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MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMC/PK
4375 Chidlaw Road, Room S208
Wright-Patterson AFB OH 45433-5006

SUBJECT: Pricing of Foreign Military Sales (FMS) Offset Costs

1. I want to clarify the Air Force Materiel Command (AFMC) implementation of Defense Federal Acquisition Regulation Supplement (DFARS) 225.7303-2(a)(3)(i), which addresses the recovery of FMS offset costs.
2. Under DFARS 225.7303-2(a)(3)(i), Offset Costs: A U.S. defense contractor may recover all costs incurred for offset agreements with a foreign government or international organization ... "if those estimated offset implementation costs are reasonable, allocable, and allowable based upon a review and assessment of an appropriate level of cost/price data." Contracting officers should treat all offset costs as allowable FMS costs, provided that in the judgement of the PCO the estimated basis fulfills the remaining requirements of the Federal Acquisition Regulations (FAR) and supplements. Additionally, I would like to emphasize DFARS 225.7303-2(a)(3)(ii) is clear the U.S. Government will not bear any offset costs.
3. My action officer for this issue is Mr. Karl Heiland. Please direct questions to him at (937) 257-6863 or DSN 787-6863 or e-mail at karl.heiland@wpafb.af.mil.

/s/

DARRYL A. SCOTT
Brigadier General (Sel), USAF
Director of Contracting

2000-3-B

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