are consistent with the memoranda and support the Army's position that L-M developed this VECP under the production contract and not the IES contract as alleged by Mr. Daniels.

Mr. Daniels pointed to two other documents to support his conclusion that the VECP was reimbursed under the IES contract (Tr. Exs. 2 & 3). As discussed in Allegation 1, above, these are reports prepared under the IES contract that track various ECP and VECP activity being performed by L-M. The date of approval of VECP 1450 as reflected in these Exhibits is consistent with the date reflected in Army Report 1, Tab 11, i.e. 3/27/1993. This date predates the actual award of the IES contract itself, which was awarded to L-M on 30 April 1992. Neither document supports Mr. Daniels' conclusion.

There is no credible evidence to support Mr. Daniels allegation that L-M developed the RRPR as an ECP under the IES contract. The evidence contained in the Army Report as well as documents provided by Mr. Daniels are consistent with the Army's position that L-M developed this VECP, that the Army accepted it under the '89 production contract, and that the Army reimbursed L-M's costs for developing the RRPR pursuant to the terms of the VECP clause contained in the '89 production contract. The Exhibits referenced by Mr. Daniels do not support his position that L-M developed and was reimbursed for the RRPR under the IES contract. Rather, these Exhibits show that L-M was reporting all ECP and VECP activity being performed during the MLRS program. The terms of the IES contract required L-M to maintain configuration control of technical data related to the MLRS (Tab 22, Part III) and these documents are consistent with that requirement. Contrary to Mr. Daniels' assertions, however, these data do not necessarily reflect development costs being incurred under a particular IES contract, but rather provide an historical record of various change activity related to the total MLRS program.

As is common practice, after a VECP is approved and accepted under the terms of a production contract, an actual ECP is prepared so that the changes in technical data associated with the VECP can be incorporated into and reflected in various program documentation such as technical data packages, manuals, drawings and parts lists. It is also not infrequent that after an initial VECP is accepted and a formal ECP is prepared and incorporated into these documents, the configuration/design of the item that is the subject of the original VECP is modified or revised to improve performance, reliability or to otherwise maintain compatibility with other changes to the weapon's technical data that occur during the system's life cycle. These efforts would be consistent with the scope of work of the IES contract.

Mr. Daniels' reference to TAB I of his March 11, 2009 Letter to OSC is consistent with this process. Rather than offering evidence that the RRPR was developed and paid for under the IES contract, the transmittal letter at TAB I is consistent with the typical process wherein an approved VECP is subsequently prepared as an ECP to enable the Army to assure configuration control is maintained of various program documentation. Nothing in the evidence suggests that L-M initially developed the VECP under the IES contract or otherwise charged its development costs to that contract. All the documentation and evidence is consistent with the Army's position that the RRPR initially was developed by L-M at its own expense under its IR&D program and was submitted to and accepted by the Army under the VECP clause of the '89 production contract. Consistent with the terms of the VECP clause, the contracting officer appropriately

negotiated reimbursement of L-M's development costs, as reflected in contract modifications issued under the '98 production (Army Report 1, TABs 14 and 15).

In the OSC referral letter of 20 August 2003, Mr. Daniels asserted that the Army "...had not acquired any proprietary rights..." and that the Army allowed L-M to wrongfully assert that the RRPR and LCRPR were developed at private expense (OSC Letter of Referral, page 5). The discussion by Mr. Daniels on these points does not support his allegations or refute the Army's position. The documentation shows that L-M initially developed the concept for the RRPR at its own expense under its IR&D program during FYs 88-90. As such, L-M (as is any other contractor conducting IR&D) is entitled to assert a proprietary interest in data developed under its IR&D program. The record also shows that the contracting officer engaged in significant negotiations with L-M to obtain greater rights to this data for government use (see Business Clearance Memorandum and related Memoranda for Record, Mr. Daniels' 27 July 2009 Letter, TAB G). The results of these negotiations led to an eventual contract modification under the '89 production contract in which the Army obtained government purpose rights for domestic manufacture of the MLRS (Army Report 1, TAB 14, para. H-52).

During the interview, Mr. Daniels acknowledged that if the RRPR had been developed by L-M under its IR&D program, that L-M would have proprietary rights to that data (Tr. 109, L. 2-7). It is only due to his mistaken belief that the development of the RRPR was paid for exclusively by the Army under the IES contract that Mr. Daniels asserts that the Army improperly failed to obtain rights to this data. Contrary to Mr. Daniels' allegations, the Army approved, accepted and reimbursed L-M its development costs for that VECF under the '89 production contracts, not under the IES contract. During the interview, Mr. Daniels acknowledged that the Army had negotiated additional rights to this data (i.e. government purpose rights) under the terms of the H-52 provision of the '89 production contract, but he also added that he had no understanding generally of the term "government purpose rights" (Tr. 112, L. 8-19). Mr. Daniels then stated, that the additional government purpose rights which the Army had negotiated in H-52 "means nothing" since L-M was the only viable source in the United States (Tr. 113, L. 2-13).

Although it is true that the owner of proprietary data typically has a competitive advantage for production of items associated with that data, (an advantage that is neither unlawful nor considered unfair in government contracting), obtaining government rights to this data does give the Army the legal authority to conduct a competition. The decision at that time to obtain such rights during the negotiation of the VECF was a prudent course of conduct by the contracting officer. Whether exercised or not, having the right to competitively acquire goods or services does provide leverage to the contracting officer in future price negotiations with a sole source contractor. At the time these rights were obtained, the contracting officer apparently consulted with legal counsel and thoughtfully considered this course of action before deciding to acquire such rights (see Memoranda at TAB G of Mr. Daniels' 23 July 2009 Letter.) Finally, as provided by the H.52 clause itself, this grant of government purpose rights was provided "...at no additional cost to the government." It should be noted that the end result of the Army's efforts to

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incorporate the VECP into Contract 89-C-0336 was a decrease in the contract price of over \$6 Million (Army Report 1, Tab 15).

While the Army has properly determined that the RRPR was developed as a VECP under the production contract and not as an ECP under the IES contract as alleged by Mr. Daniels, the Army acknowledged that there are particular data that L-M has improperly marked. (Army Report 1, pages 27 and 29). Army contracting officials are pursuing that matter with L-M (see Enclosure 1 to this Memorandum).

Mr. Daniels alleged that the Army improperly paid L-M a royalty for the use of technical data associated with the RRPR and/or LCRRPR. When asked whether he agreed with the Army position that there was no evidence of any improper payment, Mr. Daniels responded "I can't dispute that." (Tr. 134, L. 9-20). As pointed out in Army Report 1, pages 27-28, and FN. 52 at page 15, the language in the contract modification concerning the use of the term "royalty" may have been somewhat "inartful" and led to a misunderstanding of the nature of the Army's payment to L-M. Rather than constituting a royalty payment for the use of technical data, the Army actually paid L-M a lump sum for projected future savings associated with potential Foreign Military Sales, a payment that is authorized by the VECP clause of the contract. No additional evidence resulting from the interview or provided by Mr. Daniels thereafter substantiates this aspect of Allegation 2.

ALLEGATIONS 3 and 4. Acceptance of Nonconforming M270A1 Launchers/Safety Risks Posed by Fielded Launchers

Mr. Daniels alleged the Army accepted nonconforming launchers and fielded and deployed defective and unsafe MLRS M270A1 launcher systems into a "combat zone" (March 11, 2009 Letter to OSC, page 3). The Army does not dispute that launchers were conditionally accepted during the 2000-2002 time frame. The terms of these conditional acceptances are contained in letters and numerous Army documents, including modifications to contracts issued by Army contracting officers (Army Report 2, pages 31, 36-40; TAB 69; see also Tr. Exs. 8-15). These actions were taken after careful and appropriate deliberations by acquisition officials of the risks associated with the conditional acceptance of these launchers and reflected a prudent course of action that was intended to allow the program to proceed with appropriate test and evaluation of MLRS systems as well as soldier training on these systems. The program documentation (Army Report 2, TABs 79 and 81) is consistent with Army Regulations dealing with the acceptance and release of materiel as discussed in Army Report 2, pages 36-37 and FNs 126 and 127.

The Army also does not dispute that safety issues existed with the M270A1 launchers during this same time frame. In fact, these safety issues were the subject of the conditional acceptances and conditional materiel release. I asked Mr. Daniels whether he was familiar with the conditional and full materiel release processes and the conditions that apply to launchers that were subject to a conditional materiel release. Mr. Daniels responded "No." (Tr. 222, L. 5-12), and "I don't know anything about those two subjects" and, that he "...could have cared less about that" (Tr. 142, L. 2-19).

As noted in Army Report 2, page 37, a conditional release authorizes the fielding of equipment only for the limited purposes of field testing and training. Mr. Daniels also acknowledged that he was not familiar with various safety-related documents that were furnished him in the Army Report. Mr. Daniels stated he was not familiar and had not seen the M270A1 Safety Bulletin (Army Report 2, TAB 67) issued by L-M (Tr. 231-233). Mr. Daniels stated he was not familiar with the Army MLRS M270A1 Safety Risk Reduction Report (Army Report 2, TAB 75), nor the AMCOM Commanding General's determination (Army Report 2, TAB 79) approving a conditional and training release of a limited number of M270A1 launchers in Jan 2002 (Tr. 234-235). Mr. Daniels was not familiar with the contracting officer's letter and determination (Army Report 2, TAB 89), in which the contracting officer decided to resume acceptance of launchers from L-M based upon an approved Safety Assessment Report and System Safety Risk Assessment (Tr. 236, L. 10-18). Mr. Daniels stated that he was not familiar with the M270A1 Safety Assessment/Safety and Health Data Sheet report (Army Report 2, TAB 82) that concluded that the safety hazards had been resolved and that the launchers were acceptable for full materiel release (Tr. 236-237, L. 19-3). When asked what he meant when he stated that he was not familiar with these documents, Mr. Daniels acknowledged that "This is the first time I've seen them..." and "...I didn't take the time to look at it [sic] individually" (Tr. 237, L. 4-10).

The Army does dispute the allegation that unsafe launchers were deployed into "combat zones." After L-M identified safety defects with the launchers in September 2000, both the Army and L-M promptly undertook a series of actions to address and correct these defects. These corrective actions continued throughout the next few years (Army Report 2, pages 32-40). Mr. Daniels mentioned two incidents to support his position that unsafe launchers were fielded to soldiers in combat zones. Mr. Daniels stated that in both instances, the alleged unsafe condition of these launchers caused fires. However, Mr. Daniels also stated that he was made aware of these incidents "...by word of mouth..." and that he "...didn't know the circumstances." (Tr. 147, L. 7-15). In my discussions with AMCOM contracting officials after the interview, I learned that one incident referenced by Mr. Daniels occurred at the L-M Camden, Arkansas manufacturing facility when a contractor vehicle accidentally collided with an MLRS and triggered a fire. The second incident involved a soldier at Fort Hood who had improperly loaded rockets into the launcher which in turn caused a fire when the rockets were fired from the launcher. Neither incident was attributable to any critical safety defect related to the production of the actual MLRS system itself.

Mr. Daniels provided a matrix of safety hazards in support of his allegation that the Army deployed unsafe launchers (Tr. 135-136, Ex. 5). Exhibit 5 is the same document that is contained in Army Report 2, at TAB 83. Mr. Daniels also provided Exhibits 9-15 and Exhibit 18 to support his contention that unsafe launchers were fielded to deployed soldiers (Tr. 208-213, and 219-220). However, none of these documents contains any indication that unsafe launchers were actually deployed into combat zones. The most that can be ascertained from these documents is that the Army was aware of the defects and was actively engaged with L-M in finding corrections. The Army and L-M addressed the hazards identified in this matrix and Army Program and Safety officials concluded that acceptable safety solutions had been

developed with acceptable risk (Army Report 2, pages 41-42). The Army also fully explained the series of events that began in September 2000 when L-M first detected the safety issue involving "uncommanded gage movement" and that ultimately resulted in retrofit of existing launchers by September 2002 (Army Report 2, pages 30-40). Mr. Daniels provided no support for his assertion that any launcher containing a critical defect was deployed in theater. When asked if he was aware of whether the safety fixes in the "get well plan" were ever made, Mr. Daniels responded: "As far as I know, they may have been addressed, but I have no idea whether or not they were fixed, and I have no idea of what the status of the get well plan is." (Tr. 155, L. 19-22).

Mr. Daniels also relied upon an e-mail from [REDACTED] an AMCOM Safety Officer, dated October 4, 2002, to support his allegation that unsafe launchers were deployed to soldiers in "combat zones" (Tr. 215; Ex. 17 and Tr. 217). In that e-mail, [REDACTED] did express concerns about the safety of the system. However, to be specific, [REDACTED] statement expressed his belief that L-M had failed to comply the requirements of a particular military standard (MIL-STD-882, Army Report 2, TAB 64). The point [REDACTED] appeared to make was that he believed the "reliance on procedures" (in lieu of design changes) to resolve a critical safety defect was not authorized by the Military Standard. This same point of view was also expressed by the contracting officer back in February 2003 (Army Report 2, TAB 85). This issue was also addressed by the Army in its Report. The Army concluded that the Military Standard does not preclude the use of procedures such as the "3 meter rule" and the use of such procedures does not, by definition, render the system utilizing such procedures unsafe. (Army Report 2, pages 51-52).

I asked Mr. Daniels about [REDACTED] subsequent sworn statement and whether he had seen that sworn statement before the interview (Army Report 2, TAB 91). Mr. Daniels responded: "I've seen it but I didn't read it. I never knew it was in here. I never read the statement." (Tr. 238, L. 11-19). [REDACTED] stated in that sworn statement "...the problems discovered (particularly the uncommanded cage movement) were fixed by Lockheed Martin before the launchers were sent to the field"...and "[t]he allegation that unsafe launchers were actually sent to the field is an exaggeration of facts." This statement by [REDACTED] is perhaps the most telling in terms of supporting the Army conclusion that no unsafe launchers were deployed to troops in combat and is borne out by the statements of soldiers themselves (Army Report 2, TABs 93 and 94). (NOTE: It is my opinion that [REDACTED] was not diminishing the criticality of the safety defects that were initially detected in 2000 and were the subject of extensive "test and fix" efforts during the next few years, but rather was commenting upon the allegation of the risks to *soldiers in the field* (emphasis added) as being an "exaggeration of facts").

Mr. Daniels also provided an 8 July 2004, Memorandum for Record that documented a meeting that was held that date to discuss concerns raised by [REDACTED] an AMCOM attorney, regarding the M270A1 (Tr. Ex. 16). Mr. Daniels apparently participated in that meeting. Initially, Mr. Daniels indicated that this memorandum bolstered his allegation that unsafe launchers were delivered by L-M and accepted and fielded to soldiers in combat zones (Tr. 229-230). However, nothing in that memorandum raised a concern regarding the actual

safety of those systems. Rather, the most that can be gleaned from this Exhibit is that [REDACTED] as of that date, had not yet seen reports that indicated whether L-M had repaired certain defects *at no cost to the government* (emphasis added). Indeed, Mr. Daniels seemed to recognize the limited import of this memorandum in his follow up comments (Tr. 230, L. 3-8). According to [REDACTED] the defects being discussed were associated with a component of the launcher, the Improved Wiring Interface Unit (IWIU) that was being produced by Harris Corp. and not with the critical safety defects associated with the launcher itself. A subsequent Memorandum for Record, 13 July 2004, memorialized a follow-up meeting that was held on 9 July (Enclosure 2 to this Memorandum). Apparently, Mr. Daniels was also at that meeting. The Memorandum stated that as a result of the discussions at that meeting, the participants, including Mr. Daniels, unanimously agreed all issues had been resolved.

Regarding the Safety Assessment Report and the payment to L-M for efforts associated with preparing that report, the Army acknowledged that payments to L-M were improper and should not have been made (Army Report 2, pages 49-50, 57). The Army Report further indicated the contracting officer is pursuing reimbursement from L-M of those costs in the amount of \$1,000,000 (Army Report 2, TAB 97). Mr. Daniels acknowledged that he was unaware of the efforts by the AMCOM contracting officer to recover those costs (Tr. 149-150, L. 20-11). The Army Report also stated that the contracting officer is pursuing a claim against L-M in the amount of \$600,000 to recover costs the Army wrongfully paid L-M related to acceptance of defective launchers (Army Report 2, pages 51, 53-54, 58 and TAB 97). Mr. Daniels stated during the interview he was not aware of that action by the contracting officer (Tr. 150-151, L. 23-22).

Based upon the above, I believe that the Army Report fully and reasonably responds to Allegations 3 and 4 of the OSC Referral.

ALLEGATION 5. Acceptance of Five M270A1 Launchers Lacking Fire Control Systems

Mr. Daniels alleged that the Army paid L-M for five Fire Control Systems (FCS) that were never delivered to the Army. Army Report 1 described the events concerning these 5 FCS as follows:

1. In September 2001, the Army had a need to field a different weapon system, the High Mobility Artillery Rocket System (HIMARS). However, due to limited production capability, the HIMARS program lacked the necessary FCS components. Because HIMARS and MLRS use a common FCS, the Army took 5 FCS components from MLRS systems then being stored at Red River and installed them on the HIMARS. The Army then deployed the completed HIMARS to troops overseas (Army Report 1, page 31; TABs 35 and 39). Army Report 1 appears to contain an inconsistency in that, at page 31, the Report states these HIMARS were deployed to Iraq while at TAB 39, a witness recalls that these systems were deployed to Korea. This apparent inconsistency, while not explained in the Army Report, may reflect a change in Army deployment planning for these HIMARS. Given the time frame (i.e. September 2001), it is plausible that these HIMARS, originally planned for Korea, were eventually diverted to Iraq to

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support the war. Notwithstanding this inconsistency, it appears that the HIMARS were needed overseas by the Army in September 2001 and the 5 MLRS FCS were needed to allow the Army to conduct testing of these systems prior to their overseas deployment.

2. In early October 2002, the Army G-3 issued an urgent requirement to field MLRS to Iraq (Army Report 1, TAB 36).
3. In meeting that requirement, the Army discovered that the 5 FCS components had not yet been replaced on the MLRS at Red River (Army Report 1, pages 33-34).
4. The MLRS Program Office decided to obtain these 5 FCS from the L-M production line at Camden, Arkansas. The contracting officer directed L-M to ship 5 FCS to Red River and install them on the 5 MLRS that were missing their FCS (Army Report 1, page 32). Because the systems that were at L-M's production facility at Camden had not yet been submitted to the Army for acceptance, the Army had not paid for these 5 FCS.
5. By letter dated 15 October 2002, the contracting officer also authorized L-M to "ship short" 5 launchers that were in the process of being delivered, tested and accepted by the Army at the Camden facility (Army Report 1, TAB 37). (See also Enclosure 3 to this Memorandum wherein the contracting officer provides her rationale for this decision).

If the Army's rendition of the facts regarding these 5 FCS is accurate, then the Army received and paid for the correct number of FCS that L-M delivered. Because the Army had not paid L-M separately for the 5 FCS that were taken from the production line at their Camden facility, the payment to L-M for the 5 launchers that were "shipped short", i.e. minus their respective FCS, was not an overpayment but rather compensated L-M for the 5 FCS taken from their production line to meet the urgent MLRS fielding requirement.

Mr. Daniels acknowledged that in the October 2002 time frame, the Army had an urgent requirement to send MLRS systems to Iraq and upon receipt of that urgent requirement, the Army discovered that the 5 launchers at Red River that had been stripped of their FCS to support HIMARS, were still missing their FCS components (Tr. 163, L. 13-17; Tr. 248, L. 4-16). Mr. Daniels believes that contrary to the direction of the contracting officer, L-M actually returned the same 5 FCS that the Army had previously provided the HIMARS program in September 2001. Mr. Daniels stated that the 5 FCS that L-M shipped to the Army at Red River in October 2002 were FCS that L-M removed from those same HIMARS systems that had been provided MLRS back in September 2001 and did not come from the MLRS production line as directed by the contracting officer (Tr. 164, L. 7-12; Tr. 165, L. 5-21; Tr. 166-167, L. 22-12).

Mr. Daniels predicates his assertion on copies of L-M shipping documents which he obtained from DCMA (Tr. 161-162; Ex. 6). He pointed to a reference to a "G.O." number and, in some cases, to a HIMARS contract number, that appear on the shipping documents to support his supposition that the FCS components identified therein were not only HIMARS FCS units rather than MLRS components, but also the same exact FCS components initially provided the

HIMARS program in 2001 (Tr. 168-170, L. 22-8). During discussion of the Exhibit 6 shipping documents furnished by Mr. Daniels, he indicated he was not familiar with shipping documents of this type (Tr. 275, L. 3-6). When asked whether he had sought an explanation from the Red River employees who were identified on these documents as to the meaning of these documents after he had received them in 2003, Mr. Daniels stated he had not done so (Tr. 279, L. 12-16). Mr. Daniels stated that he did communicate with [REDACTED] and [REDACTED] at DCMA, but it appears to have been for the purpose of obtaining the shipping documents (Tr. 280-281, L. 20-19). Mr. Daniels admitted that upon receipt of these documents from DCMA in 2003, he did not contact the DCMA administrative contracting office official who had the responsibility for administering the contract and who had furnished him those documents [REDACTED], despite having reached the conclusion at that time that these documents reflected deceptive practices on the part of L-M. Mr. Daniels' explanation for not doing so was that he "...wanted to see a delivery schedule of when we would actually receive the assets..." (Tr. 293, L. 1-14.)

Mr. Daniels acknowledged that the e-mail message included as part of his Exhibit 6 contains direction from the contracting officer [REDACTED] to L-M to ship 5 FCS units from the MLRS production contract to Red River and that this direction is consistent with the direction provided by [REDACTED] in her 15 Oct 2002 letter to L-M (Tr. 288-291, L. 1-14). This direction is also consistent with that contained in Tr. Exhibit 20, paragraph 2.b.(4) and (7), which Mr. Daniels provided during the interview (Tr. 368-370). Mr. Daniels nonetheless asserted that the shipping documents support his contrary conclusion that L-M engaged in "deception" by actually shipping HIMARS FCS components to Red River, rather than the MLRS FCS components as directed (Tr. 291, L. 2-23).

Mr. Daniels asserted that Tr. Exhibit 7 also supported his contention. Mr. Daniels pointed out that the same serial numbers and part numbers as they appear on the shipping documents in Ex. 6 are referenced by the contracting officer in an attachment to her 15 Oct 2002 letter at Ex. 7 (Tr. 170, L. 12-23; Tr. 178-179, L. 6-7). The information contained in the attachment to Exhibit 7 which Mr. Daniels submitted with the October 15, 2002 letter does identify serial and part numbers belonging to FCS components. Mr. Daniels admitted, however, that this nomenclature could reference either HIMARS or MLRS FCS components, as the two systems' FCS are interchangeable (Tr. 270-272, L. 12-7). (I later observed that while Ex. 7 was submitted with an attachment that contained serial and part numbers, neither the 15 October 2002 letter at Army Report 1, TAB 37 nor Ex. 7, itself, contains any reference to attachments or enclosures).

Mr. Daniels' version of these events strains credulity. It is uncontroverted that the Army fitted HIMARS systems with the 5 FCS components from the MLRS launchers and that these HIMARS were thereafter deployed overseas (Army Report 1, page 31; TABs 35 and 39). If Mr. Daniels' version of this transaction is correct, then these same HIMARS were somehow returned from overseas by the Army sometime between September 2001 and October 2002 and made available to L-M at their Camden facility where, according to Mr. Daniels, L-M removed the FCS components and then shipped them back to Red River. According to Mr. Daniels, L-M

engaged in this deceptive activity yet included on their shipping documents references to the HIMARS contract which L-M then provided to DCMA as proof of their deception.

Mr. Daniels interpretation of the events back in 2002 would require such a confluence of unusual events as to make his version of that transaction highly implausible. It is much more likely that any reference to the HIMARS contract on these documents was made by L-M to identify the reason for the shipment of these FCS units to Red River, i.e. to annotate the forms to show that L-M was shipping the "in-production" FCS components to Red River in support of the HIMARS program "loan" from 2001. The CID investigation also concluded that L-M had delivered all FCS units required by the contract (Army Report 1, TAB 35, See "Agent's Note"). Given these circumstances, the Army Report provides a much more reasonable explanation of this transaction involving the 5 FCS than does Mr. Daniels. Mr. Daniels assertion as to the significance of the shipping documents contained in Exhibit 6 appears to be misguided.

Mr. Daniels also objected to this transaction involving the FCS on the basis that it constituted a funding violation (Tr. 247, L. 6-12). As explained in Army Report 1, page 31 and FN. 102-104, the 5 FCSs that were removed from the MLRS at Red River and placed on HIMARS in 2001 were government-owned property and Army Regulations authorized their use to support HIMARS. At the time the Army acquired these systems, the intended purpose was to support the MLRS program, not HIMARS. Although a subsequent need arose that required the Army to provide these FCS to the HIMARS program, the transfer of the 5 FCS in support of that need did not constitute a fiscal violation for the reasons stated in Army Report 1. Even assuming *arguendo* that this transaction was inconsistent with fiscal law, compliance was the responsibility of the Army, not L-M. However, as concluded in the Army Report, this transaction did not result in a fiscal violation and I agree with that conclusion.

ALLEGATION 6. Unauthorized Use of Warranty Spare Launcher Parts

Mr. Daniels alleged that L-M's use of warranted rotatable spare parts under Contract DAAH01-94-C-A005 was unauthorized and that as a result, the Army received used parts rather than new parts at the end of the warranty period. Mr. Daniels asserted that L-M improperly used these warranted spare parts to support Foreign Military Sales (FMS) requirements despite the fact that the FMS customers did not purchase a warranty under the contract (Tr. 184, L. 7-17; Tr. 193, L. 3-7; Tr. 309-311, L. 6-1).

The Army noted that the warranty requirements of the contract were contained in Clause A-11 and Attachment 11 of Modification PZ0008 and that the contract did not require certain specific administrative tasks associated with the warranty, such as maintaining a list of spares, documenting how spares were used, etc. (Army Report 1, page 37). Mr. Daniels disagreed with that position. Mr. Daniels pointed to correspondence from L-M to support his assertion that rotatable spares were used by L-M in a manner that was inconsistent with the warranty clause because L-M used these spares without written notification by the contracting officer (Tr. 190-191, L. 9-7; TAB B, Mr. Daniels' 23 July 2009 Letter). According to Mr. Daniels, the L-M letter at TAB B indicates two instances of improper warranty usage.

Although no documentation in the report indicated the contracting officer had provided written notification to L-M, the letter cited by Mr. Daniels at TAB B does establish that the contracting officer [REDACTED] as well as program management and DCMA officials knew of the use of these rotatable spares. Even assuming that the contracting officer did not issue a written notification to the contractor invoking the warranty provision, that does not necessarily lead to the conclusion that the Army is entitled to consideration for L-M's use of the warranted parts or that such use was unauthorized as alleged by Mr. Daniels.

The letter at TAB B indicates that Army officials were aware of L-M's use of the warranted parts. The warranted work was performed on systems that were Army property. Additionally, the contracting officer had actual knowledge of the condition of the warranted parts during the time the parts were being transferred to the Army in 2003 (Mr. Daniels 23 July 2009 Letter, TABs A, C, and D). The contracting officer's knowledge and acceptance of the warranted parts waived the notice provision that Mr. Daniels cited as his basis for concluding that such use was unauthorized and that the Army was therefore entitled to consideration for that use.

Mr. Daniels' objection to the use of the warranted parts in support of FMS requirements is without merit. The Army accepted MLRS deliveries from L-M at their Camden facility. At that point, the hardware became Army property subject to the terms of the warranty. After acceptance at Camden, the MLRS were then shipped to Red River where the Army conducted post-acceptance testing. The basis upon which the warranty clause was included in the contract was to allow the use of the warranty to replace defective parts during this post acceptance phase. Mr. Daniels disagreed, apparently based upon his assertion that since the FMS customers had not purchased warranty coverage, the use of the rotatable spares under the terms of the warranty clause was improper.

The Army had a responsibility to assure that MLRS intended for shipment to its FMS customers met contract requirements and were free from material defects. Invoking the warranty prior to shipment of these systems to the FMS customer fulfilled a requirement of the US Army. Had the Army shipped defective systems to its FMS customers, those customers would have had the legal right to return those systems to the Army or to otherwise require the Army to rework them at Army expense. The warranty coverage contemplated by the Army certainly included the use of rotatable spares under these circumstances and was for the direct benefit of the Army due to its obligation to deliver acceptable systems to its FMS customers.

Because the use of the rotatable spares by L-M was proper, the condition of these spares upon transfer of title to the government complied with the contract warranty. The contract required L-M to deliver spares not consumed in the performance of the contract in an "as is" condition. The inventory reflected that these parts were transferred to the Army in a serviceable condition (Mr. Daniels 23 July 2009 Letter, TAB A). Delivery therefore complied with the terms of the contract. (NOTE: The inventory at TAB A does indicate that only 17 of the 20 Couplings, Half, Part Number 13027121-3, were delivered to the Army at time of transfer. The contracting officer advised me that the total value of these 3 missing parts is *de minimus*, (\$1,960.17).

AMCCC

SUBJECT: Whistleblower Investigation, Office Of Special Counsel, Case File No. DI-00-1499

Additionally, the administrative costs associated with recouping this amount would likely exceed the value of any recovery.)


Based upon the above, I agree with the conclusion reached in the Army Report that Allegation 6 is unsubstantiated.

CONCLUSION.

Based upon my review of the Army Report, the interview with Mr. Daniels and the additional information presented in the course of conducting that interview, it is my opinion that the Army Report addressing OSC Case File DI-00-1499 contains the information required under subsection (d) of Title 5, United States Code, section 1213 and the findings contained therein appear reasonable.

Notwithstanding my conclusion, I note Mr. Daniels has expressed the position that until the additional allegations he raised in OSC Case File DI-09-0045 have been reasonably addressed by the Army, he considers this case to be an open matter (Tr. 391, Ex. 22).

3 Encls
as

 *se*
Special Assistant to the
Command Counsel



**DEPARTMENT OF THE ARMY
U.S. ARMY CONTRACTING COMMAND
AMCOM CONTRACTING CENTER
BUILDING 8303 MARTIN ROAD
REDSTONE ARSENAL, ALABAMA 35898-5000**

PFRMS Service Division

April 9, 2009

Mr. Horace Floyd
Financial Manager
Lockheed Martin Corporation
Missiles and Fire Control Dallas
P.O. Box 650003, M/S MC-09
Grand Prairie, TX 75265-0003

Dear Mr. Floyd,

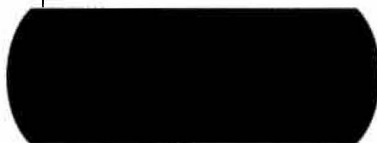
Pursuant to DFARS 252.227-7037, paragraph (d), this letter is a pre-challenge request for an explanation for the restrictions asserted by Lockheed Martin on the Government's use of the following technical data:

MIS-35095-19F delivered under Contract No. DAAH01-01-C0141.

MIS-35095-19E delivered under Contract No. DAAH01-98-C0157.

Copies of these documents are enclosed for your reference.

Please provide your explanation no later than COB 24 April 2009. If you have any questions, please feel free to contact the undersigned at (256) 842-6110.



2 Enclosure

Enclosure

Lockheed Martin Missiles and Fire Control
P.O. Box 650003 Dallas, TX 75265-0003



May 21, 2009

Document Control No.: TM-OGC-2009-000414-0

To: U. S. Army Contracting Command
AMCOM Contracting Center
Building 5303 Martin Road
Redstone Arsenal, AL 35898-5000

Attn: CCAM-TM-C/Mr. J. Snyder

Subj: Pre-challenge Request for Lockheed Martin Assertion of Restricted Rights

Ref: (a) AMSCC-AMC-TM-C Letter dated April 9, 2009
(b) Contract DAAH01-89-C-0336, Modification P00111 dated 10 July 1992
(c) VECP MI-C1450R1, Reduced Range Practice Rocket (RRPR) dated 3 May 1993
(d) VECP MI-C1450R1A1, Reduced Range Practice Rocket (RRPR) dated 22 November 1993

1. Lockheed Martin Missiles and Fire Control submits this response to the reference (a) letter that challenges the Contractor's assertion of restricted rights. The Contractor's assertion for the restriction of the Government's use of the below technical data is supported by the reference (b) contract modification, page 2, paragraph A-8, and references (c) and (d) Government approved VECP MI-C1450 specifically sheet 2, Description of Change, and pages 12-15, Developmental Status:

MIS-35095-19F delivered under Contract No. DAAH01-01-C-0141

MIS-35095-19E delivered under Contract No. DAAH01-98-C-0157

2. Should you have additional questions concerning this matter, please contact the undersigned at [REDACTED]

Respectfully,

[REDACTED]

[REDACTED]

Contracts Manager
Tactical Missiles/Combat Maneuver Systems

Enclosure

Cc: SFAE-MSLS-PF-BM-A/Mr. A. Pratte
DCMA Lockheed Martin/Mr. M. Hursey, ACO

Enclosure



DEPARTMENT OF THE ARMY
U.S. ARMY CONTRACTING COMMAND
ANCOM CONTRACTING CENTER
BUILDING 5303 MARTIN ROAD
REDSTONE ARSENAL, ALABAMA 35898-6000

May 28, 2009

PFRMS Service Division

Mr. Horace Floyd
Financial Manager
Lockheed Martin Corporation
Missiles and Fire Control Dallas
P.O. Box 650003, M/S MC-09
Grand Prairie, TX 75265-0003

Dear Mr. Floyd:

Reference your letter dated 21 May 2009, LM Control No. TM-OGC-2009-000414-0, subject: Pre-challenge Request for Lockheed Martin Assertion of Restricted Rights. In that letter, you cited Modification P00111 to Contract No. DAAH01-89-C-0336 as Lockheed Martin's reason for marking the subject technical data with a "Limited Rights" marking.

Please be advised that paragraph (a) (8) of Modification P00111 was superseded by Modification P00241 (enclosed) to the same contract. Under paragraph (a) (9) of the latter modification which incorporated section H-52 to the contract (attached to the modification), Lockheed Martin granted to the United States Government Purpose License Rights for domestic Government contracts. With the exception of the subject documents, almost all other technical data pertaining to the RRPR and the LCRRPR either have no restrictive markings or are marked in accordance with section H-52.

In view of the foregoing, I would appreciate an explanation as to why the subject documents were marked with a "Limited Rights" marking.

Sincerely,


Contracting Officer

Enclosure |

[REDACTED] CIV USA

From: [REDACTED] Mr CIV USA AMC
Sent: Wednesday, August 12, 2009 4:33 PM
To: [REDACTED] CIV USA
Subject: FW: Retrofit Clarifications (UNCLASSIFIED)
Attachments: IWIUJuly04.doc

Classification: UNCLASSIFIED
Caveats: NONE

[REDACTED] Here is a follow-on MFR to Exhibit 16.

-----Original Message-----

From: [REDACTED] USA AMC
Sent: Wednesday, August 12, 2009 2:48 PM
To: [REDACTED] CIV USA AMC
Subject: FW: Retrofit Clarifications

-----Original Message-----

From: [REDACTED] ACQ
Sent: Tuesday, July 13, 2004 4:30 PM
To: [REDACTED] ACQ; [REDACTED] ACQ; [REDACTED] ACQ
Cc: Daniels, Clarence N ACQ; [REDACTED] ACQ
Subject: RE: Retrofit Clarifications

[REDACTED], the following is a MFR for the follow-up meeting with legal on Friday 9 July

-----Original Message-----

From: [REDACTED] ACQ
Sent: Thursday, July 08, 2004 1:59 PM
To: [REDACTED] ACQ
Cc: [REDACTED] ACQ; Daniels, Clarence N ACQ; [REDACTED] ACQ; [REDACTED] [REDACTED]
Subject: Retrofit Clarifications

[REDACTED],

Per your request, attached is a record of conversation from the meeting with [REDACTED]

Classification: UNCLASSIFIED
Caveats: NONE

Enclosure 2

13 July 2004

MEMORANDUM FOR RECORD

SUBJECT: IWIU Harris Contract W31P4Q-04-C-0144

Reference: Follow up meeting from 8 July with [REDACTED] Mr. Daniels, [REDACTED] and [REDACTED] with legal concerns.

1. On 9 July a meeting was held with [REDACTED] Mr. Daniels, [REDACTED] [REDACTED] and [REDACTED] to discuss a path forward in award of the subject letter contract.
2. [REDACTED] concern of an apparent duplication of effort was addressed by the Project Office and there is no longer an issue.
3. [REDACTED] asked that when the [REDACTED] Proposal is received that the labor hours be looked at to ensure that there is no duplication. We discussed that the local DCMC quality representative could look at the labor effort and material parts received by [REDACTED] along with the Project Office personnel to address this.
4. [REDACTED] would provide the progression reports and efficiency reports within two weeks to track the development of the IWIU issue.
5. [REDACTED] will attempt to provide specifically who in the Project Office is ensuring that MOD P00042 instructions are followed.
6. Provide the Technical Direction Letters (TDLs) under the Industrial Engineering Services (IES) Program to ascertain no duplication of effort.

With the above conditions satisfied, it was agreed unanimously, that there are no current issues left and that the letter contract could be executed immediately with Harris.

[REDACTED]
Contracting Officer

Enclosure 2

J CIV USA

Subject: FW: RESPONSE TO QUESTION (UNCLASSIFIED)
Attachments: REASON FOR AUTHORIZING SHIP SHORT.doc

-----Original Message-----

From: [REDACTED] M Ms CIV USA AMC
Sent: Friday, July 31, 2009 11:19 AM
To: [REDACTED] CIV USA
Cc: [REDACTED] CIV USA AMC; [REDACTED] Mr CIV USA AMC
Subject: RE: RESPONSE TO QUESTION (UNCLASSIFIED)

Classification: UNCLASSIFIED
Caveats: NONE

[REDACTED]
I will have to check with Jim next week to see when he will be available and then let you know.

Also, after thinking more about your question concerning my ship-short decision (October 2002 Letter) I thought perhaps I could simplify and as such please see the following:

- 1) There were 5 launchers sitting at RRAD in which the PM decided to remove the FCS' and provide them to the HIMARS Program.
- 2) The HIMARS Maturation Program always planned on having the FCS' provided as GFP. Note: I believe that the M270A1 PM [REDACTED] and the HIMARS PM [REDACTED] having an MOU addressing how HIMARS would reimburse the M270A1 Program for procuring the FCS' for HIMARS.
- 3) The HIMARS Program did not have all the required funding to procure the FCS' under the M270A1 contract. so the PM at that time [REDACTED] made the decision to pull 5 FCS' from the launchers sitting at RRAD and give them to the HIMARS Program so that they could meet an urgent (classified) requirement that was levied on them.
- 4) The M270A1 Program then was directed to ship their 5 launchers which were at RRAD to meet their own urgent need, however, now the launchers did not have the FCS'.
- 5) The PM then directed LMMFC to pull 5 FCS' from the launchers at Camden that they were getting ready to deliver and had them ship the FCS' to RRAD and installed on those launchers so he could meet his new schedule.
- 6) This left LMMFC with launchers to be delivered without FCS' due to the PMO direction.
- 7) I did not feel that it was fair to penalize LMMFC by effecting their cash-flow simply because they complied with the PM direction, and as such made the decision to allow LMMFC to ship-short without adjusting the unit price.

It has always been my opinion that contracting officer's not only have the responsibility to protect the interests of the government, but they also need to deal with the contractor fairly.

V/R
[REDACTED]

-----Original Message-----

From: [REDACTED] Ms CIV USA AMC
Sent: Thursday, July 30, 2009 4:02 PM
To: [REDACTED] CIV USA
Cc: [REDACTED] CIV USA AMC
Subject: RESPONSE TO QUESTION (UNCLASSIFIED)

Enclosure 3

Classification: UNCLASSIFIED
Caveats: NONE

[REDACTED]

I have attached my explanation. If you need additional information please let me know.

V/R

[REDACTED]

Classification: UNCLASSIFIED
Caveats: NONE

Classification: UNCLASSIFIED
Caveats: NONE

Enclosure 3

REASON FOR AUTHORIZING SHIP SHORT

ALLEGATION:

Mr. Daniels alleges that [REDACTED] by letter dated 15 October 2002 permitted Lockheed Martin to deliver five M270A1 launchers, under contract DAAH01-00-C-0109 from which the Fire Control System (FCS) equipment had been removed without adjusting the price of the launchers to reflect the missing equipment.

RESPONSE:

The Program Manager (PM) directed that five FCS be removed from the M270A1 launchers and provided to the HIMARS program to meet an immediate need. We then moved five FCS' from the production line to field the five M270A1(s) on another urgent need. At no time did the Army accept launchers minus required equipment. We accepted the FCS's before the launchers.

My decision to allow Lockheed Martin to ship short in October 2002 was an attempt to keep the M270A1 launchers on schedule, as once launchers are accepted at Camden that does not conclude the acceptance process. Once DD-250'd the launchers are then shipped to Red River Army Depot (RRAD) where they undergo an additional acceptance process. The RRAD functions at that time included performing a receipt inspection for count and condition, ATP, induction into the COSIS program, painting, installing radios and tool boxes, purging the software, notifying Lockheed of any defects found and require correction prior to shipment. Note: Launchers remain at RRAD until there are enough to field a battalion (19 each).

It is my opinion that Mr. Daniels' allegation is reckless and a disregard of all the facts. Bottom-line, the government as a whole was not injured and there were never any M270A1 launchers delivered to the units without FCS'.

Enclosure 3

Mr. Clarence N. Daniels
1503 Sparkman DR NW APT: N109
Huntsville, AL 35816
July 23, 2009

[REDACTED]
Army Materiel Command, HQ
Office of the Command Counsel, (AMCCC)
9301 Chapek Rd
Ft. Belvoir, Virginia 22060

[REDACTED]
Please accept my additional comments and the documents listed below and attached hereto in support of my allegations which were referred for investigation by the Secretary of the Department of Army (DA), by the US Office of Special Counsel (OSC), case file number DI-00-1499 and as requested in your 17 Jul 09, letter.

1. A copy of the background information to Contracting Officer 15 October 2002 letter (TAB 37 of DA Report of Investigations (ROIs), no. 1) was provided to you during the course of the interview and that information was included in Exhibit 7.
2. Lockheed Martin's (LM), and DCMA, ACO rotatable spares audit reports are provided under **TAB A** of the attachments to this letter.
3. Two letters regarding Lockheed Martin use of the spares warranty is provided under **TAB B** of the attachments to this letter.
4. Contracting Officer email circa 2003 regarding my rotatable spares concern is provided under **TAB C** of the attachments to this letter.
5. A cover letter to TAB 42 of DA Report 1 (a listing of spare parts) is provided under **TAB D** of the attachments to this letter.
6. *Complete number of fax pages to Exhibit 6 (The "Request for Shipment" forms provided by DCMA). Fax is provided under **TAB E** of the attachments to this letter.
*Page 014 of 015 cannot be currently located and will be provided asap.
7. Supporting documents concerning the ten (10) emails sent to you on 15 July, 2009 between 5:30PM -5:50 PM and emails of July 16th and 17th, are provided under **TAB F** of the attachments to this letter.

Enclosure 3

8. Post Business Clearance Memorandums (BCMs), for the final settlement and incorporation of VECP 1450A1 into contract no. DAAH01-89-C-0336 are provided under TAB G of the attachments to this letter.

Again I want to reiterate that the 5 year delinquent DA, ROIs were misguided and are incomplete, the findings are based on false unfounded assumptions and the conclusions are in no way consistent with documented facts of the case, contract law, first-hand witness statements, statutory requirements, and the legal basis upon which the LM admitted \$1.4M, IES contract cost mischarging Settlement was based. The DA, ROIs lack or ignored the plain language of the negotiated Industrial Engineering Services (IES), contracts, substantial relevant credible evidence, recent significant relevant events, personal conflicts of interests, and relevant first-hand witness statements provided by the whistleblower to the OSC over the last 8 years.

Despite a more than five year DA investigation none of the questioned cost-reimbursable Industrial Engineering Service (IES), contracts were subjected to essential forensic contract cost data mining, forensic post-award cost, technical, or government property audits related directly to prior confirmed LM contract mischarges, confirmed IES insidious contract cost transfers and overpayments, and covert multi-million government property misuse and its theft by deception.

Literally years of essential and relevant LM, IES contract cost data, past M270A1/HIMARS launcher safety and performance data and reports, IES contract data item cost reports, accounting ledgers, invoices, pertinent books, and records generated and compiled at considerable government expense appear to have been completely ignored by DA investigators. This fact alone cast serious doubt as to the intent, veracity, and rudimental completeness of the purported DA, ROIs.

DA investigation/interview of significant government and contractor first-hand witnesses, current relevant events, and relevant parts of my supplemental allegations to DI-00-1499 submitted to OSC on 30 Sep 05 (DI-09-0045, \$84M+) were not included as part of the DA, ROIs as presented, such as:

24 Apr 03, ACO issuance of Corrective Action Request (CAR), no. DCM03-058 -- DAAH01-98-C-0138 multi-million dollar labor cost mischarging as confirmed by DCMA and DCAA, LM resident offices with no known LM corrective actions or DA recoupment of mischarged costs to date.

Lockheed Martin's alleged ethical and implicative conflict of interest violations surrounding the most recent purported recruitment and hiring of Mr. Jim Byrne, the former Deputy to the US Office of Special Counsel for work in its corporate legal office in July of 2008 along with Mr. James Comey, former Deputy to the US Attorney General.

Lockheed Martin illegal attempt to recoup through its overhead costs the \$1.4 million dollar settlement amount for previous IES contract mischarges in brazen violation of FAR 52.216-7, "Allowable Cost and Payment" and the expressly prohibitive language included in the fully executed Jan 05, IES contract cost mischarging Settlement Agreement.

An apparent willing and credible LM former IES Contract Manager and collaborating first-hand witness for the Government identified to the OSC, appears to have been completely ignored and never contacted by DA investigators.

The alleged LM theft by deception in collusion with perfidious AMCOM and PEO management officials of more than \$4.5 million in false claims through fraudulent manipulation and inflation of the total negotiated fixed price contract line item amounts for M270A1 initial spare parts option quantities that had been previously awarded under contract number DAAH01-98-C-0138. Total obligated line item amounts as shown in the contract were falsified by phantom decreases made to the contract by modification no. P00030.

The conditional acceptance and improper full contract price payment for more than 100 non-conforming and unsafe MLRS, M270A1 launchers by the Government. LMMFC is contractually obligated to perform all post acceptance corrective action required, at no additional cost to the Government, to bring all previously delivered launchers into full contract compliance, pursuant to FAR 52.246-2(1) of fixed price production contracts DAAH01-98-C-0138 and DAAH01-00-C-0109. LM corrective action is being surreptitiously performed at government expense under government cost-type Engineering Services contracts DAAH01-98-C-0157, DAAH01-00-C-0141, and other government funded MLRS contracts. Fraudulent costs being charged to the Government for LM required corrective action to bring the launchers into full contract compliance with safety and performance specifications are currently estimated at more than \$60 million.

These significant supplemental allegations and a heretofore myriad of DA, ROI false statements, inexcusable omissions of relevant material facts, and first-hand witness statements and documentation are none the less inseparable from any credible investigation of DI-00-1499 and must be reasonably addressed by the DA and also made a part of the permanent sworn and documented record.

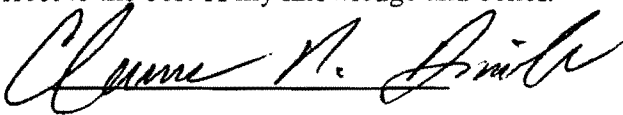
Notwithstanding the conclusion of my interview it must be understood that I will not consider my interview or statements made during its conduct to be conclusive concerning the questioned DA,ROIs until all heretofore inseparable allegations contained in both OSC Case File DI-00-1499 (\$100M+) and DI-09-0045 (\$84M+) have been reasonably investigated and addressed by the DA.

Based on my review of the DA, ROIs, and considering the amount of available credible relevant evidence and previous audits confirming collusive LM contract fraud that are overwhelmingly contrary to DA, ROIs findings, I believe a full and properly focused investigation of the suspected government perpetrators that were complicit in the LM confirmed fraud is in order along with the conduct of necessary comprehensive forensic post-award cost accounting, technical, and government property audits of the questioned MLRS, IES and production contracts. Accordingly, any new proposed investigations of DI-00-1499 and its 30 Sep 05, Supplement (DI-09-0045), of any sort should be immediately and independently conducted by the Office of the Secretary of Defense, (OSD) or by higher authority.

Declaration

I, CLARENCE N. DANIELS, do hereby declare:

I declare under penalty of perjury under the laws of the United States of America that the foregoing comments and the attached supporting documentation are true and correct to the best of my knowledge and belief.



July 23, 2009

SIGNATURE

DATE

CF, with w/o Attachments,

Hon. William E. Reukauf, Acting US Special Counsel
Hon. Eric Holder, US Attorney General
Hon. Robert Gates, Secretary of Defense
Hon. Pete Geren, Secretary of the Army
Hon. Gordon S. Heddell, DOD, Inspector General
Director, Federal Bureau of Investigation
US Attorney for the Northern District of Alabama
US Attorney for the District of Columbia
US Attorney for the District of Maryland
US Attorney for the District of Virginia
Government Accountability Office, Fraud-Net
DOJ, National Procurement Fraud Task Force
US Office of Personnel Management, Inspector General
GSA, Inspector General

Daniels, Clarence N CIV USA AMC

From: Daniels, Clarence N CIV USA AMC
Sent: Wednesday, July 15, 2009 4:45 PM
[REDACTED]
Subject: FW: Rotables (UNCLASSIFIED)
Attachments: A005 ROTABLE INVENTORY.xls

Classification: UNCLASSIFIED
Caveats: NONE

[REDACTED]

The email records shown below are forwarded for your consideration in reference to the DA, ROIs concerning OSC case files DI-00-1499 and DI-09-0045.

Call me if you have any questions.

Best Regards,
Clarence N. Daniels
Contract Specialist
256 876-8980

-----Original Message-----

From: [REDACTED]
Sent: Friday, March 21, 2003 12:17 PM
To: 'Clarence Daniels'; [REDACTED]
[REDACTED]
Subject: FW: Rotables

For your info.

-----Original Message-----

From: [REDACTED]
Sent: Thursday, March 20, 2003 10:37 AM
To: [REDACTED]
Subject: FW: Rotables

[REDACTED] the info on the rotatable spares that is being pulled and prepared for shipping.

-----Original Message-----

From: Walker, Sheila [mailto:sheila.walker@lmco.com]
Sent: Thursday, March 20, 2003 10:32 AM
To: [REDACTED]
Subject: Rotables

<A005 ROTABLE INVENTORY.xls>

TAB A

**INVENTORY AND CONDITION CODES FOR
DAAH01-94-C-A005 ROTABLE SPARES**

NOMENCLATURE		PART NUMBER	Contract AMT	ON HAND	ETI Reading	SERIAL NUMBERS AND CONDITION CODES		
1	Hoist, Rocket Pod	13027524	2	2		511466 - C-A4	511745 - C-A4	
2	Control Assy, Elect	13029120	2	2		472057 - C-B5	472502 - C-A4	
3	SNVT	13030280	4	4		621704 - C-A1 C-A1	621705 - C-A1 621782 - C-A1	621720 -
4	PDB	13209070	3	3		0462 - C-A5	1301 - C-A1	1324 - C-A1
5	Cable Assy, W1	13030310	3	3		5015 - C-A1	5021 - C-A1	5045 - C-A1
6	Cable Assy, W9	13030314	2	2		5034 - C-A1	5035 - C-A1	
7	Cable Assy, W15	13030317	3	3		2234 - C-A1	5033 - C-A1	5074 - C-A1
8	Cable Assy, W35	13030329	1	1		5039 - C-A1		
9	Cable Assy, W59	13030339	1	1		5017 - C-A1		
10	Cable Assy, W60	13030340	1	1		5011 - C-A1		
11	Cable Assy, W61	13030341	1	1		5022 - C-A1		
12	Cable Assy, W80	13030352	1	1		5009 - C-A1		
13	Cable Assy, W81	13030353	1	1		5028 - C-A1		
14	adapter, umb	13032050-1	20	20		C-A1		
15	adapter, umb	13032050-2	20	20		C-A1		
16	FCU 130201125	13210265 (5) Ea	6	6	0187 0201 0162 0073 0267	413048-C-A4 413068 -C-A4	413051-C-A4 413072 -C-A4	413055-C-A4
17	FCU 130201125	13207593 (1) Ea			0259	410921 -C-A4		
18	Boom Controller	13031127	2	2		392540 - C-A1	000008 - C-A4	
19	FCP 13031129	13209110	4	4	0311 0696 0881 0132	531175 - C-A4 (Norden) 532567 - C-A1	532565 - C-A1 532568 - C-A1	
20	Comms Processor	13032365	2	2		592626 - C-A1	592628 - C-A1	
21	EU	13210269 (2 EA)	6	6	0277	570779 - C-A4	572116 - C-A4	
22	EU	13210255 (4 EA)			0123 0256 0371 0335	573027 - C-A4 573125 - C-A4	573087 - C-A4 573154 - C-A4	
23	Gear Box	13026550	2	2		860316 - CA4	861400 - C-A5	
24	Control Assy	13026553	2	2		452605 - C-A1	452532 - C-A5	
25	Actuator, Travel Lock	13026653	2	2		351063 - C-A4	351849 - C-A1	
26	Transmission Brake	13026663	4	4		171510 - C-A4 171559 - C-A1	171557 - C-A1 171282 - C-A1	
	Motor, AZ Servo	13027126	3	3		321325-C-A4	231449-C-A4	231456-C-A4

*TAB A
DCMCA, ACO*

**FINAL INVENTORY AND CONDITION CODES FOR
DAAH01-94-C-A005 ROTABLE SPARES**

NOMENCLATURE		PART NUMBER	Contract AMT	ON HAND	ETI Reading	SERIAL NUMBERS AND CONDITION CODES
28	Motor, EL Servo	13027127	3	3		241347 -C-A1 241339-C-A4 241414 -C-A1
29	Heat Exchanger	13027137	2	2		251541 - C-A1 251549 - C-A1
30	Coupling Half	13027121-2	20	20		C-A1
31	Coupling Half	13027121-3	20	17		C-A1
32	Transducer, AZ	13027536	4	4		290371 - C-A5 290533 - C-B5 291541 - C-A4 291734 - C-A1
33	SRP	13030770	6	6	2166 0437 0340 0283 0510 0300	370953 -C-A1 371549 -C-A1 371563 -C-A1 371583 -C-A1 371584 -C-A1 371588 -C-A1
34	EB	13032070	2	2		183009 - C-B7 183147 - C-B7
35	PIM	13210270 (1 EA)	3	3	0166	651211 - C-A4
36	PIM	13209125 (2 EA)			0100 0422	651334 - C-A 4 651521 - C-A4
37	EL Valve Mod Assy	13027131	6	6		285 - C-A1 461 - C-A4 548 - C-A4 620 - C-A1 694 - C-A1 695 - C-A1
38	AZ Valve Mod Assy	13029626	3	3		834 - C-A1 1040 - C-A1 1046 - C-A1
39	Micro Cir.	13207802	4	0		Consumable
	Micro Cir.	13207803	2	0		Consumable
41	EMI Filter	91020-01NXX	2	0		Consumable

DISPOSAL - CONDITION CODES (FAR 45.606-5)	DEFINITION	EXPANDED DEFINITIONS
1	Unused - Good	Unused property that is usable without repairs and identical or interchangeable with new item from normal supply source.
2	Unused - Fair	Unused property that is usable without repairs but is deteriorated or damaged to the extent that utility is somewhat impaired.
3	Unused - Poor	Unused property that is usable without repairs but is considerably deteriorated or damaged. Enough utility remains to classify the property better than salvage.
4	Used - Good	Used property that is usable without repairs and most of its useful life remains.
5	Used - Fair	Used property that is usable without repairs, but is somewhat worn and may soon require repairs.
6	Used - Poor	Used property that may be used without repairs, but is considerably worn or deteriorated to the degree that remaining utility is limited or major repairs will soon be required.
7	Repairs required - Good	Required repairs are minor and should not exceed 15% of original acquisition cost. Under 16% of acquisition cost
8	Repairs required - Fair	Required repairs are considerable and are estimated to range from 16% to 40 % of original acquisition cost. 16 - 40% of acquisition cost
9	Repairs required - Poor	41 - 65% of required repairs are major because the property is badly damaged, worn, or deteriorated, and are acquisition cost estimated to range from 41% to 65% of original acquisition cost.
X	Salvage	Property has some value in excess of its basic material content, but repair or rehabilitation to use for the originally intended purpose is clearly impractical. Repair for any use would exceed 65% of the original cost
S	Scrap	Material that has no value except for its basic material content.

FORMS USED WITHIN THIS DOCUMENT

SUPPLY CONDITION CODES (DFAR 245.606-5)	DEFINITION	EXPANDED DEFINITIONS
A	Serviceable - Issuable without qualification	New, used, repaired, or reconditioned property which is serviceable and issuable to all customers without limitations or restriction. Includes material with more than 6 months shelf-life remaining.
B	Serviceable - Issuable with qualification	New, used, repaired, or reconditioned property which is serviceable and issuable for its intended purpose but which is restricted from issue to specific units, activities, or geographical areas by reason of its limited usefulness or short service life expectancy. Includes material with 3 through 6 months shelf-life remaining.
F	Unserviceable - Repairable	Economically repairable property which requires repair, overhaul or reconditioning. Includes repairable items which are radioactively contaminated.
H	Unserviceable - Condemned	Property which has been determined to be unserviceable and does not meet repair criteria.
S	Unserviceable - Scrap	Property that has no value except for its basic material content.

Daniels, Clarence N CIV USA AMC

From: Daniels, Clarence N CIV USA AMC
Sent: Wednesday, July 15, 2009 4:47 PM
Subject: FW: Residual Warranty Spares, DAAH01-94-C-A005. (UNCLASSIFIED)
Attachments: UNACCOUNTABLE RESIDUAL WARRANTY SPARES.xls

Classification: UNCLASSIFIED
Caveats: NONE

[REDACTED]

The email records shown below are forwarded for your consideration in reference to the DA, ROIs concerning OSC case files DI-00-1499 and DI-09-0045.

Call me if you have any questions.

Best Regards,
Clarence N. Daniels
Contract Specialist
256 876-8980

-----Original Message-----

From: Daniels, Clarence N ACQ
Sent: Thursday, April 03, 2003 10:45 AM
To: 'horace.floyd@lmco.com'

[REDACTED]

Subject: Residual Warranty Spares, DAAH01-94-C-A005.

[REDACTED]

Attached for your review is a draft final listing of all the remaining used or consumed residual warranty spares extracted from the final listing provided by your firm. In order for this office to compute the final revised total costs associated with any contractually unpermitted or Government unverifiable prior use or consumption of the warranty spares by LMMFC, including the lack of LMMFC performance of required warranty administration, the following additional information will be required:

EB, PN: 13032070 unit cost?
PIM, PN: 13210270 unit cost?
PIM, PN: 13209125 unit cost?
Micro Cir, PN: 13207802 unit cost?
Micro Cir, PN: 13207803 unit cost?
EMI Filter, PN: 91020-01NXX unit cost?
Total LMMFC proposed Camden and Dallas warranty administration for the subject contract WBS, OAB.

Request your response as soon as possible or in conjunction with this office's current outstanding written requests for information concerning LMMFC warranty administration and prior use of the subject warranty spares, whichever is earlier.

Thanks,
Clarence N. Daniels

NOUN	PART	SERIAL	CONDITION	UNIT	COMPOSITE			
	NUMBER	NUMBER	CODE	QTY.	PRICE	OVH + Profit	TOTAL	
Hoist, Rocket Pod	13027524	511466	A4	1	32,980.00	0.3723	12278.45	45,258.45
Hoist, Rocket Pod	13027524	511745	A4	1	32,980.00	0.3723	12278.45	45,258.45
Control Assy, Elect	13029120	472057	B5	1	7,454.00	0.3723	2775.12	10,229.12
Control Assy, Elect	13029120	472502	A4	1	7,454.00	0.3723	2775.12	10,229.12
FCU 130201125	13210265	413048	A4	1	41,687.00	0.3723	15520.07	57,207.07
FCU 130201125	13210265	413068	A4	1	41,687.00	0.3723	15520.07	57,207.07
FCU 130201125	13210265	413051	A4	1	41,687.00	0.3723	15520.07	57,207.07
FCU 130201125	13210265	413072	A4	1	41,687.00	0.3723	15520.07	57,207.07
FCU 130201125	13210265	413055	A4	1	41,687.00	0.3723	15520.07	57,207.07
FCU 130201125	13207593	410921	A4	1	41,687.00	0.3723	15520.07	57,207.07
Boom Controller	13031127	000008	A4	1	1,161.00	0.3723	432.24	1,593.24
FCP 13031129	13209110	531175	A4	1	21,459.00	0.3723	7989.19	29,448.19
EU	13210269	57779	A4	1	68,699.00	0.3723	25576.64	94,275.64
EU	13210269	572116	A4	1	68,699.00	0.3723	25576.64	94,275.64
EU	13210255	573027	A4	1	68,699.00	0.3723	25576.64	94,275.64
EU	13210255	573125	A4	1	68,699.00	0.3723	25576.64	94,275.64
EU	13210255	573087	A4	1	68,699.00	0.3723	25576.64	94,275.64
EU	13210255	573154	A4	1	68,699.00	0.3723	25576.64	94,275.64
Gear Box	13026550	860316	A4	1	14,535.45	0.3723	5411.55	19,947.00
Gear Box	13026550	861400	A5	1	14,535.45	0.3723	5411.55	19,947.00
Control Assy	13026553	452532	A5	1	5,368.95	0.3723	1998.86	7,367.81
Actuator, Travel Lock	13026653	351063	A4	1	8,642.70	0.3723	3217.68	11,860.38
Transmission Brake	13026663	171510	A4	1	14,753.70	0.3723	5492.80	20,246.50
Motor, AZ Servo	13027126	321325	A4	1	14,892.00	0.3723	5544.29	20,436.29
Motor, AZ Servo	13027126	231449	A4	1	14,892.00	0.3723	5544.29	20,436.29
Motor, AZ Servo	13027126	231456	A4	1	14,892.00	0.3723	5544.29	20,436.29
Motor, EL Servo	13027127	241339	A4	1	16,776.00	0.3723	6245.70	23,021.70
Coupling Half	13027121-2		A1	3@	476.13	0.3723	177.26	653.39
Transducer, AZ	13027536	290371	A5	1	4,047.53	0.3723	1506.90	5,554.43
Transducer, AZ	13027536	291541	A4	1	4,047.53	0.3723	1506.90	5,554.43
Transducer, AZ	13027536	290533	B5	1	4,047.53	0.3723	1506.90	5,554.43
EB	13032070	183009	B7	1		0.3723	0.00	0.00
EB	13032070	183147	B7	1		0.3723	0.00	0.00
PIM	13210270	651211	B7	1		0.3723	0.00	0.00

TAB A

Missing Parts
e-mail

PIM	13209125	651334	A4	1		0.3723	0.00	0.00
PIM	13209125	651521	A4	1		0.3723	0.00	0.00
EL Valve Mod Assy	13027131	461	A4	1	7,196.30	0.3723	2679.18	9,875.48
EL Valve Mod Assy	13027131	548	A4	1	7,196.30	0.3723	2679.18	9,875.48
Micro Cir.	13207802		CONSUME	4@		0.3723	0.00	0.00
Micro Cir.	13207803		CONSUME	2@		0.3723	0.00	0.00
EMI Filter	91020-01NXX		CONSUME	2@	0	0.3723	0.00	0.00
SUBTOTAL					912,103.57		339576.16	1,251,679.73

CAMDEN WARRANTY ADM
DALLAS WARRANTY ADM

WBS: OAB

35,729.00

1,287,408.73

Lockheed Martin Vought Systems
P.O. Box 650003 Dallas, TX 75265-0003
Telephone 972-603-1000

LOCKHEED MARTIN 

3-19210/1998L-5320

To: Commander
U.S. Army Aviation and Missile Command
Redstone Arsenal, Alabama 35898-5000

AMSAM-AC-TM-C/Mr. Clarence Daniels

Contract DAAH01-94-C-A005, FY 95 Production
Warranty Claim Action

- 1 Lockheed Martin Corporation Vought Systems has received the following warranty claim actions. These items submitted against the subject contract will be counted toward the threshold for expected failures:

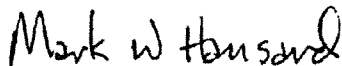
<u>WCA</u>	<u>P/N</u>	<u>S/N</u>	<u>NOMENCLATURE</u>
W1800259	13030280	621655	Short No Volt Test (SNVT)
W1800260	13033220	231325	Motor, Servo-Azimuth

2. Please ship the following items to the address below:

Lockheed Martin Corporation Vought Systems
Arkansas Highway 205
Highland Industrial Park
East Camden, AR 71701
Attention: Sheila Walker

3. Should you have any questions regarding this matter, please contact the undersigned at (972) 603-2664.

Sincerely,



M. W. Hansard
Contract Administrator - MLRS

cc: AMSAM-AC-TM-C/Ms. K. James, PCO
SFAE-MSL-ML-MG/Mr. A. Pratte
DCMC Lockheed Martin Vought Systems/Ms. D. L. Williams, ACO





DEPARTMENT OF THE ARMY
UNITED STATES ARMY AVIATION AND MISSILE COMMAND
REDSTONE ARSENAL, ALABAMA 35898-5000

December 4, 1998

REPLY TO
ATTENTION OF

Field Data Division

SUBJECT: Contract DAAH01-94-C-A005, Warranty Claim Actions W18L00259 and W18L00260

Ms. Kathy Verrijce
Manager MLRS Production Programs
Lockheed/Martin/Vought Systems
PO Box 650003, MS-MC09
Dallas, TX 75265-0003

Dear Ms Verrijce:

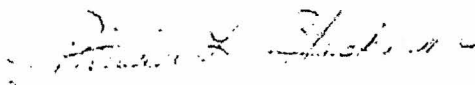
The warranted items, SNVT SN621655 and AV Servo Motor SN 231325, on the subject claims were returned to your repair facility per your request. Since a delay in return of the items to the Army could have an adverse affect on the combat readiness and/or efficient logistical support of the system, it is imperative that the items be repaired/replaced and returned as soon as possible.

In order for this office to better monitor and plan for the return of these items, it is requested that your office provides and estimated date of return for each of the items. It is also requested that actions be taken by Lockheed/Martin/Vought Systems to assure compliance with these return dates.

Again, should there be any disagreement as to the applicability of the warranty provisions of this contract to the item contained herein, or should there be any other reason which would deter the contractor from expeditiously proceeding under the warranty provisions, the contractor shall immediately notify the PCO and apprise him/her of the circumstances related thereto.

The point of contact in the MICOM Customer Interface Team is Mr Billy D. Medlock at 256-842-7986.

Sincerely,


KATHLEEN D. MIDDLECOMBE
Chief, Customer Interface Team

CF:
PCO - AMSAM-AC-CBCA, Mr. James Ganoe
CAS - Mr. Randy Sanders, DCMC

TAB B

DEPARTMENT OF THE ARMY
UNITED STATES ARMY AVIATION AND MISSILE COMMAND
REDSTONE ARSENAL, ALABAMA 35898-5000



REPLY TO
ATTENTION OF

March 20, 2003

AMSAM-AC-TM-C

Mr. William Kennedy
Lockheed Martin Missiles and Fire Control (LMMFC)
Post Office Box 650003, MS MC-09
Dallas, Texas 75265-0003

Dear Mr. Kennedy:

Reference contract DAAH01-94-C-A005, shipping instructions for delivery of residual warranty rotatable spares to the Government.

In accordance with the requirements of the referenced contract all residual warranty rotatable spares accountable under the contract are to be shipped immediately after inventory and condition code verification by the Government to the following address utilizing the specified fund cite:

W8007A
Defense Distribution Depot Red River
ATTN: Angelika Pippen, Phone: (903) 334-2811
BRX, Bldg. 592 Purpose Code "S"
Texarkana, TX 75507-5000

Fund Cite: 21320200000022088244210101122NL012121ARDA36FRTARDAHQDA390
ARDE TAC Code: ARDE

Neither shipment or Government acceptance of the residual warranty rotatable spares specified in this letter shall in any way relieve LMMFC of any obligation to the Government for any previous use of the warranty spares for purposes not permitted by the contract warranty requirements.

Questions or comments should be addressed to Mr. Clarence N. Daniels at (256) 876-8980.

Sincerely,

A large black rectangular redaction box covering the signature area.

CF: DCMA, Attn: D. Williams



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
UNITED STATES ARMY AVIATION AND MISSILE COMMAND
REDSTONE ARSENAL, ALABAMA 35898-5000

January 7, 2003

MLRS Contracting Office

Mr. Horace Floyd
Lockheed Martin Missiles and Fire Control (LMMFC)
Post Office Box 650003, MS MC-09
Dallas, Texas 75265-0003

Dear Mr. Floyd:

Reference contract DAAH01-94-C-A005, and LMMFC letter no. 3-19210/2002L-5330, dated, June 19, 2002 concerning required delivery of residual warranty Rotable Spares to the Government.

Your referenced letter indicates that LMMFC has no documentation on residual warranty rotatable spares which supports their use for the purposes required and prescribed by the contract warranty requirements. The documents provided indicate that only two (2) documented warranty exchanges occurred.

In order to ensure that these spares were properly utilized, please provide LMMFC's position on how these parts were utilized to include the procedures followed for repair work and on what was done on this contract by LMMFC under warranty administration which was required and paid for under the contract.

Any questions or comments should be addressed to Mr. Clarence N. Daniels at (256) 876-8980.

Sincerely,



CF: DCMA, Attn: D. Williams
DCMA, Attn: D. Howe

AN EQUAL OPPORTUNITY EMPLOYER

TAB C

AN EQUAL OPPORTUNITY EMPLOYER

Lockheed Martin Missiles and Fire Control - Dallas
P.O. Box 650003 Dallas, TX 75265-0003
Telephone 972-603-1000

LOCKHEED MARTIN 

3-19210/2001L-5535

15 November 2001

To: Commander
U. S. Army Aviation and Missile Commander
Redstone Arsenal, Alabama 35898-5000

Attn: AMSAM-AC-TM-C/Mr. James Snyder, PCO

Subj: Contract DAAH01-94-C-A005, FY 94/95, MLRS GFY 94
Attachment "11" to PZ0008 Rotable Spares

Ref: (a) Contract DAAH01-94-C-A005 Paragraph A-11 Entitled "List of Rotable Spares"
(b) AMSAM letter dated 9 November 2001 requesting delivery of the Subject Contract Rotable Spares

Encl: (1) Attachment "11" for Contract DAAH01-94-C-A005 Modification PZ0008

1. Pursuant to the reference (a) of the subject contract and the reference (b) letter request, Lockheed Martin Corporation, Missiles and Fire Control - Dallas (hereinafter Lockheed Martin) herewith provides as Enclosure (1) the Rotable Spares to be delivered to the Government .
2. Lockheed Martin respectfully requests the Government provide shipping instructions to include name and address for the Enclosure (1) Rotable Spares.
3. Should you have any questions regarding this proposal please contact the undersigned at (972) 603-0454.

Sincerely,



Jimmy J. Crouch
Financial Manager MLRS - Production Contracts

Cc: AMSAM-AC-TM-C/Mr. C. Daniels
SFAE-MSL-ML-MG/Mr. A. Pratte
DCMC Lockheed Martin/Ms. D. Williams, ACO

November 9, 2001

MLRS Contracting Office

Mr. J. J. Crouch
Lockheed Martin Missiles and Fire Control (LMMFC)
Post Office Box 650003, MS MC-09
Dallas, Texas 75265-0003

Dear Mr. Crouch:

Reference contract DAAH01-94-C-A005, modification number PZ0008, concerning LMMFC submission of detailed cost or pricing data pursuant to the Azimuth Drive Unit (ADU), subcontract re-opener clause and delivery of residual warranty Rotable Spares to the Government.

Your recent submission of cost or pricing data for the final negotiation and settlement of the ADU subcontract with proposed subcontractor FWM is not sufficient for evaluation and negotiation by the Government. Your proposal does not address the actual LMMFC in-house qualification, testing, and fabrication costs of the ADU units as opposed to the negotiation and award of a subcontract to FWM, as stated in your proposal to the Government and as certified by your certificate of current cost or pricing data.

In order for the Government to complete its evaluation for negotiation and final settlement of the ADU subcontract re-opener clause as required by the contract terms, LMMFC must submit a detailed ADU proposal. The ADU proposal should encompass all allocable, allowable, and incurred costs required for delivery under the referenced contract terms including ADU qualification, testing, and fabrication.

Final LMMFC delivery of Rotable Spares to the Government as required under the terms of the referenced contract is past due. At the end of the contract warranty period all residual Rotable spares not consumed in performance of the warranty became property of the Government pursuant to page 4, paragraph, "A-11" of the referenced modification. LMMFC must make these spares available for immediate delivery to the Government.

Request a revised ADU proposal be submitted to this office no later than 9 Dec 01. Written identification, quantity, and location of all residual warranty Rotable spares should be provided to this office no later than 15 Nov 01. Questions or comments concerning the content of this letter should be addressed to Mr. Clarence N. Daniels at (256) 876-8980 or the undersigned at (256) 842-6110.

Sincerely,

A solid black rectangular box redacting the signature of the Contracting Officer.

Contracting Officer

CF: DCMA, Attn: D. Williams
DCMA, Attn: D. Howe

Lockheed Martin Missiles and Fire Control - Dallas
P.O. Box 650003 Dallas, TX 75265-0003
Telephone 972-603-1000

Attachment 34

LOCKHEED MARTIN 

3-19210/2002L-5330

19 June 2002

To: Commander
U. S. Army Aviation and Missile Command
Redstone Arsenal, Alabama 35898-5000

Attn: AMSAM-AC-TM-C/Mr. James Snyder PCO

Subj: Contract DAAH01-94-C-A005, FY 94/95, MLRS GFY 94
Production Contract, Rotable Spares

Ref: (a) AMCOM request for Lockheed Martin Missile and Fire Control
To Provide all Paperwork pertaining to use of Rotable Spares

1. In response to the reference (a) request, Lockheed Martin Missile and Fire Control-Dallas (hereinafter referred to as Lockheed Martin) has provided to the Government, under separate cover, all available documentation including the Request for Shipment (RFS) forms on file at LMMFC- Camden, Arkansas. It is further understood that Red River Army Depot (RRAD) can no longer provide documentation pertaining to the use of these Rotable Spares.
2. Should you have questions regarding this matter, please contact the undersigned at (972) 603-0454.

Respectfully,



J. J. Crouch
Financial Manager - MLRS Launcher Production

cc: AMSAM-AC-TM-C/Mr. C. Daniels
SFAE-MSL-PF-BM-AP/Mr. A. Pratte
DCMC Lockheed Martin Corp/Ms. D. Williams, ACO

TAB D

Daniels, Clarence N CIV USA AMC

From: Daniels, Clarence N CIV USA AMC
Sent: Wednesday, July 15, 2009 4:36 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: M270 common spares at Camden (Rotable List for A005 Contract). (UNCLASSIFIED)

Classification: UNCLASSIFIED
Caveats: NONE

[REDACTED]

The email records shown below are forwarded for your consideration in reference to the DA, ROIs concerning OSC case files DI-00-1499 and DI-09-0045.

Call me if you have any questions.

Best Regards,
Clarence N. Daniels
Contract Specialist
256 876-8980

-----Original Message-----

From: Williams, Deborah [mailto:dwilliams@dcmdw.dema.mil]

Sent: [REDACTED]

To: [REDACTED]

Cc: [REDACTED]

[REDACTED]

Subject: FW: M270 common spares at Camden (Rotable List for A005 Contract).

[REDACTED]

Please be very careful if these items go out. We need to maintain a complete accounting of the items. Note Clarence's message that he needs a complete accounting, condition codes etc. of these items. Please keep your records so we will have them to compare with what Lockheed provides to the PCO. I would suggest you provide something to Clarence and myself upon shipment we have it for future records and possible legal issues.

We have been battling with Lockheed to obtain a refund. They cannot show us where they utilized the spares for warranties and are providing us parts that are not Condition Code A.

Keep in contact and be sure we include Clarence on whatever you do because of the legal conditions and the Government's desire that we be reimbursed for those items that are not new.

-----Original Message-----

From: Daniels, Clarence N ACQ
[mailto:clarence.daniels@redstone.army.mil]
Sent: Thursday, March 20, 2003 8:09 AM

To: [REDACTED] ACQ

Cc: [REDACTED]

Subject: RE: M270 common spares at Camden (Rotable List for A005 Contract).

The PMO needs to provide us a CRP with a fund cite to cover shipping/packaging and related costs and stating at a minimum the required quantities to be shipped, the shipping address and required delivery dates. Since proper LMMFC contractual utilization, accountability, and consumption of these \$4.8M in Government residual warranty spares has yet to be determined, all spares actually shipped by LMMFC that are not in new or like new condition (code A) must be noted and a list compiled with a copy furnished to this office.

Thanks, Clarence

-----Original Message-----

From: [REDACTED]

Sent: Wednesday, March 19, 2003 6:36

To: Daniels, Clarence N ACQ

Subject: FW: M270 common spares at Camden (Rotable List for A005 Contract)

Here's what I have ... check with Tony to see if we can release this stuff and what we should get from DCMC in the way of verification of what we are getting and the condition of each. Will send you the other message from Allen also. Get with Ricky also for GBL fund site and a clear direction to ship. thanks,

-----Original Message-----

From: Kennedy, Bill

Sent: Wednesday, March 19, 2003 3:33 PM

To: [REDACTED]

Subject: RE: M270 common spares at Camden (Rotable List for A005 Contract)

One issue on the rotatable spares list.

There has been an administrative error on the rotatable spares list since day one. The error being the omission of 6 SRP's from the list. Records seem to indicate that these were bought for the rotatable pool but inadvertently left off the list in the awarding mod and every list since.

Therefore, when you send me the shipping instructions for these items that are to support the war effort, please use the attached list that includes the SRP's

Please get back with me ASAP.

Thanks,
Bill Kennedy

-----Original Message-----

From: Kennedy, Bill

Sent: Wednesday, March 19, 2003 8:44 AM

Subject: FW: M270 common spares at Camden (Rotable List for A005 Contract)

I didn't see you on distribution for this e-mail...

Do you anticipate sending us direction to ship these spares to support the war effort? Please let me know ASAP because the guys in Camden are ready to prepare them for shipment but we need, as a minimum, a commitment from the government that the "official" direction to ship will be coming shortly.

-----Original Message-----

From: [REDACTED]@sl.army.mil]

Sent: Tuesday, March 18, 2003 1:07 PM

To: Ricky Holder

Cc: [REDACTED]

abby (E-mail 2)

Subject: Re: M270 common spares at Camden (Rotable List for A005 Contract)

Please direct LMMFC to immediately ship these parts to the the PM account "BRX" at Red River. Ron can provide you the complete address.

Thanks,

>>> [REDACTED]@lmco.com> 03/18/03 10:30AM >>>

I hope this will help with the M270 common parts need in Kuwait

Contract Close Out -

Dallas Contracts completed the A005 property review in August of last year.

These parts were procured to support the Camden M270 Launchers. The parts were review and coded by Camden quality and DCMA both Camden & Dallas representative. At that point all Camden required was shipping instruction.

Dallas contracts requested disposition several months ago from Huntsville.

Maybe Jim Snyder could assist in expediting the required instruction.

The attached lists of parts are in new or like new condition.

<<005 USE-FINAL.xls>>

Camden can be prepared to ship with 1 or two days after notification.

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that is required is for Dallas contracts to be provided disposition information.

**INVENTORY AND CONDITION CODE REPORT
DAAH01-94-C-A005 ROTABLE SPARES**

O	NOMENCLATURE	PART NUMBER	Contract			SERIAL NUMBERS & CONDITION CODES		
			Amt	On/Hand	Short			
1	12	Hoist, Rocket Pod	13027524	2	2		511466 - C-A4	511745 - C-A4
2	14	Control Assy, Elect	13029120	2	2		472057 - C-B5	472502 - C-A4
3	18	SNVT	13030280	4	4		621704 - C-A1 621720 - C-A1	621705 - C-A1 621782 - C-A1
4	34	PDB	13209070	3	3		0462 - C-A5	1301 - C-A1 1324 - C-A1
5	19	Cable Assy, W1	13030310	3	3		5015 - C-A1	5021 - C-A1 5045 - C-A1
6	20	Cable Assy, W9	13030314	2	2		5034 - C-A1	5035 - C-A1
7	21	Cable Assy, W15	13030317	3	3		2234 - C-A1	5033 - C-A1 5074 - C-A1
8	22	Cable Assy, W35	13030329	1	1		5039 - C-A1	
9	23	Cable Assy, W59	13030339	1	1		5017 - C-A1	
10	24	Cable Assy, W60	13030340	1	1		5011 - C-A1	
11	25	Cable Assy, W61	13030341	1	1		5022 - C-A1	
12	26	Cable Assy, W80	13030352	1	1		5009 - C-A1	
13	27	Cable Assy, W81	13030353	1	1		5028 - C-A1	
14	44	adapter, umb	13032050-1	20	20		C-A1	
15	45	adapter, umb	13032050-2	20	20		C-A1	
16	30	FCU 130201125	13210265 (5) Ea	6	6		413048-C-A4 413068 - C-A4	413051-C-A4 413072 - C-A4 413055-C-A4
16	30	FCU 130201125	13207593 (1) Ea				410921 - C-A4	
17	31	Boom Controller	13031127	2	2		392540 - C-A1	000008 - C-A4
18	35	FCP 13031129	13209110	4	4		531175 - C-A4 532567 - C-A1	532565 - C-A1 532568 - C-A1
19	33	Comms Processor	13032365	2	2		592626 - C-A1	592628 - C-A1
20	36	EU	13210269 (2 EA)	6	6		570779 - C-A4	572116 - C-A4
20	36	EU	13210255 (4 EA)				573027 - C-A4 573125 - C-A4	573087 - C-A4 573154 - C-A4
21	3	Gear Box	13026550	2	2		860316 - CA4	861400 - C-A5
22	4	Control Assy	13026553	2	2		452605 - C-A1	452532 - C-A5
23	5	Actuator, Travel Lock	13026653	2	2		351063 - C-A4	351849 - C-A1
24	6	Transmission Brake	13026663	4	4		171510 - C-A4 171559 - C-A1	171557 - C-A1 171282 - C-A1
25	7	Motor, AZ Servo	13027126	3	3		321325-C-A4	231449-C-A4 231456-C-A4

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TAB
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**INVENTORY AND CONDITION CODE FOR
DAAH01-94-C-A005 ROTABLE SPARES**

O	NOMENCLATURE	PART NUMBER	Contract			SERIAL NUMBERS & CONDITION CODES
			Amt	On/Hand	Short	
26	8 Motor, EL Servo	13027127	3	3		241347 - C-A1 241339-C-A4 241414 -C-A1
27	10 Heat Exchanger	13027137	2	2		251541 - C-A1 251549 - C-A1
28	40 Coupling Half	13027121-2	20	20		C-A1
29	41 Coupling Half	13027121-3	20	17		C-A1
30	13 Transducer, AZ	13027536	4	4		290371 - C-A5 290533 - C-B5 291541 - C-A4 291734 - C-A1
31	32 EB	13032070	2	2		183009 - C-B7 183147 - C-B7
32	37 PIM	13210270 (1 EA)	3	3		651211 - C-A4
32	37 PIM	13209125 (2 EA)				651334 - C-A 4 651521 - C-A4
33	9 EL Valve Mod Assy	13027131	6	6		285 - C-A1 461 - C-A4 548 - C-A4 620 - C-A1 694 - C-A1 695 - C-A1
34	16 AZ Valve Mod Assy	13029626	3	3		834 - C-A1 1040 - C-A1 1046 - C-A1
35	Micro Cir.	13207802	4	0		Consumable
36	Micro Cir.	13207803	2	0		Consumable
37	EMI Filter	91020-01NXX	2	0		Consumable

Fax Header Sheet

DCMA Lockheed Martin Dallas
P.O. Box 650003, Mail Stop PT-03
Dallas, TX 75265-0003

Date: 5-29-03
Of Pgs: 15
(Including Header Sheet)

To: Clarence Daniels
Phone No: _____
Fax No: _____

From: _____
Phone No: _____
Fax No: _____

Subject: FCI's

Remarks: _____

- Immediately
- Routine
- For Official Use Only

TAB E

[REDACTED]
From: [REDACTED]@lmco.com
Sent: Thursday, October 17, 2002 11:03 AM
To: [REDACTED]
Subject: FW: Change Order; Contract DAAH01-00-C0109

Per your request.

[REDACTED] LRIP Programs
(972) 603-1338, FAX (972) 603-1476
donald.shipp@lmco.com
Page (800) 867-1584 or donald.shipp@myairmail.com

-----Original Message-----

From: Floyd, Horace
Sent: Thursday, October 10, 2002 5:42 PM
To: [REDACTED]
And [REDACTED]
Subject: FW: Change Order; Contract DAAH01-00-C0109

Below is the Contracting Officer's direction for LMMFC-D to commence the
RRAD activity as discussed with Don Shipp. Please proceed with this
direction.

-----Original Message-----

From: [REDACTED] M ACQ [REDACTED]
Sent: Thursday, October 10, 2002 5:28 PM
To: 'Horace.Floyd@lmco.com'
Cc: Holder, Ricky (TactMSL); Pratte, Allen (TactMSL)
Subject: Change Order; Contract DAAH01-00-C0109

Under the authority of the Changes Clause of the subject contract, LMMFC is
hereby directed to send a team to Red River Army Depot ,DDRT, with 5 sets of
IFCS LPUs borrowed from the LRIP 3 production line and install them on 5
M270A1
launchers, and check the launchers to insure they are functional(Run Command
Built in Test(CBIT), perform offload, run a fire mission). The contractor
is
also authorized to use ICS assets and/or LRIP 4 production hardware to
support
any failures of the launcher hydraulic equipment. LMMFC is not authorized
to
expend in excess of \$100,000 in the performance of this effort without
further
approval of the Contracting Officer.
[REDACTED]

10/18/2002 15:45 FAX 258 878 3482

MLRS ACQ CTR

LOCKHEED

002



DEPARTMENT OF THE ARMY
UNITED STATES ARMY AVIATION AND MISSILE COMMAND
3506 MARTIN ROAD
REDSTONE ARSENAL, ALABAMA 35894-0001

DIRTY TO
ATTENTION OF

AMSAM-AG-TM-C

MLRS Acquisition Division

15 October 2002

SUBJECT: Contract DAAH01-00-C-0109, M270A1 LRIP III Launcher Acceleration

[Redacted]

Lockheed Martin Missiles and Fire Control-Dallas
Post Office Box 65003
Dallas, Texas 75265-0003

Dear [Redacted]:

Lockheed Martin Missile and Fire Control - Dallas' request for Government approval to accelerate delivery of the last five (5) upgraded LRIP III M270A1 launchers utilizing slaved hardware, which is defined as the process of using the same set of Fire Control System (FCS) hardware i.e.; FCP, LIU, WIU, PSU and PNU; to test and sell-off up to five (5) M270A1 launchers, with the FCS hardware being removed following signing of the DD-250 and used on the next launcher to be tested and sold allowing LMMFC-D to invoice in full is authorized.

However, the approval to deliver is contingent upon the parties agreeing to the following:

- FCS hardware to be removed following DD-250;
- Contractor is authorized to expend and collect all cost over and above normal production, i.e. to install and remove slave hardware before and after PUT, final function, DD-250 and protection/preservation prior to Care of Supplies in Storage (COSIS). Specific tasks associated with protection/preservation will be provided to the contractor not later than 31 October 2002;
- Warranties to remain until hand-off if agreed upon COSIS procedures are followed.

If you have any further comments or questions on this matter you may contact the undersigned at telephone: [Redacted]

Sincerely,


[Redacted Signature]

Contracting Officer

Part #		SERIAL #	SERIAL #	SERIAL #	SERIAL #	SERIAL #
13545542	PSU	170304	170256	170306	170307	170299
13209480	FCP	540404	540450	540470	540466	540479
13209565	LIU	120254	120260	120249	120258	120257
13209665	WIU	580538	580535	580526	580527	580536
13211827	PNU	380404	380405	380402	380396	380410
13214814	BM CTL	935011	935015	390504	390758	390399

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MATERIAL INSPECTION AND RECEIVING REPORT										FORM APPROVED DMD NO. 2448-100	
<p>The public receiving branch for the contract or instruction is authorized to accept up to 50 million per contract, including items of receiving protection, packaging marking, shipping and handling for the contract, and accepting and handling the evaluation of inspection. Such acceptance regarding the better utilization of the contract is the selection of information, including suggestions for reducing the contract in Department of Defense, West-Asian Manufacturing Services, Director for Production Operations and Program (7704-0000), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Acceptance must be made by the contractor or subcontractor or other person of law, no person shall be exempt to any penalty for failing to comply with a condition of inspection if it does not display a currently used DMD contract number.</p> <p>PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ADDRESS.</p> <p>SEND THIS FORM IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE OFFERS, APPENDIX FOUR.</p>											
1. PRODUCTION INSTRUMENT IDENTIFICATION (CONTRACT) NO.			2. ORDER NO.		3. INVOICE ACQUATE		4. PAGE		5. OF		6. ACCEPTANCE POINT
DAAH01-00-C-0106											5
7. PART-OUT NO.		8. DATE SHIPPED		9. I. I.L.		10. DESCRIPTION TERM					
CAM0034		2002NOV12E		704 65XV08295A		A					
11. PUBLIC CONTRACTOR				CODE		64059		12. ADMINISTERED BY		CODE	
LOCKHEED MARTIN CORP MISSILES & FIRE CONTROL 1701 W. MARSHALL DRIVE GRAND PRAIRIE, TX 45051-0003								DCMC - DALLAS 1200 MAIN STREET DALLAS, TX 75202-4399		S4402A	
13. SHIPPED UNDER CONTRACT BY				CODE		62313		14. FOR: S		15. PAYMENT WILL BE MADE BY	
LOCKHEED MARTIN MISSILES & FIRE CONTROL HIGHLAND INDUSTRIAL PARK P. O. BOX 1015 EAST CAMDEN, AR 71701										CODE	
										HQ0299	
16. SHIPPED TO				CODE		W45G19		17. MARKED FOR			
DXU W280 FIED RIVER MUNITIONS CTR RECEIVING BUILDING 489 10 ST AND K AVE TEXARKANA, TX 75507-5000											
18. ITEM NO.	19. STOCK/PART NO.	DESCRIPTION				20. QUANTITY	21. UNIT	22. UNIT PRICE	23. AMOUNT		
0001	M270A1 LAUNCHER					1	EA				
0008	REMANUFACTURE LAUNCHER 1055-01-450-4243 13213300 LAUNCHER, M270A1 FY: A060 SERIAL NUMBER: 4AA00221	LAUNCHER SHIPPED LESS 5 COMPONENTS (FCP, LIU, WIU PSU AND PNU) BY AMCOM APPROVAL, PER LETTER FROM COLLEN M. RODRIGUEZ, DATED OCTOBER 16, 2002.				1	EA				
24. CONTRACT QUALITY ASSURANCE						25. RECEIVER'S USE					
<p>a. <input checked="" type="checkbox"/> COA <input type="checkbox"/> ACCEPTANCE of final items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.</p> <p>b. <input type="checkbox"/> COA <input type="checkbox"/> ACCEPTANCE of final items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.</p>						<p>Quantities shown in column 20 were received in accordance with contract, except as noted.</p> <p>DATE RECEIVED: <u>2002 OCT 24</u></p> <p>SIGNATURE OF AUTHORIZED REPRESENTATIVE: </p> <p>TYPED NAME: SCARLA</p> <p>TITLE:</p> <p>MAILING ADDRESS:</p> <p>COMMERCIAL TELEPHONE NUMBER: 870-570-0200</p>					
26. CONTRACTOR USE ONLY						27. DISTRIBUTION					
CAM0034 DD 250 NUMBER: 12731						<p>DCMC Dallas LMS ACC ATTN: Debbie Williams MURS ACC MS FT-03 Trayer Building</p> <p>DCMC Dallas (DCMDW-GSF) ATTN: Joyce Sheela 1200 Main Street Dallas, TX 75202-4399</p> <p>Can Use CAD-1 - Original Donna Cuthrell CMP-24 Jeremy Hornback 12LC Doris Williams (2PE Coordinator) M143 DCMC Camden Office POC: Randy Curbasbery AMSAM-AC-TM-C (Procure Admin) ALJ Joy Konyak / SFAB-MSL-4P / Procure Admin, AL</p>					

MATERIAL INSPECTION AND RECEIVING REPORT						FORM APPROVED ONE NO. DPM-242	
<p>The purpose of this report is to provide a record of the inspection of material received by the contractor. It is to be used for identifying deficiencies, recording corrective actions, and providing a basis for the contractor's quality control system. It is to be used for identifying deficiencies, recording corrective actions, and providing a basis for the contractor's quality control system. It is to be used for identifying deficiencies, recording corrective actions, and providing a basis for the contractor's quality control system.</p> <p>PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ADDRESS.</p> <p>SEND THIS FORM IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE SPANISH APPENDIX F-301.</p>							
1. PROCUREMENT INSTRUMENT IDENTIFICATION (CONTRACT) NO.		2. DATE SHIPPED		3. QUANTITY		4. DISCOUNT TERMS	
DAAH01-00-C-0109		2002NOV12E		55XV03298A		A	
5. PUBLIC CONTRACTOR				6. ADDRESS PART BY			
LOCKHEED MARTIN CORP MISSILES & FIRE CONTROL 1701 W. MARSHALL DRIVE GRAND PRAIRIE, TX 45051-0003				DCMC - DALLAS 1200 MAIN STREET DALLAS, TX 75202-4399			
7. SHIPPED FROM (if other than 5)				8. PAYMENT WILL BE MADE BY			
LOCKHEED MARTIN MISSILES & FIRE CONTROL HIGHLAND INDUSTRIAL PARK P. O. BOX 1015 EAST CAMDEN, AR 71701				DPAS - COLUMBUS CENTER WEST ENTITLEMENT OPERATIONS P.O. BOX 182381 COLUMBUS, OH 43218-2381			
9. SHIPPED TO				10. WORKED FOR			
10J W390 RED RIVER MUNITIONS CTR RECEIVING BUILDING 499 10 ST AND K AVE TEXARKANA, TX 75507-6000							
13. ITEM NO.	14. STOCKPART NO.	15. DESCRIPTION		16. QUANTITY SHIPPED	17. UNIT	18. UNIT PRICE	19. AMOUNT
0001	M270A1 LAUNCHER			1	EA		
0008	REMANUFACTURE LAUNCHER 1055-01-450-4243 13213300 LAUNCHER, M270A1 FY: A081 SERIAL NUMBER: 4AA00123	LAUNCHER SHIPPED LESS 5 COMPONENTS (FCP, LIJ, WIJ PSU AND PNU) BY AMCOM APPROVAL, PER LETTER FROM COLLEN M. RODRIGUEZ, DATED OCTOBER 15, 2002.		1	EA		
21. CONTRACT QUALITY ASSURANCE				22. RECEIVER'S USE			
I, <input checked="" type="checkbox"/> CGA <input type="checkbox"/> ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.				I, <input type="checkbox"/> CGA <input type="checkbox"/> ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.			
DATE: <u>Nov 28 2002</u> SIGNED: <u>[Signature]</u> TITLE: <u>SA402A</u> COMMERCIAL TELEPHONE NUMBER: <u>870-570-0200</u>				DATE RECEIVED: _____ SIGNED BY AUTHORIZED GOVERNMENT REPRESENTATIVE: _____ TITLE: _____ MAILING ADDRESS: _____ COMMERCIAL TELEPHONE NUMBER: _____			
23. CONTRACTOR USE ONLY				DISTRIBUTION			
CAM0095 DD 250 NUMBER: 12732				DCMC Delta LMYS ACO ATTN: Debbie Williams MLRS ACO MS 97-03 Thayer Building DCMC Delta (DCMDW-GBF) ATTN: Joyce Shweta 1200 Main Street Dallas, TX 75202-4399			

20'd

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MATERIAL INSPECTION AND RECEIVING REPORT							FORM APPROVED DOD AC 2000-004	
<p>The public reporting burden for this collection of information is estimated to average 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden to the Bureau of Economic Analysis, Director for Information Operations and Reports (2024-0101), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Responses should be sent to Washington Field Office, 4000 Reservoir Road, Alexandria, VA 22304. Send all requests for change of form to the same office. Do not send responses to this collection of information to the address above. PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ADDRESS. SEND THIS FORM IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE DETAILS APPENDIX PAGE.</p>								
1. PROCUREMENT INSTRUMENT IDENTIFICATION (CONTRACT) NO.		2. ORDER NO.		3. INVOICE NUMBER		7. PAGE	OF	8. ACCEPTANCE POINT
DAAH01-DC-C-0109						1	1	5
9. CONTRACT NO.		10. DATE SHIPPED		11. ORDER NUMBER		12. DISCOUNT TERMS		
CAM0039		2002DEC10E		HDSXXXXX00158		A		
13. PRIME CONTRACTOR				14. ADMINISTERED BY		15. CODE		16. S4402A
LOCKHEED MARTIN CORP MISSILES & FIRE CONTROL 1701 W. MARSHALL DRIVE GRAND PRAIRIE, TX 45051-0003				DCMC - DALLAS 1200 MAIN STREET DALLAS, TX 75202-4399				
17. SHIPPED FROM (Manufacturer)				18. FOR: 6		19. PAYMENT WILL BE MADE BY		20. CODE
LOCKHEED MARTIN MISSILE & FIRE CONTROL HIGHLAND INDUSTRIAL PARK P. O. BOX 1015 EAST CAMDEN, AR 71701						DFAS - COLUMBUS CENTER WEST ENTITLEMENT OPERATIONS P.O. BOX 182381 COLUMBUS, OH 43218-2381		H00339
21. SHIPPED TO				22. SHIPPED FOR				
XXU W390 RED RIVER MUNITIONS CTR RECEIVING BUILDING 499 10 ST AND K AVE TEXARKANA, TX 75507-5000								
10. ITEM NO.	11. STOCK/PART NO.	12. DESCRIPTION			13. QUANTITY	14. UNIT	15. UNIT PRICE	16. AMOUNT
0001	M270A1 UPGRADE LAUNCHER 1055-01-450-4243 13213300 LAUNCHER, M270A1 FY: A082 SERIAL NUMBER: 4AA00129	LAUNCHER SHIPPED LESS 5 COMPONENTS (FCP, LIU, WIU PSU AND PNU) BY AMCOM APPROVAL, PER LETTER FROM COLLEN M. RODRIGUEZ, DATED OCTOBER 15, 2002.			1	EA		
23. CONTRACT QUALITY ASSURANCE				24. DESTINATION		25. RECEIVER'S USE		
<p>a. ORIGIN <input checked="" type="checkbox"/> COA <input type="checkbox"/> ACCEPTANCE of test item has been made by me or under my supervision and they conform to contract, except as noted herein or in supporting documents.</p> <p>2002 Nov 14 DATE</p>				<p>b. DESTINATION <input type="checkbox"/> COA <input type="checkbox"/> ACCEPTANCE of test item has been made by the originator's representative and they conform to contract, except as noted herein or in supporting documents.</p>		<p>Quantities shown in column 13 were received in apparent good condition except as noted.</p>		
<p>TYPED NAME: [REDACTED] TITLE: SCAGDA MAILING ADDRESS: [REDACTED] COMMERCIAL TELEPHONE NUMBER: 870-670-0200</p>				<p>SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE: [REDACTED]</p>		<p>DATE RECEIVED: [REDACTED] SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE: [REDACTED] TYPED NAME: [REDACTED] TITLE: [REDACTED] MAILING ADDRESS: [REDACTED] COMMERCIAL TELEPHONE NUMBER: [REDACTED]</p>		
23. CONTRACTOR USE ONLY				DISTRIBUTION				
CAM0039 DD ESO NUMBER: 12757				<p>DCMC Data: LMYS ACO ATTN: Debbie Williams MLRS ACO M/S PT-02 Theyer Building DALLAS, TX 75202-4399</p> <p>Don Nov CAD-11 - Original Dorinda Cuchuli - CMP-74 Jenny Hammack - 12LC Curtis Williams - GFE Coordinator - M143 DCMC Camden Office POC: Randy Castleberry ASISAM-AC-TM-C (Redstone Arsenal, AL) Judy Kennedy / SF A2-MSL-ML-IP / Redstone Arsenal, AL</p>				

MATERIAL INSPECTION AND RECEIVING REPORT

FORM APPROVED
 GHS NO. 870-0204

This form reports on the collection of inspection information as required in clause 1.36, Minimum Defect Report, including those for incoming materials, including specific data required covering and maintaining the data needed, and comparing and reviewing the collection of information. Good coverage regarding this program includes any other aspects of the collection of information, including regulations for reporting the Division to Department of Defense, Washington Manufacturing System, Council for Information Collection and Reports (DFAS-0204), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Responsibility is placed on the contractor to ensure that the information is accurate and that the contractor shall be subject to any penalty for failing to comply with a schedule of inspection & it does not display a currently used CAGE control number.
 PUBLIC: DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ADDRESS.
 SEND THIS FORM IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE GUIDE, APPENDIX, PART 1.

1. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER DAAH01-00-C-0109	2. REPORT NO. CAM0038	3. DATE SHIPPED 2003DEC10E	4. R/R R/R	5. ORDER NO./DATE HDSXK000161 55703289A	6. QUANT. TERMS A	7. PRICE NO./DATE	8. PRICE	9. RECEIPT POINT
10. NAME OF CONTRACTOR LOCKHEED MARTIN CORP MISSILES & FIRE CONTROL 1701 W. MARSHALL DRIVE GRAND PRAIRIE, TX 45021-0003	11. CODE 64059	12. ADMINISTERED BY OCMC - DALLAS 1200 MAIN STREET DALLAS, TX 75202-4390	13. CODE S4402A	14. SHIPPED FROM (Contractor Use) LOCKHEED MARTIN MISSILES & FIRE CONTROL HIGHLAND INDUSTRIAL PARK P. O. BOX 10715 EAST CAMDEN, AR 71701	15. CODE 62813	16. FOR S	17. PAYMENT INSTRUCTIONS OFAS - COLUMBUS CENTER WEST ENTITLEMENT OPERATIONS P.O. BOX 182351 COLUMBUS, OH 43218-2361	18. CODE HQ0338
19. SHIPPED TO XU W390 RED RIVER MUNITIONS CTR RECEIVING BUILDING 499 10 ST AND K AVE TEXARKANA, TX 75507-5000	20. CODE W48G19	21. MARKED FOR	22. CODE					

19. ITEM NO.	20. STOCK/PART NO.	DESCRIPTION	21. QUANTITY SHIPPED	22. UNIT	23. UNIT PRICE	24. AMOUNT
0001	M270A1 UPGRADE LAUNCHER 1055-01-450-4243 13213300 LAUNCHER, M270A1 FY: A0E3 SERIAL NUMBER: 4A400131	LAUNCHER SHIPPED LESS 5 COMPONENTS (FCP, LIU, WIU PSU AND PNU) BY AMCOM APPROVAL, PER LETTER FROM COLLEEN M. RODRIGUEZ, DATED OCTOBER 15, 2002.	1	EA		

25. CONTRACT QUALITY ASSURANCE a. OPENED <input checked="" type="checkbox"/> OCA <input type="checkbox"/> ACCEPTANCE of items here. Has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.	b. DESTINATION <input type="checkbox"/> OCA <input type="checkbox"/> ACCEPTANCE of items here has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.	26. RECEIVER'S USE Quantities shown in column 17 were received in apparent good condition except as noted. DATE RECEIVED: _____ SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE: _____ TYPED NAME: _____ TITLE: _____ BUILDING ADDRESS: _____ COMMERCIAL TELEPHONE NUMBER: _____ <small>If quantity received by the Government is less than the quantity shipped, include by lot number & quantity, and enter actual quantity received below quantity shipped and unit analysis.</small>
TYPED NAME: _____ TITLE: _____ BUILDING ADDRESS: _____ COMMERCIAL TELEPHONE NUMBER: _____	TYPED NAME: _____ TITLE: _____ BUILDING ADDRESS: _____ COMMERCIAL TELEPHONE NUMBER: _____	

2002 Nov. 25

27. CONTRACTOR USE ONLY CAM0038 DD 250 NUMBER: 12756	DISTRIBUTION OCMC Dallas LMSV ACC ATTN: Debbie Williams MRS ACO W3 FT-G3 Thayer Building DALLAS, TX 75202-4390 OCMC Dallas (DCMDN-GSF) ATTN: Joyce Cheate 1200 MAIN STREET DALLAS, TX 75202-4390	Don Ives CAD-11 - Original Donna Cunchel CNP-74 Janey Hammock 12LC Cindy Williams, GFE Coordinator W3AB OCMC Camden Office POC: Fanny Castellberry AMBAM-AC-TM-C (Redstone Arsenal, AL) Judy Kearney / SPAE-MSL-AL-IP / Redstone Arsenal, AL
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MATERIAL INSPECTION AND RECEIVING REPORT						FORM APPROVED OMB NO. 0750-0046	
<p>The party reporting herein for this material or information is authorized to disclose the information, including time for processing, distribution, storage, handling, copying, and reproduction of information, including suggestions for reducing the burden on Department of Defense, Washington Headquarters Service, Director for Information Operations and Plans (DDI/OP&A), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Recipients should be aware that not disseminating any other portion of this report shall be subject to the penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p> <p>PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ADDRESS.</p> <p>SEND THIS FORM IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE OP&A, APPENDIX F-411.</p>							
1. PROCUREMENT INSTRUMENT IDENTIFICATION (CONTRACT NO.) DAAH01-00-C-0109		10. PROJECT NO.		11. INVOICE NUMBER		12. PRICE OF	
2. AGENCY NO. CAM0037		3. DATE SHIPPED 2002DEC10E		4. ORIGINATOR R&R HDGKX0000159 TXX 35XV00299A		5. DISCOUNT CODE A	
6. PRIME CONTRACTOR LOCKHEED MARTIN CORP MISSILES & FIRE CONTROL 1701 W. MARSHALL DRIVE GRAND PRAIRIE, TX 45051-0003				7. ADMINISTERED BY DCMC - DALLAS 1200 MAIN STREET DALLAS, TX 75202-4399			
8. SHIPPED FROM (BY OTHER THAN 6) LOCKHEED MARTIN MISSILES & FIRE CONTROL HIGHLAND INDUSTRIAL PARK P. O. BOX 1015 EAST CAMDEN, AR 71701				9. PAYMENT WILL BE MADE BY DFAS - COLUMBUS CENTER WEST ENTITLEMENT OPERATIONS P.O. BOX 182081 COLUMBUS, OH 43218-2381			
13. SHIPPED TO XU W990 RED RIVER MUNITIONS CTR RECEIVING BUILDING 408 10 ST AND K AVE TEXARKANA, TX 75507-6000				14. MARKED AS			
15. ITEM NO.	16. STOCK/PART NO.	DESCRIPTION		17. QUANTITY	18. UNIT	19. UNIT PRICE	20. AMOUNT
0001	M270A1 LAUNCHER			1	EA		
0008	REMANUFACTURE LAUNCHER 1055-01-450-4243 13213300 LAUNCHER, M270A1 FY: A084 SERIAL NUMBER: 4A00132	LAUNCHER SHIPPED LESS 5 COMPONENTS (FCP, LIU, WIU PSU AND PNU) BY AMCOM APPROVAL PER LETTER FROM COLLEEN M. RODRIGUEZ, DATED OCTOBER 15, 2002.		1	EA		
21. CONTRACT QUALITY ASSURANCE				22. RECEIVER'S USE			
<input checked="" type="checkbox"/> ORIGIN <input checked="" type="checkbox"/> COA ACCEPTANCE of tested items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.				<input type="checkbox"/> ORIGIN <input type="checkbox"/> COA ACCEPTANCE of tested items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.			
DATE: 2002 NOV 20 TYPED NAME: [Redacted] TITLE: [Redacted] MAILING ADDRESS: [Redacted] COMMERCIAL TELEPHONE NUMBER: 870-570-0200				DATE RECEIVED: [Redacted] SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE: [Redacted] TYPED NAME: [Redacted] TITLE: [Redacted] MAILING ADDRESS: [Redacted] COMMERCIAL TELEPHONE NUMBER: [Redacted]			
23. CONTRACTOR USE ONLY				DISTRIBUTION			
CAM0037 DD 250 NUMBER: 12756				DCMC Dallas LAMS ACO ATTN: Debbie Williams MFS ACO MFS PT-03 Thayer Building DCMC Dallas (DCMOW-GBF) ATTN: Joyce Steen 1200 Main Street Dallas, TX 75202-4399			

Johnson

SECURITY CLASSIFICATION
 TOP SECRET CONFIDENTIAL
 SECRET UNCLASSIFIED
 CONFIDENTIAL-MODIFIED HANDLING

TYPE IN DIVISION NAME
 LOCKHEED MARTIN VOUGHT SYSTEMS
 P.O. BOX 1015
 CAMDEN, AR 71711-1015

DD 250
 COMMERCIAL SHIPPER
 DEBIT MEMO

CHECK ONE

RRAD
 100 MAIN DR. BLDG 591
 TEXARKANA, TX 75501-5000

DATE: 10/16/02

NUMBER 4-23600/2NSRFS-160

YOUR INVOICE	DATED	AMOUNT	REC. REPORT
		NO CHARGE	

CHARGE TO:

- RETURNED FOR CREDIT ONLY
- RETURNED FOR CREDIT AND REPLACEMENT. REPAIR OR REPLACEMENT COVERED BY WARRANTY. VENDOR EXPENSE
- REPAIR AT OUR EXPENSE
- REPAIR OR REPLACEMENT COVERED BY GUARANTEE
- INVOICE
- DO NOT INVOICE
- MISCELLANEOUS (EXPLAIN)

INSPECTION REQUIRED LTV GOVT. CUST. NONE MATERIAL CLASS: HAZARDOUS NON-HAZARDOUS

REFER TO:	ACCOUNT NO.	DELIVERY DATE DUE	CUSTOMER P.O NUMBER
F.O.B HOT SHOT	VIA	BL NO. <i>5296</i>	<input type="checkbox"/> PREPAID <input type="checkbox"/> COLLECT
REF. REPORT NO	OUR PO NUMBER	STORE S REQ.	GOVT CONTRACT / ORD. NO.
			G.O. NUMBER 3POS
CONTRACT ITEM NO.	QUANTITY	PART NO.	DESCRIPTION
01	1 EA	13209480	FCP S/N 540450
02	2 EA	13213551	HYD. PUMP S/N 240189 AND 240187
			HAND CARRIED @
INSPECTION LAYOUT PRESERVATION PACKING SHIPPING DOCUMENT DIST./MAIL STOP			
LMVS CUST	LMVS CUST	LMVS CUST	LMVS CUST
BOX NO.	TYPE	LGTH	WIDTH HT GROSS WT.
AUTHORIZED IN ACCORDANCE WITH S.P. 441.1			
SI			
NAME (TYPE) MAIL STOP EXT.			
FOR SHIPPING USE ONLY			
SHIPPING CONTROL NO. DATE <i>02-2456 10/16/02</i>			

REQUEST FOR SHIPMENT 4-67574 R4

CLASSIFICATION
 CONFIDENTIAL
 UNCLASSIFIED
 SPECIAL HANDLING

TYPE IN DIVISION NAME
 LOCKHEED MARTIN VOUGHT SYSTEMS
 P.O. BOX 1015
 CAMDEN, AR 71711-1015

DD 250
 COMMERCIAL SHIPPER
 DEBIT MEMO

CHECK ONE

TO: [REDACTED]
 FROM: [REDACTED]
 100-MAIN DR. BLDG S91
 TEXARKANA, TX 75501-5000
 ATTN: [REDACTED]

DATE: October 18, 2002 NUMBER: 50600/02RFS-530

YOUR INVOICE	DATED	AMOUNT	REC. REPORT
		NO CHARGE	

CHARGE TO:
 [REDACTED]

- RETURNED FOR CREDIT ONLY
- RETURNED FOR CREDIT AND REPLACEMENT, REPAIR OR REPLACEMENT COVERED BY WARRANTY; VENDOR EXPENSE
- REPAIR AT OUR EXPENSE
- REPAIR OR REPLACEMENT COVERED BY GUARANTEE
- INVOICE
- DO NOT INVOICE
- MISCELLANEOUS (EXPLAIN)

INSPECTION REQUIRED: LTV GOVT. CUST NONE MATERIAL CLASS: HAZARDOUS NON-HAZARDOUS

REFER TO:	ACCOUNT NO.	DELIVERY DATE DUE October 19, 2002	CUSTOMER P.O. NUMBER N/A		
P.O.B.	VIA	BL. NO.	TERMS		
REJ. REPORT NO.	OUR PO NUMBER	STORES REQ.	GOVT. CONTRACT / ORD. NO. DAAH01-00-C-0002		
G.O. NUMBER 3P08					
CONTRACT ITEM NO.	QUANTITY	PART NO.	DESCRIPTION	UNIT PRICE	TOTAL AMOUNT
	1	13545542	PSU S/N 170299		
INSPECTION			PRESERVATION		SHIPPING DOCUMENT DIST./MAIL STOP
LMVS	CUST	LMVS	CUST		
LATOUT			PACKING		
LMVS	CUST	LMVS	CUST	LMVS	CUST
BOX NO.	TYPE	LGTH	WIDTH	HT	GROSS WT
AUTHORIZED IN ACCORDANCE WITH E.P. 441.1					
[REDACTED]					
NAME (TYPE)			MAIL STOP	EXT.	
FOR SHIPPING USE ONLY					
SHIPPING CONTROL NO.				DATE	

May-28-03 02:24pm From-DCMA
ZT P

972 603 1837

T-046 P.012/015 F-333

SECURITY CLASSIFICATION
 TOP SECRET CONFIDENTIAL
 SECRET UN-CLASSIFIED
 CONFIDENTIAL-MODIFIED HANDLING

TYPE IN DIVISION NAME

LOCKHEED MARTIN VOUGHT SYSTEMS
P.O. BOX 1015
CAMDEN, AR 71711-1015

DD 250
 COMMERCIAL SHIPPER
 DEBIT MEMO

CHECK ONE

SHIP TO:
RRAD

DATE: October 19, 2002

NUMBER: 50600/02RFS-534

100 MAIN DRIVE, BLDG 591
TEXARKANA, TX 75501-5000
ATTN: [REDACTED]

YOUR INVOICE	DATED	AMOUNT	REC REPORT
		NO CHARGE	

CHARGE TO:

- RETURNED FOR CREDIT ONLY
- RETURNED FOR CREDIT AND REPLACEMENT, REPAIR OR REPLACEMENT COVERED BY WARRANTY, VENDOR EXPENSE
- REPAIR AT OUR EXPENSE
- REPAIR OR REPLACEMENT COVERED BY GUARANTEE
- INVOICE
- DO NOT INVOICE
- MISCELLANEOUS (EXPLAIN)

INSPECTION REQUIRED: LTV GOVT. CUST. NONE MATERIAL CLASS: HAZARDOUS NON-HAZARDOUS

REFER TO:		ACCOUNT NO.	DELIVERY DATE DUE October 19, 2002	CUSTOMER P.O. NUMBER N/A					
P.O.B.	VIA HAND CARRIED	BL. NO. 15307	<input checked="" type="checkbox"/> PREPAID <input type="checkbox"/> COLLECT	TERMS					
REF. REPORT NO.	OUR PO NUMBER	STORES RQD.	GOVT. CONTRACT / ORD. NO. DAAHD1-00-C-0002	G.O. NUMBER 3P08					
CONTRACT ITEM NO.	QUANTITY	PART NO.	DESCRIPTION	UNIT PRICE	TOTAL AMOUNT				
	1	13029480	FCP 540479						
			Hand carried by [REDACTED]						
INSPECTION		LAYOUT		PRESERVATION		PACKING		SHIPPING DOCUMENT DIST./MAIL STOP	
LMVS	CUST	LMVS	CUST	LMVS	CUST	LMVS	CUST		
BOX NO.	TYPE	LGTH	WIDTH	HT	GROSS WT.				
							NAME (TYPE)	MAIL STOP	EXT
FOR SHIPPING USE ONLY									
							SHIPPING CONTROL NO. 02-2685	DATE	10/18/02

REQUEST FOR SHIPMENT 487574 R4

100 MAIN DR. BLDG 591
 TEXARKANA, TX 75501-5000
 ATTN:KEN KELLEY

YOUR INVOICE	DATED	AMOUNT	REQ. REPORT
		NO CHARGE	

CHARGE TO:

- RETURNED FOR CREDIT ONLY
- RETURNED FOR CREDIT AND REPLACEMENT, REPAIR OR REPLACEMENT COVERED BY WARRANTY: VENDOR EXPENSE
- REPAIR AT OUR EXPENSE
- REPAIR OR REPLACEMENT COVERED BY GUARANTEE
- INVOICE
- DO NOT INVOICE
- MISCELLANEOUS (EXPLAIN)

INSPECTION REQUIRED: LTV GOVT. CUST. NONE MATERIAL CLASS: HAZARDOUS NON-HAZARDOUS

REPAIR TO:		ACCOUNT NO. 15304		DELIVERY DATE DUE		CUSTOMER P.O. NUMBER		
F.O.B. VIA		BL. NO. Panther II		<input checked="" type="checkbox"/> PREPAID <input type="checkbox"/> COLLECT		TERMS		
REF. REPORT NO.		OUR PO NUMBER		STORE S REQ		GOVT. CONTRACT / ORD. NO.		
						G.O. NUMBER 3POS		
CONTRACT ITEM NO.	QUANTITY	PART NO.	DESCRIPTION			UNIT PRICE	TOTAL AMOUNT	
01	1	13209565	LIU S/N 120257					
02	1	13209665	WLU S/N 580536					
03	1	13211827	PNU S/N 380410					
04	1	13209480	FCP S/N 540466					
05	1	13214814	BOOM CONTROLLER S/N 390399					
INSPECTION		LAYOUT		PRESERVATION		PACKING		SHIPPING DOCUMENT DIST./MAIL STOP
LMVS	CUST	LMVS	CUST	LMVS	CUST	LMVS	CUST	Panther II
BOX NO.	TYPE	LGTH	WIDTH	HT	GROSS WT.		1800-685-0657/3004	
1	WB				500		DIO# 27916	
1	FD				90		[REDACTED]	
								NAME (TYPE) MAIL STOP EXT.
								FOR SHIPPING USE ONLY

SECURITY CLASSIFICATION
 TOP SECRET CONFIDENTIAL
 SECRET UN-CLASSIFIED
 CONFIDENTIAL-MODIFIED HANDLING

TYPE IN DIVISION NAME

LOCKHEED MARTIN VOUGHT SYSTEMS
 P.O. BOX 1015
 CAMDEN, AR 71711-1015

DD 250
 COMMERCIAL SHIPPER
 DEBIT MEMO

CHECK ONE

RRAD
 100 MAIN DR. BLDG 591
 TEXARKANA, TX 75501-5000
 ATTN: [REDACTED]

DATE: 10/16/02

NUMBER 4-23600/2NSRFS-157

CHARGE TO:

YOUR INVOICE	DATED	AMOUNT	REC. REPORT
		NO CHARGE	

- RETURNED FOR CREDIT ONLY
- RETURNED FOR CREDIT AND REPLACEMENT, REPAIR OR REPLACEMENT COVERED BY WARRANTY, VENDOR EXPENSE
- REPAIR AT OUR EXPENSE
- REPAIR OR REPLACEMENT COVERED BY GUARANTEE
- INVOICE
- DO NOT INVOICE
- MISCELLANEOUS (EXPLAIN)

INSPECTION REQUIRED: LTV GOVT. CUST. NONE MATERIAL CLASS: HAZARDOUS NON-HAZARDOUS

REFER TO:		ACCOUNT NO.		DELIVERY DATE DUE		CUSTOMER P.O. NUMBER	
F.O.B. VIA HOT SHOT		E.A. NO. 15284		<input type="checkbox"/> PREPAID <input type="checkbox"/> COLLECT		TERMS	
REF. REPORT NO.		OUR PO NUMBER Panther II		STORE S REQ.		GOVT. CONTRACT / ORD. NO.	
						G.O. NUMBER 3POS	
CONTRACT ITEM NO.	QUANTITY	PART NO.	DESCRIPTION			UNIT PRICE	TOTAL AMOUNT
01	2 EA	13545542	PSU S/N'S 170304 AND 170256				
02	2 EA	13209565	LIU S/N'S 120254 AND 120260				
03	2EA	13206565	WIU S/N'S 580538 AND 580535				
04	2 EA	13211827	PNU S/N'S 380404 AND 380405				
05	1 EA	13026570	ELEC. BOOM BOX A730023				
06	1 EA	13209480	FIRE CONTROL PANEL S/N 540404				
07	1 BOX	N/A	MISC. HARDWARE (SCREWS & NUTS)				
08	2 EA	13214814	Boom Controller In 985015 A-M 93501				
09	1 EA	13213262-5	Hose				
INSPECTION		LAYOUT		PRESERVATION		PACKING	
LMVS	CUS)	LMVS	CUST	LMVS	CUST	LMVS	CUST
BOX NO.	TYPE	LGTH	WIDTH	HT	GROSS WT.		
103	WB				451		
203	WB				451		
303	WB						
1FB	FB						
SHIPPING DOCUMENT DIST./MAIL STOP							
NAME (TYPE) MAIL STOP EXT.							
FOR SHIPPING USE ONLY							
SHIPPING CONTROL NO						DATE	
02-2632						10/16/02	

MEMORANDUM FOR OFFICE OF SPECIAL COUNSEL, DISCLOSURE UNIT,
ATTN: Mrs. Malia Myers Paslawski 1730 M STREET, NW SUITE 201,
WASHINGTON, DC 20036-4505.

Subject: *Re, DI-00-1499*, Additional documentation concerning the urgency for immediate Government corrective actions in regard to my previous complaint of alleged AMCOM Safety Office and Multiple Launcher Rocket System (MLRS), Project Manager's office (PMO) management criminal negligence and acquiescent acts concerning MLRS, PMO management recommendations for the continued delivery, acceptance, and deployment of unsafe and non-conforming MLRS, M270A1 Launchers known to exhibit catastrophic operational and safety hazards that present serious health and safety risks to end users and Government property.

Recent Developments: The recent catastrophic safety incident as described in the 5 Nov 03, PMO/LMMFC Staff call Video Telephone Conference (VTC), (attached) has reaffirmed the imminent danger of operating the M270A1 launcher during tactical and live-fire exercises, the LMMFC M270A1, LRIP III SAR Hazard Control Matrix (attached), frequently of catastrophic safety incident occurrence is as bad or worse than estimated. These M270A1 launchers have been known to the Government to exhibit these catastrophic operational and safety hazards for almost three years by AMCOM, Safety, MLRS, PMO and LMMFC-D management offices. The previously delivered and fielded M270A1 launchers that exhibit these unmitigated safety hazards are not safe for live-fire training or tactical use.




Additional Supporting Data:

Attachment 01, Excerpts from 5 Nov 03 PMO/LMMFC Staff call VTC, page 8 of 11, last paragraph.

Attachment 02, Copy of LMMFC M270A1 LRIP III SAR Hazard Control Matrix, dated, 5 Mar 02.

Conclusion: The following actions should be immediately taken by the Government as a minimum:

1. All previously delivered and fielded M270A1 launchers with unmitigated safety hazards as described in the attached LMMFC M270A1, LRIP III SAR Hazard Control Matrix should be immediately restricted from use in all tactical and live-fire exercises.
2. All future Government deliveries and acceptance of M270A1 launchers from LMMFC-D should be suspended immediately pending the results of the investigation by the Government of the recent M270A1 inadvertent rocket firing incident.

- 
- 
- 
3. Stop work orders and cure notices should be issued under all current M270A1 hardware production contracts pending the results of the investigation by the Government of the recent M270A1 inadvertent rocket firing incident.



Your office's immediate action is requested. Questions or/and comments concerning the content or any supporting documents referenced or inferred in this memorandum should be addressed to the undersigned at [REDACTED]
[REDACTED]

Attachments

Clarence N. Daniels

Contract Specialist

CF [REDACTED] Army CID
DCIS, Fraudnet



M270A1 Production Staff Call VTC

05 November 2003
(Pre-VTC Status)

AMCOM Attendees:
(29 Oct 2003)
Telecon)

[REDACTED]

LMMFC (Dallas) Attendees:
(29 Oct 2003)
Telecon)

[REDACTED]

LMMFC (Camden) Attendees: None
(29 Oct 2003)
Telecon)

Subject: Launcher Deliveries

Status: a. M270A1 Launchers For Korea

- As of Monday, 03 November, 2003, Korean Launcher AFL 3004 (4AA1081) Was In Assembly Station 3.
- b. As of Monday, 03 November, 2003, October Launchers 0142 (4AA0146), 143 (4AA0354), 144 (4AA0097), 145 (4AA0104), 147 (4AA0048) and 148 (4AA0584) Had Been Sold.
- c. As of Monday, 03 November, 2003, November Launcher 129 (4AA0720) Was In PUT. November Launcher 132 (4AA0109) Was In Assembly Station 3. November Launchers 146 (4AA0115), 149 (4AA0393) and 150 (4AA0599) Were In Assembly Station 2. November Launcher 135 (4AA0549) Was In Assembly Station 1.

Subject: Upcoming Events

Status: The Following FCAs, IPRs, PDRs, CDRs, Etc. Are Scheduled:

- System Level Delta FCA For SAASM and V.24 – 06 November, 2003 At Dallas
- Next Program IPR – 19-20 November, 2003 In Camden. 18 November, 2003 Has Been Reserved For Sidebar Meetings. In Response To The Inquiries At Last Week's VTC Relative To the Potential Adverse Impact of the End of Basic M270 To Future M270A1 FMS, Etc. Sales, the Late Afternoon of the 18th Is Being Devoted To the Discussion of This Issue.

Parts Will Be Available For Contingency Use. By 30 January, 2004, All Verification Testing Is To Be Complete, and [REDACTED] and L-3 Are To Receive Authorization To Begin Production Efforts. First LRUs Utilizing Gray Market Parts Are To Begin To Be Delivered By 19 June, 2004. L-3 Reports That All EMI And Temperature Tests Have Been Successfully Completed. Harris Is Testing Gray Market PPC2EPs In Both the LIU and IWIU Application. LRU-Level Temperature And Vibration Testing Has Been Successfully Completed. EMI Tests Are Ongoing On The IWIU, Successfully Completed On The LIU. System Testing (MIF Console and On Launcher) Of LRUs Equipped With Gray Market EPs Began On 27 August, 2003, At LMMFC. LMMFC System Testing Was Successfully Completed On 22 October, 2003.

Subject: Excessive Static Torque In Azimuth and Elevation Hydraulic Drive Motors

Status: Vickers Has Recently Experienced A Large Decrease In the Percentage of Motors Meeting Frictional Requirements the First Time They Are Tested After Fabrication. Investigation Efforts Determined That Problems Were Being Caused By Surface Quality Issues On the Motor Yoke. Vickers Is Well On the Way To Resolving Issues With the Yoke, and Production Yields For Motors Are Again High.

Subject: Damage To Connector P3 Of the W325 Electrical Cable

Status: a. July, 2003, and Subsequent Production Launchers Have These Changes Installed At the Time of Sale. LMMFC's Mark Evans Is In the Process Of Determining When Enough Extra Adapter Plates Will Be Available To Support Rework of Fielded Launchers. It Has Been Recently Determined That the W325P2 Connector Clocking Can Make Installation Difficult. LMMFC Has Prepared Both A Production Design Change and A Rework Procedure To Allow Re-clocking In the Field.

Subject: Launcher Remanufacture Meeting

Status: LMMFC Camden, DDRT and RRAD Personnel Have Essentially Agreed To Use The RRAD/DDRT In-Process Inspection Sheets (Which Were Supplied To LMMFC Camden By [REDACTED], With Minor Alterations, To Govern the Acceptability of RRAD Remanufactured Items. Subject To the Inspection of Specific Items, If and As Requested By LMMFC Camden Quality, It Is Intended That the Completed and Signed Inspection Sheets Will Be Considered To Be Certificates of Conformance. A Sidebar Meeting On This Subject Is Planned For the Upcoming November IPR In Camden.

Subject: M270A1 Launcher Software PCA/FCA/PCI

Status: Software PCA/FCA/PCI Was Successfully Conducted On 02-03 April 2003. Twenty (20) CSCIs Were Conditionally Approved. The WIM CSCI Will Be Reevaluated. Forty-two (42) Action Items Were Taken, and Continue To Be Worked. The Incident In Which Several Rockets Launched, During A WSMR Test, After the GDU Screen Froze (With Resulting Loss of Operator Control) Is Still Being Investigated. Martin Delaplaine Is LMMFC's POC For This Issue. Martin Has Prepared A White Paper On The Subject Which Is In LMMFC Internal Review. LMMFC's Rick Skuza and Jodat Vu Have Been Unable To Develop A Methodology To Subject A GDU To Continuous Fire Mission Processing, With LIDAS In the Loop, and Have Been Unable To Duplicate The Failure Mode. Martin's Stated Intent Is To Update the White Paper With Recent Events (Example: Successful GMLRS Flight Test) and Provide It To PFRMS.

AMSAM-AC-TM-C

29 Jun 2007
Mr. Daniels/6-8980

MEMORANDUM FOR DEPARTMENT OF DEFENSE, INSPECTOR GENERAL,
DEFENSE HOTLINE, THE PENTAGON, FAX NO. (703) 604-8567.

THRU: OFFICE OF SPECIAL COUNSEL, DISCLOSURE UNIT,
ATTN: Mrs. Malia Myers Paslawski, 1730 M STREET, NW-SUITE 201,
WASHINGTON, D.C. 20036-4505.

Subject: [Reference OSC file no. DI-00-1499], Suppression and attempted concealment of latent and unmitigated catastrophic Safety hazards of contractual non-conforming contractor serviced and maintained M270A1/HIMARS Launchers and Fire Control Systems (FCS) fielded with the 2nd/20th, Field Artillery Battalion, Fort Hood, TX by perfidious past and present US Army Aviation and Missile Command (AMCOM), and Multiple Launch Rocket System (MLRS), Program Executive office (PEO) management officials.

Catastrophic M270A1/HIMARS Equipment Losses: Government and Contractor false and misleading statements concerning the alleged destruction by fire and total loss of MLRS M270A1 Launcher Serial Number (SN): 4AA01053 and Weapon Interface Unit (WIU/TWIU) SN: 580713 fielded with the 2nd/20th, Field Artillery, Fort Hood, TX to effect the concealment and waiver of Government rights to legally enforceable indemnification for Government equipment losses valued at more than \$3 million. Nineteen (19), each MLRS M270A1/HIMARS Launchers including Launcher SN: 4AA01053 and WIU/TWIU SN: 580713 were under de-facto contract responsibility and accountability with a contractor embedded co-located Field Service Technician (FSR), pursuant to the terms and conditions of fixed price Life Cycle Contractor Support (LCCS), contract W31P4Q-04-C-0076 with Lockheed Martin Missiles and Fire Control Systems, (LMMFC) at the alleged time of the equipment loss as further described in the Attachments hereto.

High Mobility Artillery Rocket System, (HIMARS) production contract number DAAH01-03-C-0005 total loss and Government replacement without legally sufficient consideration of one government furnished HIMARS XM1140 Carrier Vehicle valued at \$359K that was irreparably damaged during LMMFC performance of Production Unit Testing at the Camden, AR test track facility on 22 Sep 2006.

Pursuant to the current terms and conditions of the both the LCCS and HIMARS contract Statements of Work (SOW), and/or Government Property clauses, included in the contracts, the contractor is generally responsible for all loss, damage or destruction of government property under its possession and control. This clause includes required compensation to the Government in the form of a reduction to the total contract price equal to the amount of actual government property lost, damaged, or destroyed while under the possession and control of LMMFC.

Past Catastrophic Launcher/Equipment Losses: Allegedly there have been at least two additional M270A1/HIMARS Launchers fielded and deployed since 2003 that were totally destroyed by fire in CONUS and OCONUS with apparently no documented causes or formal safety investigations performed or formally documented by the Government.

PBO and AMCOM management officials continue to routinely and inexplicably approve highly questionable LMMFC self serving requests for contract modifications that have either eliminated or degraded critical MLRS weapon system safety and tactical operational performance without adequate safety mitigation or legally sufficient consideration to the Government in return for reducing or eliminating negotiated and contractually mandated system safety and tactical performance requirements.

Additional Supporting Documents:

Attachment 01, Emails discussing the heretofore unexplained damage and total loss of MLRS M270A1 Launcher serial number (SN): 4AA01053 and Weapon Interface Unit (WIU/TWIU) SN: 580713.

Attachment 02, Excerpts from contract number DAAH01-04-C-0076, SOW and Appendix "B" requiring contractor performed life cycle maintenance and assignment of a LMMFC embedded and co-located contractor Field Service Technician (FSR) for 19 each MLRS M270A1 Launchers of the 2nd/20th, Field Artillery, BN, Fort Hood, TX.

Attachment 03, Modifications P000119 and P000124 from contract number DAAH01-03-C-0005 total loss and replacement of one government furnished HIMARS XM1140 Carrier Vehicle that was irreparably damaged during LMMFC performance of Production Unit Testing at the Camden, AR test track facility on 22 Sep 2006.

Conclusion: Based on the unexplained and undocumented M270A1/HIMARS Launcher and equipment losses occurring since their initial conditional acceptance and fielding by the Army in 2002 and the imminent probability of additional catastrophic events, the Army should conduct an immediate independent Safety audit of all fielded non-conforming M270A1/HIMARS Launchers and FCSs. These Launchers were delivered under MLRS production contracts DAAH01-98-C-0138 and DAAH01-00-C-0109, conditionally accepted without legally sufficient consideration to the Government, fielded with unmitigated safety hazards, and callously deployed during Operation Iraqi Freedom. This independent Safety audit of the identified MLRS systems should be immediately implemented for the reasons delineated herein unless my previous MLRS system safety related allegations specified in Office of Special Counsel file no. DI-00-1499 have been conclusively dismissed by the appropriate governmental investigative agencies or legally mitigated.

Questions and/or comments concerning the content of this memorandum or any supporting documents referenced or inferred herein may be addressed to the undersigned at my home address or [REDACTED]

I hereby certify by my legal signature below, that to the best of my knowledge and belief, all of the information contained in or attached to this memorandum is true, correct, complete, and made in good faith.

Sincerely,



Clarence Nelson Daniels

CF w/o attachments:
Honorable Robert Cramer
Honorable Richard Shelby
Secretary of Defense
Senate Armed Services Committee
House Armed Services Committee
DODIG, Civilian Reprisal Investigations
DOJ, Criminal Division/Fraud Section
Under Secretary of Defense (AT&L)
Secretary of the Army
GAO, FraudNet
US Dept. of Justice, Public Integrity Section
Commander, US Army Materiel Command
Commander, US Army AMCOM, LCMC

Approved
23

AWARD CONTRACT

1. This Contract Is A Based Order

Binding SOA3

Page 1 Of 148

2. Contract (Proc. Inst. Ident.) No.

Under DVAS (IS CFR 700)

4. Beneficial/Purchase Request/Project No.

DAAR01-03-C-0005

2003DEC20

SEE SCHEDULE

5. Issued By

Code

R31740

6. Administered By (If Other Than Issu 5)

Code

64430A

DR AVANT AVIATION & MISSILE COMMAND

ANNAH-AC-TM-8

DEON DAVIS (252)876-8988

REDSTONE Arsenal, AL 35894-5210

DCMA LICENSED WRITER DALLAS

POST OFFICE BOX 650003, M/S PT-03

DALLAS TX 75265-0003

WEAPON SYSTEM: MISS

e-mail address: DEON.DAVIS@DR.AVV.MIL

SCD A PAS SCORE

ADDP PT 000339

7. Name And Address Of Contractor (No. Street, City, County, State, And Zip Code)

LOCKWOOD MARTIN CORPORATION

1701 W. MARSHALL DRIVE

GRAND PRALIER, LA 70051-2704

8. Delivery

FOB Origin Other (See Below)

9. Discount For Prompt Payment

TYPE BUSINESS: Large Business Performing In U.S.

Code 64053

Facility Code

11. Ship To/Mark For

Code

13. Payment Will Be Made By

18. Subcontract Invoicing

Item

SEE SCHEDULE

Code

12. Payment Will Be Made By

(4 Copies Unless Otherwise Specified)

Code

000339

DRAS - COLONDS CENTER

WEST BERTHLEMMER OPERATIONS

P O BOX 182381

COLUMBUS OH 43218-2381

1-800-756-4571 / FAX 1-977-749-4843

13. Authority For Using Other Than Full And Open Competition:
 10 U.S.C. 2304(c)(1) 41 U.S.C. 253(c)(1)

14. Accounting And Appropriation Data
 SEE SCHEDULE

15A. Item No.

15B. Schedule Of Supplies/Services

15C. Quantity

15D. Unit

15E. Unit Price

15F. Amount

SEE SCHEDULE
 CONTRACT TYPE:
 Firm-Fixed-Price
 Cost-Firm-Fixed-Price

KIND OF CONTRACT:
 System Acquisition Contracts
 Supply Contracts and Priced Orders

Contract Expiration Date: 200607031

15G. Total Amount Of Contract

\$313,216,341.48

16. Table Of Contents		Section	Description	Page(s)
<input checked="" type="checkbox"/>	Part I - This Schedule			
X	A	Schedule/Contract Form		101
X	B	Supplies or Services and Prices/Costs		64
X	C	Description/Type/Work Statement		121
X	D	Packaging and Marking		122
X	E	Inspection and Acceptance		123
X	F	Deliveries or Performance		124
X	G	Contract Administration Data		127
X	H	Special Contract Requirements		133
<input checked="" type="checkbox"/>	Part II - Contract Changes			
	I	Contract Changes		
<input checked="" type="checkbox"/>	Part III - List Of Documents, Exhibits, And Other Attachments			
	J	List Of Attachments		147
<input checked="" type="checkbox"/>	Part IV - Representations And Warranties			
	K	Representations, Certifications, and Other Statements of Officers		
	L	Letters, Cables, and Notices to Officers		
	M	Evaluation Reports for Award		

17. Contractor's Negotiated Agreement (Contractor is requested to sign this document and return _____ copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the contract identified herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract; (b) the solicitation, if any; and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed below.)

18. Award (Contractor is not requested to sign this document.) Your offer on Solicitation Number _____ including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and as any continuation sheets. This award commences the contract which consists of the following documents: (a) the Government's solicitation and your offer; and (b) the award/contract. No further contractual document is necessary.

19A. Name And Title Of Signer (Type Or Print)

20A. Name Of Contracting Officer

19B. Name of Contractor

19C. Date Signed

20B. United States Of America

20C. Date Signed

By _____
 (Signatures of person authorized to sign)

By _____
 (Signatures of Contracting Officer)

FORM 7540-01-152-8009
 PREVIOUS EDITIONS UNUSABLE

GPO : 1985 0 - 478-632

Standard Form 24 (Rev. 4-82)
 Prescribed By GSA-FAB (41 CFR) 50.116(a)

Attachment 03

CONTINUATION SHEET	Reference No. of Document Being Continued		Page 64 of 168
	HHS/SLIN DAAR01-03-C-0005		MOD/AMD
Name of Offeror or Contractor: LOCKHEED MARTIN CORPORATION			

Total CPFF-Remains unchanged at \$2,217,515.00.

A-3 All work performed by the contractor, under the referenced undefinitized modification, is considered to be pursuant to the definitive contract action.

A-4 This modification constitutes complete, full and final settlement for all the contractual changes to this contract as a result of the change order issued for the efforts identified in Paragraph A-1 above. The contractor hereby releases the Government from any and all liability under this contract for further equitable adjustments attributable to such facts or circumstances giving rise to the proposal for adjustment.

A-5. As a result of this modification, the total obligated amount of this contract remains unchanged.

*** END OF NARRATIVE A0118 ***

A-1 The purpose of this modification, P00119, is to revise the delivery schedule for the LRIP III launcher under SLIN 0203AM, from 26 FEB 2007 to 31 JUL 2008; and, incorporate Universal Fire Control System (UFCS) configuration requirements and Unit Item Identification (UID) requirements for the SLIN 0203AM launcher. The launcher under SLIN 0203AM is the replacement launcher for launcher #66 that was damaged during performance of the Production Unit Test (PUT) at the Camden facility test track on 22 SEP 2006.

A-2 As consideration for the revised delivery schedule implemented herein, necessitated as a result of the referenced launcher accident, Lockheed Martin shall provide the replacement launcher under SLIN 0203AM in the HIMARS FRP II UFCS configuration in compliance with UID requirements, at no additional cost to the Government.

A-3 The following revised/additional contract documentation is hereby incorporated to implement the UFCS configuration requirement for the replacement launcher under SLIN 0203AM, to include:

- (a) Statement of Work (SOW), Attachment 031 revision dated 23 JAN 2007, reflecting added paragraphs 13.0 through 13.4 detailed on pages 16-17 of the SOW;
- (b) Government Furnished Equipment (GFE) List, Attachment 009 revision dated 23 JAN 2007, reflecting quantity increase for item XM1140 Carrier Vehicle, by a quantity of 1, from 93 to 94.
- (c) Document Summary List (DSL), Attachment 032 revision dated 05 FEB 2007, reflecting applicable Military Specifications/Standards as follows:
 - (i) Item 35. MIL-STD-130W;
 - (v) Item 38. ATPD-2131D.1;
 - (ii) Item 42. MIS-PRP-35480D;
 - (iii) Item 46. MIS-PRP-49201;
 - (iv) Item 47. MIS-49202; and
 - (VI) ITEM 56. 13546500P
- (d) UID List, Attachment 042, reflecting components requiring unique identifiers/UIDs.

Section J is revised accordingly to reflect incorporation of revised contract attachments/documentation detailed above.

A-4 Section I is revised to reflect incorporation of DFARS clause 252.211-7003, entitled 'Item Identification and Valuation.' Subject clause shall apply to SLIN 0203AM (replacement launcher for launcher #66).

A-5 As a result of this modification, the total obligated amount of this contract remains unchanged.

*** END OF NARRATIVE A0119 ***

A-1 The purpose of this modification, P00120, is to authorize release of funds provisionally withheld under modification P00104, for three (3) LCFCP Installation Kits (P/N 13214709) under SLIN 0213AA.

A-2 The cumulative provisional withhold amount herein released for the LCFCP Installation Kits under SLIN 0213AA is \$7,500.00 (\$2,500.00 for each of the three (3) kits).

A-3 The contractor is authorized to invoice and collect provisional withholds previously implemented under this contract for the three (3) LCFCP Installation Kits under SLIN 0213AA.

A-4 As a result of this modification, the total obligated amount of the contract remains unchanged.

Attachment 03

CONTINUATION SHEET	Reference No. of Document Being Continued PIN/SIN DAAR01-03-C-0005 MOD/AMD	Page 67 of 166 REPRINT
---------------------------	-----------------------------------------------------------------------------------------	----------------------------------

Name of Offeror or Contractor: LOCKHEED MARTIN CORPORATION

A-1 The purpose of this modification, P00123, is to reconcile the Cost-Plus-Fixed-Fee breakouts by incorporation of administrative corrections, adjustments, and/or updates to the narratives as reflected in Section B under the following CFF CLINs: 0002, 0005, 0006, 0007, 0008, 0105, 0106, 0107, 0108, 0110, and 0112; including deletion of CFF breakout narratives for SLINs 0002AA, 0002AD, and 0005AA.

A-2 For information/administration purposes, modification P00087 has been cancelled in its entirety and will not be used and/or executed.

A-3 As a result of this modification, the total obligated amount of this contract remains unchanged at \$313,339,387.00.

*** END OF NARRATIVE A0123 ***

A-1 The purpose of this modification, P00124, is to accept consideration for the damaged GFE (sustained during the launcher #86 accident) resulting in the Government providing a replacement XM1140 Carrier Vehicle (estimated value of \$358.7K) with VICIII/SIMOGARS radio kit (estimated acquisition value of \$13.9K) for production of the replacement launcher under SLIN 0203AM. Lockheed Martin shall provide the Line Replacement Unit (LRU) hardware reflected below, equivalent to the cumulative value of replacement GFE (\$372.6K), at no cost/charge to the Government.

DESCRIPTION	QUANTITY
Universal Improved Weapons Interface Units (UIWIUs)	3
Removable Memory Units (RMUs)	2

The LRU hardware above shall be delivered NLT 31 May 2008.

A-2 The title to all GFE damaged during the launcher #86 accident (XM1140 Carrier Vehicle with radio kit) shall remain with the Government.

A-3 As a result of this modification, Contractor Loss, Damage, Destruction Report 2006LDD-023 will be closed.

A-4 The total obligated amount of this contract remains unchanged at \$313,266,941.68.

*** END OF NARRATIVE A0124 ***

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SECTION I. BUSINESS CLEARANCE MEMORANDUM

15 December 1994

U.S. Army Missile Command
ATTN: AMSMI-AC-CBCA
Redstone Arsenal, AL 35898-5280

Competitive:	<u> </u>	Pre-Negotiation:	<u> X </u>	Total:	<u>(\$ 19,345,970)</u>
Non-Competitive:	<u> X </u>	Post-Negotiation:	<u> </u>	Total:	<u>(\$13,107,694)</u> **See PostBOM for Breakout.

Contractor:	Contract:
Loral Vought Systems	DAAH01-89-C-0336
1701 W. Marshall Drive	
Grand Prairie, TX 75051	

Item Description: Definintization of modifications P00111 and P00160 which incorporated Value Engineering Change Proposal (VECP) MI-C1450 entitled "Reduced Range Practice Rocket (RRPR)".

Pricing Structure:	Pre-Negotiation	Post-Negotiation
Acquisition Savings	<u>(\$26,010,309)</u>	<u>(\$24,128,330)</u>
Government Cost-Testing	<u>\$ 1,068,721</u>	<u>\$ 1,068,721</u>
Government Cost - Adv Matl	<u>\$11,612,911</u>	<u>\$ 1,018,336</u>
Net Acquisition Savings	<u>(\$13,328,677)</u>	<u>(\$22,041,273)</u>
LVS Share	<u>\$ 6,664,339</u>	<u>\$11,020,637</u>

Summary of Contract Change:		
Acquisition Savings	<u>(\$26,010,309)</u>	<u>(\$24,128,330)</u>
Payment: LVS Share	<u>6,664,339</u>	<u>\$12,942,677</u>
Net Contract Reduction (Government)	<u>(\$19,345,970)</u>	<u>(\$13,107,694)</u> **See PostBOM for Breakout**

Sharing Arrangement: 50/50

Sharing Period: Commence: September 1993 Finish: August 1996

Point of Contact: Contracts: [REDACTED] 842-6381
 Technical: [REDACTED] 842-6271
 [REDACTED] 876-8227
 Pricing: [REDACTED] 876-8378

Preparer (Sig) [REDACTED] Date 15 Dec 1994

Reviewer (Sig) [REDACTED] Date 16 Dec 94

PRE-BCH Approved (Sig) [REDACTED] Date 20 Dec 94

[REDACTED] with conditions which must be met (attached)

POST-BCH Approved (Sig) [REDACTED] Date 8/30/95

Concur
Collection
15 Dec

TAB G

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SECTION II. PreBCM Compliances

1. a. Determinations and Findings (D&F) to exclude a source (FAR 6.202 and Subpart 1.7) number was approved on _____ by _____. Attached as Exhibit _____. N/A.
b. D&F for the Public Interest circumstances permitting other than full and open competition (FAR 6.302-7 and Subpart 1.7) number was approved on _____ by _____. Attached as Exhibit _____. N/A.
c. A justification for other than full and open competition (see FAR 6.303) was approved on 23 May 1988.
2. Acquisition Plan (AP) Number ML1-89, Update No. 7, was approved on 28 June 1989 by J.R. Sculley, Assistant Assistant Secretary of the Army (Research, of the Army (Research, Development, and Acquisition)). This acquisition is in conformity with the approved AP.
3. This acquisition was not synopsized in the Commerce Business Daily. Explanation is provided in paragraph 24.
4. Proposed services have been determined to be nonpersonal. Yes _____ No _____ N/A X.
5. The Pre-Award Disclosure Statement - Cost Accounting Practices and Certification was executed on 31 August 1992. The cognizant DCAA auditor determined that the Disclosure Statement was current, accurate and complete on 7 June 1993.
6. Written waiver of audit request was granted by the Contracting Officer. Yes _____ N/A X. (FAR 15.805-5).
7. The cognizant ACO has determined that the contractor's Estimating System is adequate at the present time.
8. The contractor has an approved purchasing system for Dallas, as determined by the ACO on 22 November 1993. The contractor has an approved purchasing system for Camden, as determined by the ACO on 01 December 1993.
9. The contractor's Material, Management, and Accounting System has been determined to be adequate by the ACO.
10. a. The contractor submitted SF1411, Contract Pricing Proposal Cover Sheet. Yes X No _____.
b. The SF 1411s for all major subcontractors have been submitted (FAR 15.806). Yes _____ N/A X No _____.
c. Assist audits have been requested or received for all major subcontractors. Yes _____ N/A X No _____.
Explanation is provided in paragraph 24.
11. Precontract costs were approved by _____. N/A X.
12. An approved make or buy plan is on file. Yes _____ N/A X No _____. If no, explanation is provided in paragraph 24.
13. Equal Employment Opportunity (EEO) compliance has been requested or obtained. Yes _____ N/A X No _____
14. The prospective contract has been determined to be responsible within the meaning of FAR Subpart 9.1 and is financially stable. Yes X No _____. If no, explanation is provided in paragraph 24.
15. This memorandum does not constitute resolution of contract audit in accordance with DODD 7640.2.
16. GSA Delegation of Procurement Authority (DPA) does not apply.
17. Exception to the Buy American Act has been obtained. Yes _____ No _____ N/A X. (FAR 25.102 and 25.105)

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18. Progress Payments Authorized (FAR 32.5): Customary Flexible Unusual . If unusual, explanation and approvals are discussed in paragraph 24.
19. Certification of Independent Price Determination has been submitted by the contractor (fixed price only). Yes No N/A . If no, explanation is provided in paragraph 24. (FAR 3.103-1)
20. The proposed procurement has been reviewed by the Contracting Officer for Small and Small Disadvantaged Business and Labor Surplus Area Considerations. Yes No N/A . If no, explanation is provided in paragraph 24. (FAR 19.501)
21. Warranty Clause approval has been obtained. Yes No N/A . If no, explanation is provided in paragraph 24. (FAR 46.7) Does the cost-effectiveness analysis required by DFARS 246.770-7(a) indicate that the warranty provisions will be cost effective. Yes No N/A . If no, has a waiver been requested? Yes No . If no, explanation is provided in paragraph 24.
22. List of Parties Excluded from Federal Procurement or Nonprocurement Programs has been checked. Yes No . If no, explanation is provided in paragraph 24.
23. ASA(FM) Approval/Authorization for ADP Acquisition does not apply.
24. Explanations (indicate item numbers to which explanation apply) and any other applicable compliances.

Item #3 - Per FAR 5.202(a)(11), the Contracting Officer need not synopsise if the contract action is made under the terms of an existing contract that was previously synopsized in sufficient detail to comply with the requirements of 5.207 with respect to the current contract action.

SECTION III. Summary of Key Documents

1. Contract DAAH01-89-C-0336, Modification P00111, dated 10 July 1992.
2. Contract DAAH01-89-C-0336, Modification P00160, dated 04 April 1994.
3. Contractor Cost Proposal MI-C14500, dated 11 March 1994.
4. Updated Contractor Computer Runs, dated 22 September 1994.
5. MICOM Report of Price Analysis Number 94-0224, dated 13 September 1994 with enclosures.
6. MICOM Report of Price Analysis Number 94-0224A, dated 14 November 1994.
7. MICOM Update of Price Analysis Number 94-0224, dated 13 December 1994.
8. Technical Evaluation submitted by SFAE-MSL-ML-MG-A, dated 21 August 1994.
9. Revised Technical Evaluation submitted by SFAE-MSL-ML-MG-A, dated 17 November 1994.
10. Claim of Limited/Restricted Rights Legend, LVS letter 3-67100/94L-526, dated 14 October 1994.

SECTION IV. PreBCM Introduction

1. Exhibits/Attachments

- a. Contract DAAH01-89-C-0336, Modification P00111
- b. Contract DAAH01-89-C-0336, Modification P00160
- c. Report of Price Analysis Numbers 94-0224, 94-0224A and updated Report of Price Analysis
- d. Technical Evaluations.
- e. Claim of Limited/Restricted Rights Legend, Letter.

2. Background

a. Procurement History - The Reduced Range Practice Rocket (RRPR) was recommended as a Value Engineering Change to the current Multi-Year Production Program (MYP II, Contract No. DAAH01-89-C-0336) in 1990. A Value Engineering Change Proposal - Concept (VECP-C No. R200) was submitted initially by LVS in December 1990, updated in August 1991 and approved by the government in September 1991. The formal VECP MI-C1450 was then submitted, and was approved in March 1992. To authorize development and implementation of the RRPR, the VECP was incorporated into the MYP II Contract by contract Modification Number P00111 dated 10 July 1992 and revised by contract Modification Number P00160 dated 4 April 1994.

b. Negotiation Environment - This action will result in the definitization of contract modifications P00111 and P00160.

3. Type of Contract: This is not applicable in accordance with AFARS 1.691-3, as this is not a new requirement.

4. Source Selection: This is not applicable in accordance with AFARS 1.691-3, as this is not a new requirement.

SECTION V. PreBCM Cost Analysis

A summary comparison of the cost categories is listed below in columnar format representing the contractor's proposal, price/technical evaluation and the government's pre-negotiation objective. All the dollars shown below are the reflected savings and, therefore, will be a decrease to the overall contract price.

<u>Cost Element</u>	<u>Initial Proposal</u>	<u>Updated Proposal</u>	<u>Price/Technical Recommended</u>	<u>Government Objective</u>	<u>Notes</u>
Dallas Dir Cost	\$ 2,606,401	\$ 2,686,286	\$ 2,606,415	\$ 2,686,286	
Material	(22,659,388)	(22,594,675)	(22,718,003)	(22,718,003)	2
Mat'l Overhead	(842,313)	(820,653)	(803,953)	(803,953)	
Labor	24,222	195,596)	194,003)	(194,003)	3
Labor Overhead	590,711	(338,498)	(335,870)	(335,870)	
Other Dir Chrgs	(117,880)	(115,703)	(59,421)	(59,421)	4
Direct Costs	(20,398,247)	(21,378,839)	(21,504,835)	(21,424,964)	
G&A	(2,368,305)	(2,559,057)	(2,536,772)	(2,528,146)	5
Cost	(22,766,552)	(23,937,896)	(24,041,607)	(23,953,110)	
FCCOM	(31,579)	(55,012)	(59,874)	(59,874)	6
TOTAL COST	(22,798,131)	(23,992,908)	(24,101,481)	(24,012,984)	
Profit	0	0	0	0	7
PRICE	(22,798,131)	(23,992,908)	(24,101,481)	(24,012,984)	

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<u>Cost Element</u>	<u>Initial Proposal</u>	<u>Updated Proposal</u>	<u>Price/Technical Recommended</u>	<u>Government Objective</u>	<u>Minimum Net Savings</u>
Hardware Credits	(\$83,600,057)	(\$84,234,093)	(\$83,812,217)	(\$83,812,217)	
Advanced Material	10,299,829	10,300,909	10,183,366	10,183,366	
Contract Deletions	(73,300,228)	(\$73,933,184)	(\$73,628,851)	(\$73,628,851)	
Added: Production	45,737,829	44,796,619	44,700,521	44,700,521	
Devel&Imp	4,764,268	5,143,657	4,826,847	4,915,346	
Acquisition Savings	(\$22,798,131)	(\$23,992,908)	(\$24,101,483)	(\$24,012,984)	(\$26,010,309)
Government Cost-Testing			\$ 1,068,721	\$ 1,068,721	\$ 1,068,721
Government Cost - Adv Matl			\$11,612,911	\$11,612,911	\$11,612,911
Net Acquisition Savings			(\$11,419,851)	(\$11,331,352)	(\$13,328,677)
LVS Share			\$ 5,709,926	\$ 5,665,676	\$ 6,664,339
Summary of Contract Change:					
Acquisition Savings			(\$24,101,483)	(\$24,012,984)	(\$26,010,309)
Payment: LVS Share			5,709,926	5,665,676	6,664,339
Net Contract Reduction (Government)			(\$18,391,557)	(\$18,347,308)	(\$19,345,970)

NOTE: All dollars are rounded to the nearest whole dollar.

1. Dallas Direct Cost - The cost proposed for this function includes engineering, engineering administration and program support, program management, liaison engineering, electronic manufacturing support, proposed support, mechanical systems P-Code support and configuration management.

<u>Cost Element</u>	<u>Initial Proposal</u>	<u>Updated Proposal</u>	<u>Price/Technical Recommended</u>	<u>Government Objective</u>
LVS (Dallas)				
Engineering Labor	\$1,490,532	\$1,532,768	\$1,488,054	\$1,532,768
Engineering Ovrhd	615,927	654,524	628,866	654,524
Engineering ODC	416,288	414,801	411,669	414,801
All Other	83,654	84,193	77,826	84,193
Dallas Direct Cost	\$2,606,401	\$2,686,286	\$2,606,415	\$2,686,286

(a) The updated LVS proposal increased the total engineering hours from 39,044 to 39,888 but did not provide any detailed support.

(b) The recommended position accepts 38,913 engineering labor hours.

(c) The objective position accepts the LVS's proposed 39,888 hours providing all the additional documentation in which to support this position is provided.

2. Material

(a) The LVS Bill of Materials is stratified into five Material Type (MT) categories 100 - 500, which are shown below:

<u>MT</u>	<u>Description</u>
100	Raw Material
200	Standard Hardware
300	Purchase Parts
400	Purchased Labor
500	Major Subcontractors

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(b). The contractor proposed actual direct material costs for the Camden Cost Center. These actuals are proposed for both debits and credits. They represent direct materials that are already on purchase order, or were purchased as advance material for the multi-year program. The changes to the material cost result from credits for the cost of deleted parts and debits for the cost of added parts. Obsolete material consists of deleted parts that have already been purchased and are treated as a contract debit. See Paragraph 7.d of Report of Price Analysis 94-0224, Attachment 1.

(c). The following is a summary comparison of the material cost:

Credits: The Credits consists of the following deleted parts: Fuse, Original Ballast Weights, Warhead Skin, Original Smoke Canister, Launch Tubes, LPC Cable, Gold Dot Connectors, and Lower Value Parts

Obsolete Materials: Consists primarily of the Gold Dot Connectors, Advance Material for the Fuse, and the LPC Cable

Debits: The Debits consists of the following added parts: Redesigned Launch Tubes, Warhead Skins, Ballast Bars, LPC Cable, Smoke Cartridge and Lower Value Parts.

<u>Cost Element</u>	<u>Initial Proposal</u>	<u>Updated Proposal</u>	<u>Price/Technical Recommended</u>	<u>Government Objective</u>	<u>Notes</u>
Credits:					
Subcontracts	(\$42,213,119)	(\$42,213,119)	(\$42,213,119)	(\$42,213,119)	
Other Mat'l	(\$13,539,384)	(\$13,538,048)	(\$13,803,966)	(\$13,803,966)	(1)
Util&ShopSupp	(\$ 1,281,953)	(\$ 1,281,849)	(\$ 903,545)	(\$ 903,545)	(2)
Non-Recurring	<u>(\$ 1,500)</u>	<u>(\$ 1,500)</u>	<u>(\$ 1,500)</u>	<u>(\$ 1,500)</u>	
Total Credits	(\$57,035,956)	(\$57,034,516)	(\$56,922,130)	(\$56,922,130)	
Obsolete Material:					
Subcontracts	\$ 7,920,438	\$ 7,920,438	\$ 7,920,438	\$ 7,920,438	
Other Mat'l	\$ 689,339	\$ 689,339	\$ 689,339	\$ 689,339	
Util&ShopSupp	<u>\$ 206,269</u>	<u>\$ 206,268</u>	<u>\$ 147,474</u>	<u>\$ 147,474</u>	
Subtotal	\$ 8,816,046	\$ 8,816,045	\$ 8,757,250	\$ 8,757,250	
Contract Credit	(\$48,219,910)	(\$48,218,471)	(\$48,164,880)	(\$48,164,880)	
Debits:					
Subcontracts	\$19,200,168	\$19,200,168	\$19,200,168	\$19,200,168	
Other Mat'l	\$ 4,993,440	\$ 4,993,440	\$ 4,993,440	\$ 4,993,440	
Util&ShopSupp	\$ 591,499	\$ 591,499	\$ 426,522	\$ 426,522	(2)
Non-Recur Prod	\$ 24,228	\$ 91,175	\$ 79,233	\$ 79,233	(2)
M/R Development	<u>\$ 301,474</u>	<u>\$ 297,997</u>	<u>\$ 297,997</u>	<u>\$ 297,997</u>	
Subtotal	\$25,110,809	\$25,174,279	\$24,997,360	\$24,997,360	
Tooling Mat'l	<u>\$ 449,713</u>	<u>\$ 449,517</u>	<u>\$ 449,517</u>	<u>\$ 449,517</u>	
Total Debits	\$25,560,522	\$25,623,796	\$25,446,877	\$25,446,877	
Total Material	(\$22,659,388)	(\$22,594,675)	(\$22,718,003)	(\$22,718,003)	

(1) The only cost questioned relates to the ballast weights for the 1,864 practice pods that were priced in the original multi-year contract. The recommended and objective positions deletes the weights at the prices originally included in the contract. LVS has deleted these parts at prices based on a quote which would be for a much larger quantity.

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(2) Estimates for Utilization (material losses) and Shop Supplies ("as required" materials such as paints, solvents, and cleaners) are estimated as a percentage of direct material.

(i) The proposed utilization rates for the rocket parts are 0.45% for the earlier CLINs and 0.60% for the later CLINs, the launch pod container rates are 1.02% and 1.14%, and Shop Supplies are estimated at 1.57% for all CLINs.

(ii) The recommended and objective positions incorporates the DPRO recommended utilization rates of 0.5% for the rocket parts and 1.06% for the launch pod container, and a Shop Supplies rate of 0.95% for all CLINs.

3. Labor - The LVS position, has been accepted. Differences are due to DPRO evaluated rates which are lower than the proposed and result in a lower credit to the Government.

Hours:	<u>Proposed</u>	<u>Recommended/Objective</u>
	19,634	19,634

Rates:	<u>Proposed</u>	<u>Recommended/Objective</u>
	\$ 9.962	\$ 9.881

4. Other Direct Charges - These direct charges include travel costs for airfares, car rental, lodging and meals, engineering computer costs, computer administration costs, man-loaded on-site labor, financial control, traceability, and miscellaneous ODC Wrap rates. For a more detailed explanation see Report of Price Analysis 94-0224, dated 13 September 1994, Paragraph 7f(1)(2), Attachment 1.

<u>Credit</u> Other Direct Charges:	<u>Proposed</u>	<u>Evaluated/Objective</u>
Production	(\$ 59,614)	(\$106,392)
Freight&Express	<u>(347,887)</u>	<u>(216,297)</u>
	(\$407,501)	(\$322,689)
<u>Obsolete</u> Other Direct Charges:		
Freight&Express	\$ 53,777	\$ 33,277
<u>Debit</u> Other Direct Charges:		
Production	\$ 55,687	\$ 98,371
Operations Control	91	91
Quality Assurance	24,606	24,606
Material Support	361	361
Freight&Express	151,580	94,985
Mfg Engineering	5,715	5,715
Financial	<u>0</u>	<u>5,862</u>
	\$238,021	\$229,991
Total ODC's	(\$115,703)	(\$ 59,421)

(a) The following is a comparison of the initially proposed and evaluated rates which were applied to labor hours for miscellaneous direct charges and freight&express.

(b) The government's evaluated position was developed as follows; the production rate is based on CY92 actuals as reported in the current proposal, support labor factors are from the previous proposal and are based on CY91 actuals, and the freight&express factor is based on the latest proposed factor from LVS's Rate and Factor Handbook.

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(c) The differences are due to application of the rates. However, after factfinding it was agreed that the objective position will be as shown below:

	<u>Proposed</u>	<u>Evaluated</u>	<u>Objective</u>
Production	\$.263	\$.2989	\$.2989
Operations Control	0	.5728	
Quality Assurance	0	.5749	0
Material	0	.9472	
Manufacturing Engineering	0	.6095	
Freight&Express	0.61%	0.38%	0.38%

5. G&A - The recommended and objective positions utilized the DPRO interim recommended rates.

6. Facilities Capital Cost of Money (FCCOM)

(a) The proposed FCCOM is based on actual and negotiated forward pricing factors. These were negotiated using a 5.5% Treasury Rate.

(b) The evaluated and objective FCCOM position is based on the negotiated factors adjusted for the latest Treasury Rate of 7.0%. The major portion of the above difference is due to the base to which the factors are applied.

	<u>Proposed</u>	<u>Evaluated/Objective</u>
FCCOM:	(\$55,012)	(\$79,910)

7. Profit - Profit is not applicable to this action.

SECTION VII. Pre8CM Price Analysis

Price Analysis means the process of examining and evaluating a proposed price without evaluating its separate cost elements and fee. Proposed prices are compared to indicators that are outlined in the Armed Services Pricing Manual. The prenegotiation objective position has utilized all past information that was available as well as taking into account the reduction in the Rocket Line. The negotiated minimum savings shown below were incorporated into Contract DAAH01-89-C-0336 by Modification P00160, all Instant Contract CLINS resulted in the government objective utilizing the MLT Minimum Net Savings amount which is addressed in Modification P00160.

<u>INSTANT:</u>	<u>CLIN</u>	<u>PROPOSED</u>	<u>EVALUATED</u>	<u>OBJECTIVE</u>	<u>MINIMUM NET SAVINGS (P00160)</u>
	0034AA	\$ 958,796	(\$2,290,211)	(\$3,012,727)	(\$3,012,727)
	0034AB	(\$2,548,114)	(\$1,475,359)	(\$2,000,942)	(\$2,000,942)
	0044AA	(\$4,189,442)	(\$2,503,879)	(\$3,012,727)	(\$3,012,727)
	0049AA	(\$ 259,165)	(\$ 148,387)	(\$ 161,627)	(\$ 161,627)
	0049AB	(\$ 352,510)	(\$ 201,832)	(\$ 219,813)	(\$ 219,813)
<u>FUTURE:</u>					
	0044AB	(\$15,206,718)	(\$15,109,892)	(\$15,206,718)	(\$10,799,916)
	0044AC	(\$ 2,395,755)	(\$ 2,371,922)	(\$ 2,395,755)	(\$ 1,590,410)
	TOTAL:	(\$23,992,908)	(\$24,101,483)	(\$26,010,309)	(\$20,798,162)

There was no cost or pricing data submitted in which full reliance was not placed and which was not used by the contracting officer in determining the total price objective. There was no cost or pricing data submitted by the contractor that was recognized by the contracting officer as being inaccurate, incomplete, or noncurrent.

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SECTION VIII. Special Provisions

1. Paragraph A-2 of Modification P00111 has set the Contractor's Development and Implementation Costs at a Not-To-Exceed (NTE) amount of \$4,800,000 and the government's NTE amount at \$2,000,000. This stipulation has never been rescinded. Therefore, the Contractor's Development and Implementation Costs shall not exceed \$4,800,000.
2. The Contractor has proposed all Development and Implementation Costs under CLIN 0034AA thereby creating a cost for this CLIN. The government's position is that this cost should be spread across all the Instant Contract CLINs.

SECTION IX. PreBCM Other Information

The contractor has stamped all drawings with a limited/restricted rights legend. See LVS letter 3-67100/94L-526 dated 14 October 1994; Attachment 6. It is the opinion of the government that this provision should not be included on any documents submitted as a VECP and removal will be required before definitization.

SECTION X. PreBCM Attachments

1. MICOM Report of Price Analysis 94-0224, dated 13 September 1994 with enclosures.
2. MICOM Report of Price Analysis 94-0224A, dated 14 November 1994.
3. MICOM Report of Price Analysis Update, dated 13 December 1994.
4. Technical Evaluation, dated 21 August 1994.
5. Revised Technical Evaluation, dated 17 November 1994.
6. LVS letter, Subject Limited/Restricted Rights Legend, dated 14 October 1994.
7. Contract DAAH01-89-C-0336, Modification P00111, dated 10 July 1992.
8. Contract DAAH01-89-C-0336, Modification P00160, dated 4 April 1994.

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PostBCM Compliances

Compliances: (If applicable)

a. A "Certification of Current Cost or Pricing Data" is required for this action and enclosed in the file. (FAR 15.804-4).

b. Type of Contract Determination & Findings has been approved by the Contracting Officer. Yes No N/A X

c. Funds are available to cover the contract requirements. Yes X No

2. Negotiations:

Negotiations commenced on 7 November 1994 and concluded on 26 July 1995. The following individuals participated in the negotiations:

GOVERNMENT

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

CONTRACTOR

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The negotiated settlement for VECP MI-C1450, "Reduced Range Practice Rocket" is as follows:

Element

Total Hardware Credits	(\$73,628,851.00)
Production Debits	\$44,700,521.00
Manufacturing Savings	(\$28,928,330.00)
Contractor Development & Implementation	<u>\$ 4,800,000.00</u>
Acquisition Savings	(\$24,128,330.00)
Government Cost: Testing	\$ 1,068,721.00
Advance Material Obsolescence	<u>\$ 1,018,336.00</u>
Net Acquisition Savings	(\$22,041,273.00)
Contractor Share	\$11,020,637.00
Net Contract Reduction	(\$13,107,694.00)
Less Gov't Savings Deobligated in P00160	<u>\$ 5,399,958.00</u>
	(\$ 7,707,736.00)
Future Lump Sum Royalties (Contractor Share)	(\$ 1,922,040.00)
Final Adjustment to the Contract	(\$ 5,785,696.00)

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The following Memorandums for Record are incorporated in this PostBCM to provide a summarization of the final negotiations:

- a. Memorandum for Record
Dated: 26 July 1995
Author: [REDACTED]
Subject: Settlement of Value Engineering Change Proposal, MI-C1450
- b. Memorandum for Record
Dated: 20 July 1995
Author: [REDACTED]
Subject: Settlement of Value Engineering Change Proposal, MI-C1450
- c. Memorandum for Record
Dated: 29 June 1995
Author: [REDACTED]
Subject: Settlement Discussion with the MICOM PARC, [REDACTED] in regard to Value Engineering Change Proposal (VECP) MI-C1450, Reduced Range Practice Rocket (RRPR)
- d. Memorandum for Record
Dated: 30 October 1995
Author: [REDACTED]
Subject: Settlement of VECP MI-C1450, Data Rights

2. Other Information:

- a. Based upon all factors the total net acquisition savings of \$22,041,273 is considered fair and reasonable and is hereby recommended for acceptance.
 - b. There was no cost or pricing data submitted in which full reliance was not used by the Contracting Officer in determining his total price objective and in negotiating the final price. There was no cost or pricing data submitted by the contractor that was recognized by the Contracting Officer during negotiations as being inaccurate, incomplete, or noncurrent.
3. LVS has provided a confirmation of negotiations.

29 June 1995

[REDACTED] Deal/6-7347

MEMORANDUM FOR RECORD

SUBJECT: Settlement Discussion with the MICOM PARC,
[REDACTED] in regard to Value Engineering Change
Proposal (VECP) MI-C1450, Reduced Range Practice Rocket (RRPR)

1. A meeting was held with the PARC on 27 June 1995 to discuss the subject negotiation and the implications of the material obsolescence issue. [REDACTED], and the undersigned were present at the discussion.

2. Background:

a. Multiyear II Contract (MY II): The MLRS Project Office had a requirement in fiscal years FY89-FY93 which met the minimum requirements for a second multiyear contract for production of both launchers and air vehicles. A Congressional requirement in Section 107 of the FY89 Defense Authorization Act mandated that in order to award a multiyear contract, the negotiated price, with adjustments for differences in quantity, inflation, and configuration, must demonstrate a 10% savings over current negotiated contracts. The contract awarded was a five year multiyear firm fixed-price with an economic price adjustment provision (FFP w/EPA) procurement with economic order quantities for advance materials. The initial contract award was for \$941,960,820.

b. Advance Materials: During the planning phase of the MY II contract the purchase of "car load lots" of advance material was considered to be the most effective method for reducing the price of the hardware. The savings on the Multiyear I contract awarded six years earlier was the basis for this decision. On the MY II contract there was a validated savings reported to the Congress of 13.8% for the Multiyear approach over annual buys. Almost all of the validated savings was associated with the advance materials. The eventual agreement reached was to have LTV purchase advance materials in the most economical manner with the subcontractors and suppliers, and maintain the material without additional cost to the government until the material was introduced into work in process.

c. Progress Payments: The regulations in effect at the time of MY II negotiation restricted the percentage amount of progress payments which could be allowed to a large business. Loral Vought Systems (LVS) did not have a problem with the ordinary performance on the multiyear, but was not willing to carry the expense of the advance materials (some for as long as 6 years) without an increase in the profit rate to a point not acceptable to the contracting officer. A compromise was reached through an arrangement where only the advanced materials were accepted on a

Certificate of Conformance (COC), stored as government property but maintained by the contractor's materials procedures, and reported to the Procuring Contracting Officer on a semi-annual basis. The contractor was authorized to voucher (bill) 100% of the advance materials cost at the time that it was delivered by the subcontractor or vendor. Delivery and payment to LVS was effected on the COC. It is calculated that this process saved approximately \$3M in profit had the normal progress payment liquidation procedures been used. The procedure worked without any significant problems throughout the contract period of performance.

d. Value Engineering Change Proposal MI-C1450, Reduced Range Practice Rocket (RRPR): The MLRS Project Manager had a requirement from the User Community for a reduced range practice rocket with a significantly shorter range than the practice rocket. The practice rocket essentially required the same range requirement as the tactical rocket (approximately 20 kilometers). This range requirement restricted the locations that could accommodate an MLRS rocket practice mission to White Sands Missile Range (WSMR), NM, and Grafenwoehr, Germany. The cost associated with a WSMR practice mission for annual service practice was prohibitive and the safety restrictions imposed by the German government at Grafenwoehr limited MLRS to only two firing points. Neither of these conditions were acceptable as a means of realistic training for the operators of the system. There was insufficient time to budget RDT&E funds to develop a new Reduced Range Rocket without unacceptable costs and delays. At this juncture, LVS submitted a value engineering change proposal (VECP) to develop a RRPR. Eventually, the VECP was approved and the RRPR tested and approved for production. An adroit series of changes converted a quantity of tactical rockets to practice rockets and then to reduced range practice rockets. These, and subsequently contracted RRPRs, have been delivered to the U.S. Army and to Foreign Military Sales (FMS) customers.

e. The incorporation of the subject VECP into MY II contract converted the last 6,434 Practice Rocket pods to Reduced Range Practice Rocket (RRPR) pods. The RRPR design utilizes a revised warhead structure, warhead skin, associated cabling to link the fire control system, and has no fuze. This revised configuration caused advanced materials purchased at the multiyear contract outset to become "surplus advance material". This material is of the correct configuration for the practice and tactical rockets but cannot be used on the RRPR.

2. During the initial negotiation sessions for settlement of VECP MI-C1450 in February 1995 the government's contention was that the surplus advance materials represented a government cost within the meaning of the VECP clause of the contract and should be deducted from the acquisition savings before the savings are shared. The LVS contention was that the materials in question are "good material" for practice and tactical rocket use and as such do not represent a cost; hence are not a "government

cost". The MLRS Project Office and the legal advisor support the government position in writing.

3. The settlement of the subject VECP is stalemated by two key factors which effectively block an agreement. All other aspects of the settlement have been agreed upon. The two factors at issue are (a) the advanced materials and (b) the manufacturing rights for future sales to FMS or third party sales.

4. The desire to reach a negotiated settlement, as opposed to resolution through a unilateral determination, is predicated on an ambiguity contained in modifications P00111 and P00160 which failed to include a value for the surplused advanced materials in the not to exceed (NTE) value for the government cost to implement the VECP. The omission of the value for advance materials was deliberate (based on discussions with the contract specialist involved) since an exact value could not be established at that time. The incorporation of the advance material value was deferred by mutual agreement until later. The deferment agreement was not reduced to writing and is a area of discord in this settlement. This ambiguity is now one of the main tenants of the disagreement between the Contracting Officer and the contractor (LVS).

5. In the event that a requirement for tactical or practice rockets should develop in the future for either an FMS requirement or for a U.S. requirement, the surplused advanced materials would constitute an available bargain to the U.S. government. The materials were purchased some 6 years ago and would enjoy not having escalation applied for the approximately 10 years that the materials have escaped. Additionally the materials were purchased in car load lots obtaining an economy of scale that is no longer available. The shelf life of the advance materials does not expire in the foreseeable future. As part of any negotiated settlement with LVS on the VECP settlement an extension to the no cost to the government storage agreement for an additional 3 to 5 years will be negotiated. This will assure that the surplused materials are available at reduced cost if a requirement develops within the foreseeable future.

6. The meeting was concluded with agreement that the MLRS PMO would be contacted by the Contracting Officer to "revisit" the advance materials obsolescence issue, and if no adjustments were forthcoming in the PMO's position, then negotiations would proceed to settle the VECP on the most equitable basis possible.



Contracting Officer

MEMORANDUM FOR RECORD

20 July 1995

SUBJECT: Settlement of Value Engineering Change, MI-C-1450

1. The settlement of the Reduced Range Practice Rocket Value Engineering Change Proposal (VECP) was discussed, among other subjects, during a visit by [REDACTED] of Loral Vought Systems, Dallas, Texas, to the undersigned on 6 July 1995. All aspects of this settlement have been discussed, and agreed upon, with the exception of the amount of obsolescence that the government will experience as a result of the VECP. The following offer had been made and the elements, other than the Advance Material amount had been accepted by both parties.

Element	Amount
Total Hardware Credits	
including Advance Mat'l	(\$83,812,217)
Advance Material	<u>\$10,183,366</u>
Production Credits	(\$73,628,851)
Production Debits	\$44,700,521
Manufacturing Savings	(\$28,928,330)
Contractor Dev & Imp	<u>4,800,000</u>
Acquisition Savings	(\$24,128,330)
Government Cost - Testing	\$1,068,721
Government Cost - Advance Mat'l	<u>931,279</u>
Net Acquisition Savings	(\$22,128,330)
Contractor Share	\$11,064,165
Contract Reduction in Performance	(\$24,128,330)
Payment /of Contractor Share	<u>\$11,064,165</u>
Net Contract Reduction	\$13,064,165)
Less amount already deobligated	<u>\$ 5,399,958</u>
Further Contract Reduction	(\$ 7,664,207)

Contractor's total share of savings: \$11,064,165

Government total share of savings: \$13,064,165

2. The contractor did not accept this initial offer due to the treatment of the Advance Materials. Lengthy discussions with the contractor had failed to bridge the difference. On 6 July 1995 it was decided to recess the negotiations and search for common ground upon which to structure a settlement. Additional background information is at Enclosure 1.

3. The issue of the amount of Advance Materials that are obsoleted by the VECP was re-visited with [REDACTED] MLRS Project Office, on 6 July 1995. It was agreed that 100 percent of the materials being made obsolete, and thus becoming a government expense, was not a defensible position. [REDACTED] agreed that 10 percent of the Advance Materials (or \$1,018,336) would be made obsolete by the VECP and the remainder of the \$10,183,336 would be useable (at no additional cost to the government) in the event the government decided at some future

time to purchase tactical or practice rockets of the "old" configuration. The PMO expressed a desire to obtain additional data rights, if possible, as a result of this reevaluation and change in position on the obsolesce issue without additional cost to the program.

4. An alternative offer was developed, and offered to LVS on 11 July 1995, as listed below which incorporates the 10 percent obsolesce of Advance Materials, additional data rights, and the elements of the offer previously discussed.

Element	Amount
Total Hardware Credits	(\$73,628,851)
Production Debits	\$44,700,521
Manufacturing Savings	(28,928,300)
Contractor Dev & Imp	<u>\$4,800,000</u>
Acquisition Savings	(\$24,128,330)
 Contract Reduction in Performance	 (\$24,128,330)
Government Cost - Testing	\$1,068,721
 Advance Material Obsolescence	 1,018,336
Net Acquisition Savings	22,041,273
 Contractor Share	 \$11,025,637
 Net Contract Reduction	 (\$13,107,694)
Less amount already deobligated	<u>\$ 5,399,958</u>
Further reduction to contract	(\$7,707,736)

5. The incorporation of the subject VECP into MY II contract converted the last 6,434 Practice Rocket pods to Reduced Range Practice Rocket (RRPR) pods. The RRPR design utilizes a revised warhead structure, warhead skin, associated cabling to link the fire control system, and has no fuze. This revised configuration caused some advanced materials purchased at the multiyear contract outset to become "surplus advance material". This material is of the correct configuration for the practice and tactical rockets but cannot be used on the RRPR.

6. During the initial negotiation sessions for settlement of VECP MI-C1450 in February 1995 the government's contention was that the surplus advance materials represented a government cost within the meaning of the VECP clause of the contract and should be deducted from the acquisition savings before the savings are shared. The LVS contention was that the materials in question are "good materials" for practice and tactical rocket use and as such do not represent a government cost. The MLRS Project Office and the legal advisor supported the government position in writing to that effect at that time.

7. The negotiation for settlement of the subject VECP were stalemated by two key factors which effectively block an

agreement. All other aspects of the settlement have been agreed upon. The two factors at issue are (a) the advanced materials and (b) the manufacturing rights for future sales to FMS or third party sales.

8. In the event that a requirement for tactical or practice rockets should develop in the future for either an FMS requirement or for a U.S. requirement, the surplused advanced materials would constitute an available bargain to the U.S. government. The materials were purchased some 6 years ago and would enjoy not having escalation applied for the time that the materials have been in storage. Additionally, the materials were purchased in "car load lots" obtaining an economy of scale that is no longer available. The shelf life of the advance materials does not expire in the foreseeable future. As part of any negotiated settlement with LVS on the VECP settlement an extension to the no cost to the government storage agreement for an additional 2 to 5 years will be negotiated. This will assure that the surplused materials are available at reduced cost if a requirement develops within the foreseeable future.

9. Loral submitted a revised offer on 12 July 1995 relative to settlement of RRPR and disposition of the Data Rights issue:

Element	Amount
Total Hardware Credits	(\$73,628,821)
Production Debits	\$44,700,521
Manufacturing Savings	(28,928,330)
Contractor Dev & Imp	<u>\$4,800,000</u>
Acquisition Savings	(\$24,128,330)
Contract Reduction in Performance	(\$24,128,330)
Government Cost - Testing	\$1,068,721
Subtotal	(\$23,069,609)
Government Cost - Advance Material	1,018,336
Net Acquisition Savings	(\$22,041,273)
Contractor Share	\$11,020,636
Contract Reduction in Performance	(\$24,128,330)
Less Contractor Share	\$11,020,636
Net Contract Reduction	(\$13,107,694)
Less amount already deobligated	<u>\$ 5,399,958</u>
Further reduction to contract	(\$7,707,736)

Note: Contractor share of Royalty (\$2,113,120) is based on of future contract savings for 940 RPs.

Note: Government share of Royalty (\$2,113,120) is based on of future contract savings for 940 Rps.

Offer agrees with "cost free" storage of the residual Advance Materials at Camden, Arkansas, for two and one half years after delivery of all hardware (August 1999). Offer agrees to let the

Government acquire the data rights to the RRPR in accordance with the attached special provision H-XX.

Royalty Calculation for the Reduced Range Practice Rocket (RRPR) Rocket Pod Container (RPC):

$\$(28,928,330)$ divided by 6,434 RPCs = \$ 4,496
\$4,496.00 times 940 RPCs = \$4,226,240
Contractor Share - 50% of \$4,226,240 = \$2,113,120
Government Share - 50% of \$4,226,240 = \$2,113,120

10. The text of the LVS proposed data clause is in full text at Enclosure 2.

11. The savings were calculated for Instant Contract quantities on contract DAAH01-89-C-0336, and future contact quantities being calculated on DAAH01-94-C-A003. The following table shows the quantities derived:

Instant Contract Units: 2,601 RRPR Pods
As contained in modifications P00111 and P000160, DAAH01-89-C-0336.

CLIN	Qty
0034AA	932
0034AB	619
0044AA	932
0049AA	50
0049AB	68
0044AB	3,341
0044AC	<u>492</u>
	6,434

Contract DAAH01-94-C-A005

CLIN	Qty
0004AA	680
0004AB	24
0004AC	96
0004AD	12
0006AA	22
0009AA	<u>21</u>
	855

Schedule	
acceleration	
quantity	85
Total	<u>940</u>

12. The Unit Price Adjustment was derived by dividing the Manufacturing Savings of \$28,928,330 by the 6,434 RRPR Pods to obtain \$4,496 unit price reduction. The total number of RRPR Pods scheduled for delivery from first delivery in September 1993 for the 36 month royalty period through August 1996 is 855 RRPR pods. The contractor has requested pursuant to FAR 52.248-1, paragraph i(4) that the contracting officer consider the fact

that LVS has accelerated the schedule from January 1996 to December 1995 and each succeeding month through September 1996. This adds 85 units to the total under consideration for royalty purposes.

13. The royalty calculation for the RRPR is derived by multiplying the "unit cost savings" (\$4,496) by the number of units scheduled for delivery during the sharing period 855 plus the Schedule Acceleration Quantity of 85 units for a total of 940), the product of which is \$4,226,240.

14. After consultation with the Patent Attorney on the rights clause, a settlement offer was prepared 19 July 1995 containing the following elemental breakdown:

Element	Amount
Total Hardware Credits	(\$73,628,851)
Production Debits	\$44,700,521
Manufacturing Savings	(28,928,300)
Contractor Dev & Imp	<u>\$4,800,000</u>
Acquisition Savings	(\$24,128,330)
Contract Reduction in Performance	(\$24,128,330)
Government Cost - Testing	\$1,068,721
Advance Material Obsolescence	1,018,336
Net Acquisition Savings	22,041,273
Contractor Share	\$11,025,637
Net Contract Reduction	(\$13,107,694)
Less amount already deobligated	<u>\$ 5,399,958</u>
Further reduction to contract	(\$7,707,736)
Add future contract Royalties	\$4,226,240
Adjusted Reduction to the contract	(\$3,481,496)

provided LVS provides continued bunker storage of advance materials at no cost to the government, and the settlement mod contains the following data rights clause:

H-XX Government Purpose License Rights in Technical Data Pertaining to VECP MI-C1450R1

Notwithstanding the Rights in Technical Data and Computer Software clause at DFARS 252.227-7013 the government shall have, as a minimum. Government Purpose License Rights (as defined in (a) 14 of the Rights in Technical Data and Computer Software clause) in the technical data pertaining to the items, components and processes of VECP MI-C1450R1

All technical data pertaining to VECP MI-C1450R1 shall be delivered either without restriction or marked with the legend

setforth in (b) (2) (iii) of the Rights in Technical Data and Computer Software clause.

15. The offer in paragraph 14 above utilized for future contract quantities an additional 85 pods under contract DAAH01-94-C-A005 which the contractor is accelerating delivery by one calendar month. In accordance with FAR 52.248-1, paragraph i(4) the Contracting Officer has the discretion of negotiating a lump sum settlement based on expected deliveries. If the contractor agrees with the data clause the contracting officer is inclined to accept the additional quantity for computation of the royalty. If the data rights clause is rejected, then an offer will be made without the additional future quantities, and without attempting to obtain additional data rights. The net effect of the additional quantities is \$382,160, based on the revised number of units multiplied by the unit cost savings.

Encl:



1. Background:

a. Multiyear II Contract (MY II): The MLRS Project Office had a requirement in fiscal years FY89-FY93 which met the minimum requirements for a second multiyear contract for production of both launchers and air vehicles. A Congressional requirement in Section 107 of the FY89 Defense Authorization Act mandated that in order to award a multiyear contract, the negotiated price, with adjustments for differences in quantity, inflation, and configuration, must demonstrate a 10% savings over current negotiated contracts. The contract awarded was a five year multiyear firm fixed-price with an economic price adjustment provision (FFP w/EPA) procurement with economic order quantities for advance materials. The initial contract award was for \$941,960,820.

b. Advance Materials: During the planning phase of the MY II contract the purchase of "car load lots" of advance material was considered to be the most effective method for reducing the price of the hardware. The savings on the Multiyear I contract awarded six years earlier was the basis for this decision. On the MY II contract there was a validated savings reported to the Congress of 13.8% for the Multiyear approach over annual buys. Almost all of the validated savings was associated with the advance materials. The eventual agreement reached was to have LTV purchase advance materials in the most economical manner with the subcontractors and suppliers, and maintain the material without additional cost to the government until the material was introduced into work in process.

c. Progress Payments: The regulations in effect at the time of MY II negotiation restricted the percentage amount of progress payments which could be allowed to a large business. Loral Vought Systems (LVS) did not have a problem with the ordinary performance on the multiyear, but was not willing to carry the expense of the advance materials (some for as long as 6 years) without an increase in the profit rate to a point not acceptable to the contracting officer. A compromise was reached through an arrangement where only the advanced materials were accepted on a Certificate of Conformance (COC), stored as government property but maintained by the contractor's materials procedures, and reported to the Procuring Contracting Officer on a semi-annual basis. The contractor was authorized to voucher (bill) 100% of the advance materials cost at the time that it was delivered by the subcontractor or vendor. Delivery and payment to LVS was effected on the COC. It is calculated that this process saved approximately \$3M in profit had the normal progress payment liquidation procedures been used. The procedure worked without any significant problems throughout the contract period of performance.

d. Value Engineering Change Proposal MI-C1450, Reduced Range Practice Rocket (RRPR): The MLRS Project Manager had a requirement from the User Community for a reduced range practice

rocket with a significantly shorter range than the practice rocket. The practice rocket essentially required the same range requirement as the tactical rocket (approximately 20 kilometers). This range requirement restricted the locations that could accommodate an MLRS rocket practice mission to White Sands Missile Range (WSMR), NM, and Grafenwoehr, Germany. The cost associated with a WSMR practice mission for annual service practice was prohibitive and the safety restrictions imposed by the German government at Grafenwoehr limited MLRS to only two firing points. Neither of these conditions were acceptable as a means of realistic training for the operators of the system. There was insufficient time to budget RDT&E funds to develop a new Reduced Range Rocket without unacceptable costs and delays. At this juncture, LVS submitted a value engineering change proposal (VECP) to develop a RRPR. Eventually, the VECP was approved and the RRPR tested and approved for production. An adroit series of changes converted a quantity of tactical rockets to practice rockets and then to reduced range practice rockets. These, and subsequently contracted RRPRs, have been delivered to the U.S. Army and to Foreign Military Sales (FMS) customers.

2. The incorporation of the subject VECP into MY II contract converted the last 6,434 Practice Rocket pods to Reduced Range Practice Rocket (RRPR) pods. The RRPR design utilizes a revised warhead structure, warhead skin, associated cabling to link the fire control system, and has no fuze. This revised configuration caused advanced materials purchased at the multiyear contract outset to become "surplus advance material". This material is of the correct configuration for the practice and tactical rockets but cannot be used on the RRPR.

3. During the initial negotiation sessions for settlement of VECP MI-C1450 in February 1995 the government's contention was that the surplus advance materials represented a government cost within the meaning of the VECP clause of the contract and should be deducted from the acquisition savings before the savings are shared. The LVS contention was that the materials in question are "good material" for practice and tactical rocket use and as such do not represent a cost; hence are not a "government cost". The MLRS Project Office and the legal advisor support the government position in writing.

4. Reduced Range Practice Rocket (RRPR) settlement details as confirmed by the contractor in a 17 April 1995 letter:

Element	Amount
Total Hardware Credits	
including Advance Mat'l	(\$83,812,217)
Advance Material	<u>\$10,183,366</u>
Production Credits	(\$73,628,851)
Production Debits	\$44,700,521
Manufacturing Savings	(\$28,928,330)
Contractor Dev & Imp	<u>4,800,000</u>
Acquisition Savings	(\$24,128,330)

Government Cost - Testing	\$1,068,721
Government Cost - Advance Mat'l	<u>931,279</u>
Net Acquisition Savings	(\$22,128,330)
Contractor Share	\$11,064,165
Contract Reduction in Performance	(\$24,128,330)
Payment of Contractor Share	<u>\$11,064,165</u>
Net Contract Reduction	(\$13,064,165)
Less amount already deobligated	<u>\$ 5,399,958</u>
Further Contract Reduction	(\$ 7,664,207)

5. A dichotomy between the contractor's confirmation of negotiations and the contract specialist's record of negotiation relates to the lump sum settlement amount. The contractor maintains a position that it is entitled to a lump sum settlement of \$2,110,000 and the contract specialist contents that the advance material of \$8,000,000 was surplused by the VECP, thus offsetting the lump sum amount.

6. The negotiations for settlement of the subject VECP are stalemated by two key factors which effectively block an agreement. All other aspects of the settlement have been agreed upon. The two factors at issue are (a) the advanced materials and (b) the manufacturing rights for future sales to FMS or third party sales.

7. In the event that a requirement for tactical or practice rockets should develop in the future for either an FMS requirement or for a U.S. requirement, the surplused advanced materials would constitute an available bargain to the U.S. government. The materials were purchased some 6 years ago and would enjoy not having escalation applied for the approximately 10 years that the materials have been in storage. Additionally the materials were purchased in "car load lots", obtaining an economy of scale that is no longer available. The shelf life of the advance materials does not expire in the foreseeable future. As part of any negotiated settlement with LVS on the VECP settlement an extension to the no cost to the government storage agreement for an additional 2 to 5 years will be negotiated. This will assure that the surplused materials are available at reduced cost if a requirement develops within the foreseeable future.

H-XX License Rights for VECP MI-C1450R1

Technical data pertaining to items, components or processes developed exclusively at private expense, which the Government would be entitled to have furnished with "Limited Rights" as defined in paragraph (a)(15) of the clause at 252.227-7013, shall, at no additional cost to the Government, be furnished with the following additional right:

The right to disclose or provide the technical data, in whole or in part and in any manner, for Government Purposes only, and to have or permit others to do so for Government Purposes only, to any U.S. person or corporation that has executed a Standard-Non-Disclosure Agreement which establishes third party beneficiary status in the contractor. If the recipient of the technical data has executed the Standard Non-Disclosure Agreement, the Contractor shall have no claim or right of action against the Government for damages related to misuse or unauthorized disclosure of the data. For purposes of this clause, "Government Purposes" shall include competitive procurement in the United States, but do not include any rights to have or permit others to use technical data for commercial purposes, or for purposes for foreign manufacture or foreign procurement. Contractor shall have, and shall retain, all commercial and foreign rights including Foreign Military Sales (FMS).

All technical data furnished to the Government that is marked with "Limited Rights" legend shall be marked with the following additional statement:

"In addition to the "Limited Rights" specified in paragraph (a)(15) of the clause at 252.227-7013 of the contract listed above, the Government has "License Rights" as specified in Clause H-XX of said contract."

MEMORANDUM FOR RECORD

26 July 1995

SUBJECT: Settlement of Value Engineering Change, MI-C-1450

1. The settlement of the Reduced Range Practice Rocket Value Engineering Change Proposal (VECP) negotiation were finalized with [REDACTED] of Loral Vought Systems, Dallas, Texas. Since an agreement could not be reached on a revision to the data rights related to this VECP and I decided to "back away" from this issue and use the provision currently in the general provisions. I had held discussions with the Patent Attorney earlier in the day.

2. I made a final settlement offer as follows:

Element	Amount
Total Hardware Credits	(\$73,628,851)
Production Debits	\$44,700,521
Manufacturing Savings	(28,928,330)
Contractor Dev & Imp	\$4,800,000
Acquisition Savings	(\$24,128,330)
Contract Reduction in Performance	(\$24,128,330)
Government Cost - Testing	\$1,068,721
Advance Material Obsolescence	1,018,336
Net Acquisition Savings	22,041,273
Contractor Share	\$11,020,637
Net Contract Reduction	(\$13,107,694)
Less amount already deobligated	<u>\$ 5,399,958</u>
Further reduction to contract	(7,707,736)
Add future contract Royalties (contractor share)	-(1,922,040)
Adjusted Reduction to the contract	(\$5,785,696)

3. The settlement agreement provided for continued bunker storage of advance materials at no cost to the government for 2 1/2 years, or until Extended Range MLRS production, whichever occurs earlier. The data rights will be those currently in the contract. Eighty-five units were deleted from future contract royalties which were added as consideration for the Data Rights clause offered by the government earlier.

4. The contractor will confirm the agreement with a letter.

[REDACTED]
Contracting Officer

MEMORANDUM FOR RECORD

23 October 1995

SUBJECT: Settlement of Value Engineering Change, MI-C-1450

1. The settlement of the Reduced Range Practice Rocket Value Engineering Change Proposal (VECP) was finalized during discussions with [REDACTED] of Loral Vought Systems, Dallas, Texas, and the undersigned on 19 October 1995. All aspects of this settlement had been discussed, and agreed upon, during the July 1995 negotiation. At the request of the MLRS Project Manager negotiations were reopened to obtain a priced option for the data rights for the Reduced Range Practice Rocket for any foreign country wishing to produce the device in its own country. There was also a legal objection to the no cost storage agreement on the government property related to advance materials which required renegotiation.

2. The following provision for License Rights was negotiated in the July 1995 discussions and was reiterated:

H-XX Government Purpose License Rights in Technical Data Pertaining to VECP MI-C1450R1

Notwithstanding the Rights in Technical Data and Computer Software clause at DFARS 252.227-7013 the government shall have, as a minimum. Government Purpose License Rights (as defined in (a) 14 of the Rights in Technical Data and Computer Software clause) in the technical data pertaining to the items, components and processes of VECP MI-C1450R1

All technical data pertaining to VECP MI-C1450R1 shall be delivered either without restriction or marked with the legend set forth in (b) (2) (iii) of the Rights in Technical Data and Computer Software clause.

3. The consideration for the above change, and for the incorporation of an option for the data rights for possible sale to a foreign FMS customer, was deletion of the no cost storage agreement for the government owned advance materials.

4. The contractor offered to include an option for the data rights to the Reduced Range Practice Rocket for \$5,000,000.00 and a per warhead manufacturing royalty of \$5,000.00 each. Attempts to reduce these amounts were unsuccessful. The amounts were reluctantly accepted.

[REDACTED]

Contracting Officer