

MEMORANDUM OF UNDERSTANDING (MOU)
AMONG
THE MINISTRY OF DEFENCE OF THE REPUBLIC OF BULGARIA
AND
THE MINISTRY OF DEFENCE OF THE CZECH REPUBLIC
AND
THE MINISTRY OF DEFENCE OF THE REPUBLIC OF ESTONIA
AND
THE MINISTRY OF DEFENCE OF THE REPUBLIC OF FINLAND
AND
THE GOVERNMENT OF THE REPUBLIC OF HUNGARY
AND
THE MINISTRY OF DEFENCE OF THE ITALIAN REPUBLIC
AND
THE MINISTRY OF DEFENCE OF THE REPUBLIC OF LATVIA
AND
THE MINISTRY OF NATIONAL DEFENCE OF THE REPUBLIC OF LITHUANIA
AND
THE MINISTER OF DEFENCE OF THE KINGDOM OF THE NETHERLANDS
AND
THE MINISTRY OF DEFENCE OF THE KINGDOM OF NORWAY
AND
THE MINISTER OF NATIONAL DEFENCE OF THE REPUBLIC OF POLAND
AND
THE GOVERNMENT OF ROMANIA
AND
THE MINISTRY OF DEFENCE OF THE REPUBLIC OF SLOVENIA
AND
THE GOVERNMENT OF THE KINGDOM OF SWEDEN
AND
THE DEPARTMENT OF DEFENSE OF THE UNITED STATES OF AMERICA
CONCERNING
STRATEGIC AIRLIFT CAPABILITY (SAC)

TABLE OF CONTENTS

TABLE OF CONTENTS.....	1
FOREWORD	2
PART I: PRELIMINARY MATTERS.....	3
Section 1 Introduction	3
Section 2 Acronyms and Definitions.....	5
Section 3 Objectives and Scope	11
Section 4 Organization and Management of the SAC Program.....	12
PART II: NAMO AND NAMA ACTIVITIES	14
Section 5 Status of Sweden and Finland in the NAMO	14
Section 6 Organization and Management of the Airlift Management Program.....	14
Section 7 Acquisition and Ownership	20
Section 8 Financial Principles and Procedures.....	20
Section 9 Contractual Arrangements	24
Section 10 Third Party Sales and Transfers	26
Section 11 Equipment and Material Transfers	27
Section 12 NAMO Liability and Claims	29
PART III: OPERATIONS	30
Section 13 Introduction	30
Section 14 Flag Nation for C-17 Aircraft.....	30
Section 15 Heavy Airlift Wing Structure	32
Section 16 Command and Control	32
Section 17 Operations.....	33
Section 18 Logistics Support.....	35
Section 19 Status of the Heavy Airlift Wing.....	36
Section 20 Operational Liability and Claims	37
Section 21 Financial Principles and Procedures for the Heavy Airlift Wing.....	38
Section 22 Configuration Management.....	40
PART IV: GENERAL MATTERS.....	41
Section 23 Disclosure and Use of Information.....	41
Section 24 Visits to Establishments	46
Section 25 Security Arrangements	47
Section 26 Controlled Unclassified Information	49
Section 27 Accession of Additional Participants and Changing of Declared Flight Hours	50
Section 28 Customs Duties, Taxes, and Similar Charges	51
Section 29 Settlement of Disputes.....	52
Section 30 Amendment, Withdrawal, and Termination.....	52
Section 31 Final Provisions	53
Section 32 Industrial Participation	54
Section 33 Effective Date and Duration	54
Section 34 Language, Copies, and Signature	55
ANNEX A BASELINE MASTER PHASING PLAN	71
ANNEX B FINANCIAL MATTERS.....	72

FOREWORD

This Strategic Airlift Capability Memorandum of Understanding (SAC MOU) is structured in four parts. Part I, "Preliminary Matters," introduces the program, sets forth the objectives and scope of the overall program, describes the organization and management structure for the program, as well as the terms of art and acronyms applicable to the entire MOU. Part II, "NAMO/NAMA Activities," sets forth the specific terms and conditions under which the nations will participate in the NATO Airlift Management Organization (NAMO), operate and manage the NATO Airlift Management Agency (NAMA), and acquire C-17 aircraft, training, logistical support, and infrastructure. Moreover, Part II of this SAC MOU is designed and established to meet the requirement of Section XIV, Article 56 of the NAMO Charter, necessary for the Charter to enter into force. Part III, "Operations," sets forth the specific terms and conditions under which the nations will operate the C-17 aircraft acquired under Part II, including the authorities to be delegated to the SAC Steering Board (SB) and the commander of the nations' operational unit, the Heavy Airlift Wing (HAW). The participating nations intend that Part III be understood independently from the NAMO Charter as authorized in that Charter. Part IV, "General Matters," establishes the general terms and conditions that are applicable to the SAC Program.

The end result of this effort, as specified in the following Parts of this SAC MOU, is to create and empower a streamlined NATO agency to efficiently and effectively acquire a NAMO-owned strategic airlift capability and to operate that capability, as a multinational military unit, to meet the needs of the participating nations safely, reliably, and at the lowest possible cost.

PART I: PRELIMINARY MATTERS

Section 1 **Introduction**

The Ministry of Defence of the Republic of Bulgaria, the Ministry of Defence of the Czech Republic, the Ministry of Defence of the Republic of Estonia, the Ministry of Defence of the Republic of Finland, the Government of the Republic of Hungary, the Ministry of Defence of the Italian Republic, the Ministry of Defence of the Republic of Latvia, the Ministry of National Defence of the Republic of Lithuania, the Minister of Defence of the Kingdom of the Netherlands, the Ministry of Defence of the Kingdom of Norway, the Minister of National Defence of the Republic of Poland, the Government of Romania, the Ministry of Defence of the Republic of Slovenia, the Government of the Kingdom of Sweden, the Department of Defense of the United States of America, (hereinafter referred to as the "Participants"),

Recalling the "Letter of Intent on Implementation of a Strategic Airlift Initiative" issued on September 12, 2006;

Recognizing the need for a strategic airlift capability consisting of C-17 aircraft to provide for each Participant's national requirements, including those in support of NATO and multinational commitments;

Noting this Strategic Airlift Capability Memorandum of Understanding (SAC MOU) supersedes and subsumes all previous discussions and/or arrangements, other than the NATO Airlift Management Organization (NAMO) Charter, previously made regarding the C-17 acquisition contemplated herein;

Noting that activities under the SAC Program will respect national policies of the Participants, including their security policies and membership in international alliances;

Having noted the approval by the North Atlantic Council (NAC) of a Charter for the NATO Airlift Management Organization (NAMO) on June 20, 2007 (SG (2007) 0419);

Having noted the Political Declaration of Ministers (SG (2007) 0419) at the creation of the NAMO, and that participation of Finland and Sweden in the NAMO is approved upon the adoption of the NAMO Charter by the NAC;

Having regard to the agreement on the Status of the North Atlantic Treaty Organization, National Representatives and International Staff, signed in Ottawa, September 20, 1951 (herein called the Ottawa Agreement);

the provisions of the Agreement Between the Parties to the North Atlantic Treaty Regarding the Status of Their Forces (NATO SOFA), done at London on June 19, 1951;

the Agreement among the States Parties to the North Atlantic Treaty and the Other States Participating in the Partnership for Peace Regarding the Status of Their Forces (PfP SOFA), signed in Brussels, June 19, 1995;

the Additional Protocol to the Agreement among the States Parties to the North Atlantic Treaty and the other States participating in the Partnership for Peace regarding the Status of their Forces (Additional Protocol to the PfP SOFA), signed in Brussels, June 19, 1995;

and the Further Additional Protocol to the Agreement among the States Parties to the North Atlantic Treaty and the other States participating in the Partnership for Peace regarding the Status of their Forces (Further Additional Protocol to the PfP SOFA), signed in Brussels, December 19, 1997; and

Having determined to enter into this SAC MOU, the Participants will participate in the SAC Program and operate C-17 aircraft acquired by the NAMO in accordance with the provisions of this SAC MOU;

Have reached the following understandings:

Section 2
Acronyms and Definitions

Acronyms:

ADCON	Administrative Control	NAC	North Atlantic Council
AMP	Airlift Management Program	NAMA	NATO Airlift Management Agency
BY	Base Year	NAMO	NATO Airlift Management Organization
BOD	Board of Directors	NATO	North Atlantic Treaty Organization
CM	Configuration Management	NATO SOFA	NATO Status of Forces Agreement
CONOPS	Concept of Operations	NFRP	NAMO Financial Rules and Procedures
CONSUP	Concept of Support	NPLO	NATO Production and Logistics Organization
DSA	Designated Security Authority	NSA	National Security Authority
DCS	Direct Commercial Sale	OPCOM	Operational Command
DOD	Department of Defense of the United States of America	OPCON	Operational Control
FMPD	Financial Management Procedures Document (or NFRP)	PfP	Partnership for Peace
FMS	Foreign Military Sale	PIC	Pilot In Command
FULLCOM	Full Command	PSI	Program Security Instruction
FOC	Full Operational Capability	SAC	Strategic Airlift Capability
GM	General Manager	SB	Steering Board
HAA	Host Agency Agreement	SCG	Security Classification Guide
HAW	Heavy Airlift Wing	SNR	Senior National Representative
HAW/CC	Heavy Airlift Wing Commander	SOP	Standard Operating Procedures
HNA	Host Nation Agreement	TCTO	Time Compliance Technical Order
IBAN	International Board of Auditors for NATO	TOR	Terms of Reference
IOC	Initial Operational Capability	TY	Then Year
IPR	Intellectual Property Rights	USAF	United States Air Force
LOA	Letter of Offer/Acceptance	USD	United States Dollars
MOB	Main Operating Base		
MOU	Memorandum of Understanding		
NAA	National Aviation Authority		

Definitions:

Acquisition Segment	The segment of the SAC Program that includes all costs associated with initial investment. Initial investment includes the acquisition of three C-17 aircraft, associated equipment, initial spares, support equipment, and Beddown Cost associated with establishing an airlift capability at the Main Operating Base (MOB).
Administrative Control (ADCON)	Direction or exercise of authority over subordinate or other organizations in respect to administration and support, including organization of Service forces, control of resources and equipment, personnel management, unit logistics, individual and unit training, readiness, mobilization, demobilization, discipline, and other matters not included in the operational missions of the subordinate or other organizations.
Airlift Management Program (AMP)	The cooperative effort to acquire, manage, and support NAMO-owned C-17 aircraft approved for acquisition by the member States of the NAMO.
Assets	Any resource, instrument, installation, or supply available for the use of the SAC Program in acquiring, managing, operating or supporting the C-17 aircraft.
Background Information	Information not generated in the performance of this SAC MOU.
Base Year (BY)	A year for determining each Participants' contributions to the SAC Program before taking into account economic escalation and inflation. The index for the BY is 1.000.
Beddown Cost	Cost associated with preparation of the MOB.
Classified Information	Official Information that requires protection in the interests of national security and is so designated by the application of a security classification. This Information may be in oral, visual, magnetic, electronic or documentary form or in the form of material, equipment, or technology.
Committee	A group comprised of Participants' representatives and/or national experts, and established by the NAMO BOD or the SAC SB. Committees will advise and assist the NAMO BOD or the SAC SB in carrying out their respective duties and will submit to them recommendations that the NAMO BOD and/or the SAC SB will take into consideration when arriving at their decisions.
Contract	Any mutually binding legal relationship under national laws that obligates a Contractor to furnish supplies or services, and obligates the NAMO to pay for them.

Contract Audit	A procedure used to assist in achieving prudent contracting by providing those responsible for procurement with financial information including pricing rates and factors and advice relating to contractual matters. This includes providing professional advice on accounting and financial matters to assist in negotiation, award, administration, re-pricing and settlement of Contracts.
Contracting	The obtaining of supplies or services by Contract from sources outside the Government organizations of the Participants. Contracting includes description (but not determination) of supplies and services required, solicitation and selection of sources, preparation and award of Contracts, and all phases of Contract administration.
Contracting Agency	The NAMA or other entity that has the authority to enter into, administer, or terminate Contracts.
Contractor	Any entity awarded a Contract by a Contracting Agency.
Contractor Support Personnel	Persons specifically identified as providing administrative, managerial, scientific, or technical support services to a Participant, the NAMA or the HAW under a support Contract that prohibits those persons from using Information received under the Contract for any purpose other than those authorized under this SAC MOU.
Controlled Unclassified Information	Unclassified Information to which access or distribution limitations have been applied in accordance with applicable national laws or regulations. It could include Information that has been declassified, but remains controlled.
Cost Ceiling	The maximum amount to which the SAC Program Cost may move above the Cost Target without prior amendment of this SAC MOU.
Cost Target	The accepted planning figure of the total cost, including Financial Costs and Non-financial Costs, of the SAC Program.
Defense Purposes	Manufacture or other use in any part of the world by or for the armed forces of any Participant.
DOD Indices	The index factor published annually by the U.S. Department of Defense to quantify the effects of inflation.
Equipment and Material	Any material, equipment, end item, subsystem, component, special tooling or test equipment jointly acquired or provided for use in the SAC Program.
Financial Costs	SAC Program costs met with monetary contributions.

Financial Management Procedures Document (FMPD)	The financial management procedures to be used by the Participants in execution of the financial aspects of the SAC Program, also referred to as the NAMA Financial Rules and Procedures Document (NFRP).
Fixed Cost	A cost that does not vary in the short run with the quantity of output produced.
Flag Nation	The Republic of Hungary
Flight Hours	A unit of measure that represents utilization of the C-17 aircraft and serves as the basis for SAC MOU cost shares. The Flight Hours charged for a mission include the amount of time the aircraft is in flight, from takeoff to landing, plus 15 minutes added after final landing to account for the total ground operating costs and maintenance requirements.
Foreground Information	Information generated in the performance of this SAC MOU.
Full Command (FULLCOM)	The military authority and responsibility of a commander to issue orders to subordinates. It covers every aspect of military operations and administration and exists only within national services.
Full Operational Capability (FOC)	FOC is declared by the HAW/CC when the unit can conduct the entire range of missions assigned to it as part of this SAC MOU and Concept of Operations (CONOPS). FOC assumes delivery of the third C-17 aircraft, and all necessary support infrastructure and spares to sustain the unit.
Heavy Airlift Wing (HAW)	The multinational military unit established under this SAC MOU that executes C-17 operations in support of SAC Participants' requirements for air mobility.
Host Nation Information	The Republic of Hungary Knowledge that can be communicated by any means and is provided to, generated in, or used in this SAC MOU regardless of form or type, including, but not limited to, that of a scientific, technical, business, or financial nature, and also including photographs, reports, manuals, threat data, experimental data, test data, designs, specifications, processes, techniques, inventions, drawings, technical writings, sound recordings, pictorial representations, and other graphical presentations, whether in magnetic tape, computer memory, or any other form and whether or not subject to Intellectual Property Rights, or other legal protection.
Initial Operational Capability (IOC)	The Initial Operational Capability (IOC) is declared after the HAW/CC determines the unit is ready to assume its full range of missions with the first C-17 aircraft.

Intellectual Property Rights (IPR)	In accordance with the World Trade Organization Agreement on Trade-related Aspects of Intellectual Property Rights of April 15, 1994, all copyright and related rights, all rights in relation to inventions (including Patent rights), all rights in registered and unregistered trademarks (including service marks), registered and unregistered designs, undisclosed Information (including trade secrets and know-how), layout designs of integrated circuits, and geographical indications, and any other rights resulting from creative activity in the industrial, scientific, literary, and artistic fields.
Invention	Any invention in any field of technology, provided it is new, involves an inventive step, is capable of industrial application, and is formulated or made (conceived or “first actually reduced to practice”) in the course of work performed under the SAC Program. The term “first actually reduced to practice” means the first demonstration, sufficient to establish to one skilled in the art to which the invention pertains, of the operability of an invention for its intended purpose and its intended environment.
National Security Authority (NSA)/Designated Security Authority (DSA)	The security office approved by national authorities to be responsible for the security aspects of this SAC MOU.
NATO Partnership for Peace (PfP)	A program of practical bilateral cooperation between individual partner countries and NATO.
NATO Status of Forces Agreement (SOFA)	Agreement Between the Parties to the North Atlantic Treaty Regarding the Status of their Forces, done at London on June 19, 1951.
Non-financial Contribution	A contribution by a Participant in the form of defense articles or services needed by the program in lieu of funding. A financial value of the Non-financial Contribution must be assessed to determine the Participants’ total contribution to the SAC Program.
Non-financial Costs	Program costs met with non-monetary contributions. Non-financial Costs include items such as articles, software, Program Background Information, rent and services that would be supplied by the Participants, without a requirement for a cash payment.
Operations Segment	The segment of the SAC Program that includes all costs associated with the operations of the C-17 aircraft to include the follow-on logistics support, training, airport services, flight hour costs, Main Operating Base (MOB) support costs, and any follow-on investments.

Operational Control (OPCON)	The authority delegated to a commander to direct forces assigned so that the commander may accomplish specific missions or tasks that are usually limited by function, time, or location; to deploy units concerned; and to retain or assign tactical control of those units. It does not include authority to assign separate employment of components of the units concerned. Neither does it, of itself, include administrative or logistic control.
Patent	Grant by any government or a regional office acting for more than one government of the right to exclude others from making, using, importing, selling, or offering to sell an invention. The term refers to any and all patents including, but not limited to, patents of implementation, improvement, or addition, petty patents, utility models, appearance design patents, registered designs, and inventor certificates or like statutory protection, as well as divisions, reissues, continuations, renewals, and extensions of any of these.
Participant	A signatory to this SAC MOU represented by its military and civilian personnel. Contractors and Contractor Support Personnel will not be representatives of a Participant under this SAC MOU.
Prospective Contractor	Any entity that seeks to enter into Contracts to be awarded by a Contracting Agency and that, in the case of a solicitation involving the release of export-controlled Information, is eligible to receive such Information.
SAC Program	The Participants' effort to acquire, manage, support, and operate a NAMO-owned C-17 aircraft to achieve a strategic airlift capability.
SAC Program Cost	The Financial and Non-financial Costs of the SAC Program.
SAC Program Security Instruction (PSI)	The document that contains SAC Program standard operating procedures (SOP) for security matters. It harmonizes, clarifies, and articulates the domestic security policies and practices of the Participants as they apply to the SAC Program.
Security Classification Guide (SCG)	A document that addresses relevant Information requiring protection, including export-controlled Information and sensitive, but unclassified, Information. This includes all Controlled Unclassified Information, Information identified as For Official Use Only (FOUO) or Information with other approved markings that require dissemination controls, or is exempt from mandatory disclosure.
Senior National Representative	The individual assigned to the HAW specifically designated by a Participant to represent that Participant in matters involving the HAW.
Then Year Dollars (TY)	U.S. Dollars (USD) that reflect purchasing power at the time of expenditure.

Third Party	Any person or other entity whose government or entity thereof is not a Participant.
Variable Operating Cost	A cost that varies with changes in the quantity of output produced when other factors are held constant.

Section 3
Objectives and Scope

- 3.1 Objectives
 - 3.1.1 The objective of this Strategic Airlift Capability (SAC) MOU is to establish a SAC Program to acquire, manage, support and operate C-17 aircraft and other Assets needed to meet national requirements of the Participants, including those in support of NATO and multinational commitments. The C-17 aircraft will not be used for commercial purposes or controlled by commercial entities.
 - 3.1.1.1 Moreover, Part II of this SAC MOU is designed and established to meet the requirement of Section XIV, Article 56 of the NAMO Charter, necessary for the Charter to enter into force.
 - 3.1.2 This SAC MOU also regulates all necessary aspects of the participation of Finland and Sweden in the NAMO.
- 3.2 Scope
 - 3.2.1 To meet these objectives, the Participants establish the SAC Program:
 - 3.2.1.1 The SAC Steering Board (SAC SB) to provide oversight of the SAC Program;
 - 3.2.1.2 The SAC Heavy Airlift Wing (HAW) for operation of the C-17 aircraft;
 - 3.2.1.3 The SAC Main Operating Base (MOB) and support facilities; and
 - 3.2.1.4 The Participants plan to use the Airlift Management Program (AMP) of the NAMO for the SAC Program.
- 3.3 In pursuit of the above, the Participants plan to, *inter alia*:
 - 3.3.1 Acquire three C-17 aircraft, and provide for operationally sufficient aircrew, training, and C-17 aircraft logistics support;
 - 3.3.2 Have the United States Government provide defense articles and services under Foreign Military Sales (FMS) procedures as mutually agreed;
 - 3.3.3 Acquire other Assets and associated support for the SAC Program by FMS or other appropriate procedures.

- 3.3.4 Fund the NAMO, the acquisition of the C-17 aircraft, and the support received from the NAMO; and
- 3.3.5 Operate C-17 aircraft owned and maintained by the NAMO.
- 3.4 The Participants intend to meet these objectives in the most effective, safe, and cost efficient manner while acknowledging operational necessity.
- 3.5 If the C-17 aircraft are used in support of tasks related to Article 5 of the North Atlantic Treaty, signed in Washington, April 4, 1949, the status of non-NATO member States will be maintained. In particular, any such use must be conducted in such a way as to ensure that non-NATO member States will not carry political, legal, or financial responsibility for the use.
- 3.6 Schedule
 - 3.6.1 A baseline master phasing plan for the AMP is at Annex A. Updated and modified versions will be prepared by the NATO Airlift Management Agency (NAMA) as necessary and presented to the SAC SB for approval.
 - 3.6.2 The facilities development at the MOB will proceed in phase, as much as practicable, with the AMP.
 - 3.6.3 The Participants will use their best efforts to ensure that provision of the C-17 aircraft and related support, and that MOB facilities development and related support comply with the master phasing plan approved by the SAC SB.

Section 4

Organization and Management of the SAC Program

- 4.1 The SAC Program organization and management is established as follows:
 - 4.1.1 The SAC Program is composed of an executive body called the SAC SB, Committees, as appropriate, and a HAW.
 - 4.1.1.1 The SAC SB, in consultation with the NAMO Board of Directors (BOD) on matters related to the AMP, will exercise overall responsibility for the guidance and oversight of the SAC Program.
 - 4.1.1.2 The SAC SB may form Committees, as required, to address specific issues.
 - 4.1.1.3 The HAW will execute the operation of the C-17 aircraft. The organization and structure of the HAW is further regulated in Part III of this SAC MOU.
 - 4.1.2 The SAC Program will primarily use the NAMO AMP for acquisition, management and logistic support, spare parts and other sustainment activity of C-17 aircraft and other Assets.

- 4.1.3 Composition of SAC SB
 - 4.1.3.1 The SAC SB will be composed of one permanent representative or an alternate representative of each Participant.
 - 4.1.3.2 Each representative on the SAC SB may be assisted by national experts, who may participate in discussions at SAC SB meetings.
- 4.1.4 SAC SB Chairman
 - 4.1.4.1 The SAC SB is led by a Chairman, who will be elected from among its members. Upon election, the Chairman's nation will appoint another permanent representative.
 - 4.1.4.2 The Chairman will derive his/her authority from the SAC SB. The Chairman must account to the SAC SB for all actions taken in accordance with all decisions taken by the SAC SB.
 - 4.1.4.3 The term of duty of the Chairman will be one year and, unless otherwise agreed by the SAC SB, no Chairman may be re-elected more than twice.
- 4.1.5 Organization of the SAC SB
 - 4.1.5.1 The SAC SB will establish its own internal rules, e.g. Terms of Reference (TOR), and organize itself accordingly.
 - 4.1.5.2 The SAC SB will meet as required at the call of the Chairman at such regular intervals as necessary to carry out its responsibilities effectively, or as soon as possible in response to a specific request by any Participant.
 - 4.1.5.3 The SAC SB will arrange for administrative services and a record of the decisions taken.
- 4.1.6 Decisions
 - 4.1.6.1 Each member of the SAC SB will have one vote; all decisions will be taken unanimously. In the event that the SAC SB is unable to reach a timely decision on an issue, each SAC SB representative will refer the issue to its higher authority for resolution.
 - 4.1.6.2 The Chairman will not have a vote.
- 4.1.7 Committees
 - 4.1.7.1 The SAC SB may establish Committees to deal with specific questions that may arise at the SAC SB.

PART II: NAMO AND NAMA ACTIVITIES

Section 5

Status of Sweden and Finland in the NAMO

- 5.1 In the Political Declaration of Ministers (SG (2007) 0419), it was agreed that the principle of prior North Atlantic Council (NAC) approval of agreements to participate by Partnership for Peace (PfP) States in the NAMO, as stated in Article 7 of the NAMO Charter, will not apply to Finland and Sweden, whose participation is approved upon the adoption of the Charter.
- 5.2 Finland and Sweden participate in the functioning of the NAMO without any limitation or specific condition. Hence, Finland and Sweden will participate in the NAMO with all the same rights and responsibilities as NAMO member States, including participation and voting rights in the NAMO BOD.
- 5.3 However, the status of Finland and Sweden as non-NATO member states will remain unaffected, and they will not share the international personality of NATO, nor in the juridical personality possessed by NATO by virtue of Article IV of the Ottawa Agreement.

Section 6

Organization and Management of the Airlift Management Program

- 6.1 This SAC MOU establishes the AMP and the Cost Targets and Cost Ceilings approved by the Participants to achieve the AMP. The NAMO, in consultation with the SAC SB, will acquire the C-17 aircraft and other Assets, and manage and provide logistical support, spare parts, and other sustainment activities approved in this SAC MOU. The NAMO may also make infrastructure investments at the MOB through the AMP.
 - 6.1.1 The NAMO tasks include acquisition and support of the C-17 aircraft, but do not include operation of the C-17 aircraft.
 - 6.1.2 The NAMO BOD, as the directing organ of the NAMO, will oversee the functions of the NAMA. In the exercise of its responsibilities, the NAMO BOD will consult with the SAC SB to ensure that the activities of the NAMO fully support the overall SAC Program. If the SAC SB should determine that the requirements of the AMP require revision, the SAC SB will inform the NAMO BOD of the revised requirements, and the two bodies will consult to determine the best means to revise the AMP within the terms of this SAC MOU. If the AMP cannot be revised within the terms of this SAC MOU, the NAMO BOD, in conjunction with the SAC SB, will seek an amendment of this SAC MOU in accordance with Section 30 (Amendment, Withdrawal, and Termination) of this SAC MOU.
- 6.2 The Participants envision that the form of the NAMO will evolve over time to suit the needs of the Participants as the AMP completes the acquisition of the C-17 aircraft and the other Assets. The Participants intend to co-locate the

NAMA with an existing NATO organization upon entry into effect of this SAC MOU. As NAMA evolves, the Participants plan to move NAMA to Hungary to be near the MOB. The location of the NAMA will be in accordance with the appropriate Host Nation Agreement (HNA) approved by the appropriate authorities.

- 6.2.1 In the execution of this SAC MOU, in the event of any inconsistency between Part II of this SAC MOU and the NAMO Charter, the NAMO BOD, if they deem it necessary, will request the NAC to amend the Charter. If the NAC is unable to authorize an amendment to the Charter, the Participants will determine the action to be taken.
- 6.3 The NATO Airlift Management Organization is comprised of:
 - 6.3.1 A NAMO BOD;
 - 6.3.2 Committee(s); and,
 - 6.3.3 An Executive Body, called the NAMA, led by a General Manager (GM).
- 6.4 A Participant may communicate with the NAMO either through its national delegation/mission to NATO, or through its representative on the NAMO BOD, who on request of its national delegation/mission will keep the latter informed of the activities of the Board. Copies of all documents sent by the NAMO to the representatives of a Participant on the NAMO BOD will also be sent to the NATO delegation/mission of such Participant.
- 6.5.1 The NAMO BOD
 - 6.5.1.1 The NAMO BOD will be composed of one permanent representative or an alternate representative of each Participant to this SAC MOU. Each representative on the NAMO BOD may be assisted by national experts, who may participate in discussions at Board meetings.
 - 6.5.2 Each Participant will communicate through the usual channels to the Secretary General of NATO and to the Chairman of the NAMO BOD the names of its representative and any alternate representative on the NAMO BOD. Each Participant will provide in a timely fashion the necessary instructions to its representative on the NAMO BOD.
 - 6.5.3 The NAMO BOD will exercise overall responsibility for the guidance, execution, control, and supervision of the AMP.
 - 6.5.4 Chairman
 - 6.5.4.1 The NAMO BOD will elect its Chairman from among its members or Participants. The tenure of duty of the Chairman will be one year and, unless otherwise agreed by the NAMO BOD, no Chairman may be re-elected more than twice.

- 6.5.4.2 The Chairman will delegate his/her authority as representative with right to vote to another authorized representative of his/her member State or participating nation.
- 6.5.4.3 The Chairman will derive his/her authority from the NAMO BOD. The Chairman must account to the NAMO BOD for all actions taken in accordance with the NAMO Charter and the decisions taken by the NAMO BOD.
- 6.5.5 Organization
 - 6.5.5.1 The NAMO BOD will establish its own internal rules, e.g., TOR, in accordance with the NAMO Charter.
 - 6.5.5.1.1 The NAMO BOD will meet regularly at such intervals as will enable it to carry out its responsibilities effectively, but not less than annually, and as soon as possible in response to a specific request by any Participant.
 - 6.5.5.1.2 The NAMO BOD, with due regard to paragraph 6.4 of this SAC MOU and Articles 26 and 51 and Section XII of the NAMO Charter, may restrict, as appropriate, the distribution of documents and material covering special technical information and proprietary rights, or other commercial or industrial matters of a confidential nature, from release outside the NAMO.
- 6.5.6 Committees
 - 6.5.6.1 The NAMO BOD may establish Committees and technical groups comprised of Participants' representatives and/or national experts. These Committees will advise and assist the NAMO BOD in carrying out its duties and will submit to it their recommendations, which the NAMO BOD will take into consideration when arriving at its decisions. Details will be laid down in the TOR for the Committee(s) to be approved by the NAMO BOD.
- 6.5.7 Decisions
 - 6.5.7.1 Each member State of NAMO, and Finland and Sweden as NAMO participants, will have one vote.
 - 6.5.7.2 All decisions of the NAMO BOD will be taken unanimously.
- 6.5.8 Authority
 - 6.5.8.1 The NAMO BOD, as the directing organ of the NAMO, will, *inter alia*, be solely responsible for:
 - 6.5.8.1.1 General policy decisions;
 - 6.5.8.1.2 Providing guidance for the operations and administration of the NAMO;
 - 6.5.8.1.3 Approval of the overall organization and the staffing plan of the NAMA;

- 6.5.8.1.4 The management structure of the NAMA, the schedule of positions and the approval of selections of personnel of grade A4 and above;
- 6.5.8.1.5 Budgetary, financial, and contractual approvals;
- 6.5.8.1.6 Exercising management control by comparison of the activities of the NAMO with applicable NAMO BOD directives;
- 6.5.8.1.7 Submitting an annual report to the NAC;
- 6.5.8.1.8 Nominating the NAMA GM and his/her Deputy, if any and when applicable, as decided by the NAMO BOD;
- 6.5.8.1.9 Approving the NAMA rules and regulations;
- 6.5.8.1.10 Approving TORs for NAMA and its GM, and overseeing their activities; and
- 6.5.8.1.11 In general, making all other decisions not delegated to the GM for the conduct of the AMP.
- 6.6 The NAMA may enter into a Host Agency Agreement (HAA) with an existing NATO agency, which will detail any services and facilities to be provided. The HAA will be approved by the NAMO BOD and the BOD of the agency concerned.
- 6.7 Composition of the Management Agency
 - 6.7.1 The NAMA will be comprised of the GM, a Deputy GM, if any and when applicable, as decided and nominated by the NAMO BOD, and the personnel provided for in its establishment.
- 6.8 General Manager
 - 6.8.1 Nomination
 - 6.8.1.1 The GM will be nominated by the NAMO BOD after consultation with the Secretary General of NATO; his/her contract will be approved by the NAMO BOD and submitted to the Secretary General of NATO for signature. The term of appointment will be three calendar-years that may be extended up to a maximum period of two calendar-years upon approval of the NAMO BOD.
 - 6.8.2 Authority
 - 6.8.2.1 The GM will, within the authority delegated to him/her by the NAMO BOD, be responsible for the execution of the AMP. This will include in particular:
 - 6.8.2.1.1 Overall day-to-day management of the AMP;
 - 6.8.2.1.2 Exercising contracting authority as delegated to him/her by the NAMO BOD;

- 6.8.2.1.3 Negotiation, placement, and administration of contract(s) when such authority is delegated by the NAMO BOD;
- 6.8.2.1.4 Preparing management plans, draft budgets, and financial statements for the NAMO BOD approval, in accordance with Section XI of the NAMO Charter;
- 6.8.2.1.5 Proposing responses to the International Board of Auditors for NATO (IBAN) reports;
- 6.8.2.1.6 Implementing the activities, including risk management and contract audit, to achieve the cost, schedule, and performance objectives of the AMP;
- 6.8.2.1.7 Providing all necessary information on AMP status and progress to the NAMO BOD and its Committee(s) as appropriate, including the annual report mentioned in Article 54 of the NAMO Charter;
- 6.8.2.1.8 Managing the non-common work as decided by the NAMO BOD;
- 6.8.2.1.9 Being responsible for the selection and appointment of individuals to fill positions in the NAMA in accordance with the establishment and the staffing plan approved by the NAMO BOD and submitting in due time the selection for positions at and above the NATO personnel A4 level to the NAMO BOD for approval;
- 6.8.2.1.10 To the extent compatible with Article 1 of the NATO Civilian Personnel Regulations, working towards a distribution of personnel in accordance with the establishment approved by the NAMO BOD, and provided that candidates possess the necessary qualifications and experience;
- 6.8.2.1.11 In accordance with NATO Civilian Personnel Regulations, having the authority to release individuals from the NAMA when their services are no longer required or their performance is unsatisfactory. The NAMA GM will obtain approval of the NAMO BOD in those instances where the NAMO BOD has given prior approval to the appointment;
- 6.8.2.1.12 Organizing, providing administrative support to, and attending all meetings of the NAMO BOD unless otherwise decided in special cases by the NAMO BOD; in no case will the GM have the right to vote;
- 6.8.2.1.13 Having the overall responsibility for ensuring the implementation of the NATO security policies and regulations contained in C-M(2002)49 and C-M(2002)50 including all supplements and amendments thereto; and
- 6.8.2.1.14 Performing Configuration Management (CM) of the NAMO-owned C-17 aircraft and systems in consultation with the Heavy Airlift Wing Commander (HAW/CC).
- 6.8.3 Responsibility
 - 6.8.3.1 The GM will be directly responsible to the NAMO BOD for the operations of

the NAMA, even in the case where he or she has delegated a portion of his or her authority to his or her staff.

6.8.4 Personnel

6.8.4.1 The NAMA may be comprised of:

6.8.4.1.1 Those categories of personnel who, by virtue of the agreement concluded in accordance with Article XVII of the Ottawa Agreement between the Secretary General of NATO and the NAMO member States, constitute NATO International personnel. Such personnel will, in the absence of express decision of the NAC to the contrary, be subject to the NATO Civilian Personnel Regulations, including those provisions relating to the Social Security System and the Provident Fund and Pension Schemes. The NAMO BOD will ensure that the number of positions established within such categories will be restricted to those requiring the concomitant privileges and immunities for their performance.

6.8.4.1.2 Military and those civilian personnel who will be covered by the Agreement Between the Parties to the North Atlantic Treaty Regarding the Status of Their Forces done at London, June 19, 1951 (NATO SOFA); the Agreement among the States Parties to the North Atlantic Treaty and Other States Participating in the Partnership for Peace Regarding the Status of Their Forces (PfP SOFA), June 19, 1995; and any other arrangements concluded in this respect between NATO and the Host Nation.

6.8.4.1.3 Those personnel not having international status. The regulations governing such personnel will be prescribed by the NAMO BOD, in consultation with the Secretary General of NATO and in agreement with the Government of the Host Nation.

6.8.5 Personnel Coordination

6.8.5.1 The NAMA will be represented on the Advisory Panel, established by the Secretary General of NATO for the purpose of consultation and coordination, in order to assist the NATO Executive Management Division in establishing and keeping up to date the Civilian Personnel Regulations.

6.8.6 Administrative Coordination

6.8.6.1 The NAMO will give the Secretary General of NATO all necessary information and assistance for the implementation of Article 38(a) of the NATO Production and Logistic Organization (NPLO) Regulations in C-M(62)18.

6.8.6.2 The NAMO will adhere to such standardized rules and regulations as the NAC will approve and designate as compulsory.

6.8.6.3 Those standardized rules and regulations not designated as compulsory by the NAC, as well as other International Staff rules and regulations appropriately

promulgated, will, nevertheless, not be unnecessarily deviated from by the NAMO BOD.

Section 7
Acquisition and Ownership

- 7.1 All C-17 aircraft and other Assets acquired by the NAMO will be acquired in the name of and as the property of the NAMO. However, the NAMO member States, and Finland and Sweden as NAMO participants, exercise, in accordance with Article 18 of the NAMO Charter, all rights and obligations arising from the AMP.
- 7.2 All Assets acquired from outside of the European Union will be imported to a NATO nation member of the European Union participating in the SAC Program.
- 7.3 The legal and financial status of existing and future basing facilities and infrastructure at the MOB, used by the NAMO/NAMA and the HAW, will be in accordance with this SAC MOU and agreements with the Host Nation.
- 7.4 Participants will be entitled to exercise all rights over the C-17 aircraft and other Assets. The Participants retain the rights, responsibilities, and liabilities to manage and operate C-17 aircraft and other Assets.

Section 8
Financial Principles and Procedures

- 8.1 The Participants agree that the performance of the responsibilities under this SAC MOU will not cost more than a SAC Program Cost Ceiling of \$5,944.1 million in Base Year (BY) 2007 U.S. Dollars (USD), including operations over 26 years, in accordance with Annex B (Financial Matters) of this SAC MOU. The SAC Program consists of two segments and an option for the purchase of a simulator.
 - 8.1.1 Acquisition Segment: The Cost Ceiling of this segment is \$1,319.2 million in BY 2007 USD.
 - 8.1.2 Operations Segment: The annual Cost Ceiling for this segment is \$176.6 million in BY 2007 USD.
 - 8.1.3 Simulator Option: The Cost Ceiling for the Simulator option is \$33.6 million in BY 2007 USD.
- 8.2 The Cost Ceilings for the SAC Program may be changed only upon amendment of this SAC MOU by the Participants, in accordance with Section 30 (Amendment, Withdrawal, and Termination) of this SAC MOU.
- 8.3 The Participants will use their best efforts to perform, or have performed, the

work specified in Section 3 (Objectives and Scope) of this SAC MOU and fulfill all of their responsibilities under this SAC MOU within a SAC Program Cost Target as specified in Annex B (Financial Matters) of this SAC MOU. The difference between the SAC Program Cost Ceiling and the SAC Program Cost Target will be considered a contingency only and will be managed by the NAMO BOD in consultation with or endorsement by the SAC SB in accordance with the NAMO Financial Rules and Procedures (NFRP). If at any time the NAMA GM has reason to believe that the Cost Target of the SAC Program will be exceeded, the GM will promptly notify the NAMO BOD and will set forth a new estimate of the SAC Program Cost together with supporting documentation. The NAMO BOD will advise the GM as to what action should be taken.

- 8.3.1 Acquisition Segment: The Cost Target of this segment is \$1,199.2 million in BY 2007 USD.
- 8.3.2 Operations Segment: The annual Cost Target for this segment is \$147.2 million in BY 2007 USD.
- 8.3.3 Simulator Option: The Cost Target for the Simulator option is \$28 million in BY 2007 USD.
- 8.4 Each Participant will contribute its equitable share of the SAC Program Cost to include administrative costs and cost of claims, and will receive an equitable share of the results of the SAC Program.
- 8.5 The Participants' cost share will be based on the following:
 - 8.5.1 The Participants will have both an Acquisition Segment and an Operations Segment within the SAC Program. Within the Operations Segment, a distinction exists between fixed and variable costs.
 - 8.5.1.1 Acquisition Segment. The U.S. share will be one C-17 aircraft or aircraft equivalent (provided as a Non-financial Contribution) and associated support out of a three-aircraft SAC Program. A procedure will be established to transfer ownership of this C-17 aircraft to the NAMO. The remaining two C-17 aircraft and associated support will be shared by the other Participants based on their cost shares in Table 1, Annex B (Financial Matters) of this SAC MOU. The three C-17 aircraft are intended to be at Block 17 or above.
 - 8.5.1.2 Operations Segment. There is a different cost sharing arrangement for fixed and variable costs within this segment.
 - 8.5.1.2.1 Fixed Costs. These costs are directly related to the SAC Program, and are not influenced in the short term by actual versus planned Flight Hours. These will be shared by the declared Flight Hours (Table 2, Annex B (Financial Matters) of this SAC MOU). Costs in this category include the follow-on FMS case for aircraft support, NAMO and HAW administrative costs, indirect support at the MOB, HAW-unique training, facilities maintenance, etc.

- 8.5.1.2.2 Variable Costs. These costs are directly related to a mission performed and therefore will be paid by the Participant(s) using the actual Flight Hours. Costs in this category may include fuel, airport services, etc.
- 8.5.2 Table 3, Annex B (Financial Matters) of this SAC MOU depicts the cost shares based on the category of costs, as described above.
- 8.6 The Program Cost Ceiling and Program Cost Target are represented in BY 2007 USD. To determine budgetary requirements, the costs will need to be adjusted for inflation.
- 8.7 The Participants will mutually agree upon financial management procedures under which this SAC Program will operate. These procedures, which must be in accordance with national accounting and audit requirements, are detailed in the NFRP, which also serves as the Financial Management Procedures Document (FMPD). These procedures will also include a method of crediting national contributions that will allow the cost shares in Table 2, Annex B (Financial Matters) of this SAC MOU to be maintained, unless otherwise agreed. The NAMO BOD in consultation with SAC SB may approve changes or amendments to the NFRP.
- 8.8 The inflation indices to be used are the DOD Indices and are documented in the NFRP. The NAMO BOD may select the most appropriate inflation index to support the SAC Program.
- 8.9 The Participants will ensure their respective financial contributions to the SAC Program are made available as specified in the NFRP. If a Participant fails to provide funds as requested by the NAMA, it will bear any financing penalties, charges, or fees, which arise as a result. Prior to imposing any such financing penalties, charges, or fees, the NAMA will inform the relevant Participant, and if requested by that Participant, consult with the Participant concerning the amount and appropriateness of the financing penalties, charges, or fees to be imposed.
- 8.10 The following financial principles and procedures will apply:
- 8.10.1 The NAMA will prepare payment schedules, which reflect each Participant's share of the SAC Program Cost.
- 8.10.1.1 Any Participant(s) who so wish will request the NAMO to conclude financing contract(s) on behalf of and in the name of the requesting Participant(s). The requesting Participant(s) will assume any associated financing and administrative costs over and above the nations' commitments to the SAC Program. The NAMO and the NAMA will not be named as parties to such financing contracts and will bear no liability, either as a principal or surety, under such financing contracts.
- 8.10.1.2 The terms under which the NAMO will assist the requesting Participant(s) will be set forth in an arrangement between the requesting Participant(s) and the NAMO pursuant to paragraph 9.9 of this SAC MOU. The NAMO BOD must

approve the terms of this arrangement and provide specific authority to the GM to act on the request.

- 8.10.1.3 The NAMA will prepare a separate schedule of payments that the requesting Participant(s) must make under the financing contract(s).
- 8.10.2 The Participants will require the NAMA to request financial contributions, maintain its own accounts, and disburse or authorize disbursement of SAC Program funds as required under the terms of contracts, and as required for the day-to-day administration of the SAC Program.
- 8.10.3 The Participants will require NAMA to open commercial accounts in its own name in any or all of the currencies used, and in any or all of the Participants' countries. The NAMA must be able to distinguish each Participant's contributions and any associated interest. Interest will be credited to each Participant.
- 8.10.4 Each Participant will contribute and be credited for its share in the ratio of currencies required at the time of contribution.
- 8.10.5 Any bank charges incurred in the transfer of funds by the Participants to the SAC Program accounts will be met by each Participant. Any bank charges incurred in making payments will be met from each account. Any interest occurring will be credited to each account and may either be recovered by each Participant or used to offset future payments.
- 8.10.6 In order to ensure adequate program funding, the Participants will require the NAMA to arrange for financial plans and budgets to be produced and updated at least annually. The plans will identify all anticipated expenditures and contributions in all currencies required by the relevant contract(s). The Budgets will be approved by the NAMO BOD, after consultation with or endorsement by the SAC SB in accordance with the NFRP, to confirm that the budgets are adequate to fulfill the objectives and scope of this SAC MOU.
- 8.10.7 The Participants will ensure that the NAMA maintains appropriate accounting records for the SAC Program. Information from such records, if requested, will be made available to the Participants. The Participants will ensure that the NAMA prepares an annual financial statement/report for submission to the NAMO specifying, *inter alia*, contributions and SAC Program payments made to date.
- 8.10.8 Contractors will not realize financial loss or gain through fluctuations in currency exchange rates.
- 8.10.9 Contracts will be concluded and paid in the currencies needed.
- 8.10.10 All Participants will accept auditing services on their behalf by another Participant as if they had performed those services themselves.
- 8.10.11 The accounts of the NAMA will be audited yearly by the IBAN in accordance

with Annex III of the NAMO Charter and the NATO Financial Regulations.

- 8.10.12 Audit reports prepared by the IBAN will be sent by the NAMA to all Participants no later than 30 days after receipt by the NAMA.
- 8.10.13 The following costs will be borne entirely by the Participant(s) incurring the costs or on whose behalf the costs are incurred:
 - 8.10.13.1 Costs associated with national representation at the NAMO BOD, SAC SB, and associated Committee meetings;
 - 8.10.13.2 Costs associated with any unique national needs identified by the Participant(s); and
 - 8.10.13.3 Any other costs outside the scope of this SAC MOU.
- 8.10.14 The procedures for accepting Assets and services provided are specified in the NFRP.
- 8.10.15 If the NAMA GM foresees that the Operations Segment Cost Ceiling will be exceeded due to extraordinary circumstances, he/she can seek approval from the Participants through the NAMO BOD, in consultation with the SAC SB, to make additional funds available under the NAMO Charter Article 42(e)(3). Such funds are outside the normal contributions described in the NAMO Charter Article 42(e)(1) and thus are not subject to the Operations Segment Cost Ceiling.

Section 9 Contractual Arrangements

- 9.1 As delegated by the NAMO BOD, the NAMA will place Contracts for the AMP in the name of NAMO. Contracts will be in accordance with the provisions of the NAMO Charter, this SAC MOU, and the NATO Financial Regulations with Financial Rules and Procedures for Military Headquarters and Agencies. The NAMA will ensure that all rights secured there under are secured for and on behalf of the Participants concerned.
 - 9.1.1 The NAMA will secure for the Participants and for NAMO under the Contracts and subcontracts any irrevocable and transferable rights to use, copy and modify Information free of charge, for the purpose of and as necessary to manage the SAC Program and operate, upgrade, support, maintain, and overhaul the C-17 aircraft and the Assets.
 - 9.1.2 Wherever possible, the fullest use will be made of competition at all Contract levels. In particular, the Contractor will be contractually required to make the fullest practicable use of competition while minimizing technical risk and maximizing value for money.
- 9.2 The contracts placed by the NAMA will include provisions to ensure that risk

areas are satisfactorily addressed. The NAMA GM and the NAMO BOD may use independent risk managers to measure the Contractor's ability to achieve SAC Program objectives within defined cost and schedule constraints. If independent risk managers are to be used during the SAC Program, Contracts will provide that these risk managers may be granted access to the same information as the NAMO BOD and NAMA.

- 9.3 The NAMA will insert into its prospective Contracts (and require its Contractors to insert in subcontracts) provisions that satisfy the requirements of this SAC MOU, including Section 10 (Third Party Sales and Transfers), Section 23 (Disclosure and Use of Information), Section 25 (Security Arrangements), and Section 31 (Final Provisions), including the export control provisions in accordance with this SAC MOU, in particular the provisions of paragraphs 9.4 and 9.5 of this Section.
- 9.4 The NAMA will legally bind its Contractors to a requirement that the Contractor will not retransfer or otherwise use export-controlled Information furnished by any Participant for any purpose other than the purposes authorized under this SAC MOU. The Contractor will also be legally bound not to retransfer the export-controlled Information to another Contractor or subcontractor unless that Contractor or subcontractor has been legally bound to limit use of the export-controlled Information to the purposes authorized under this SAC MOU. Export-controlled Information furnished by one Participant under this SAC MOU may only be retransferred by NAMA to its Contractors if the legal arrangements required by this paragraph have been established.
- 9.5 The NAMA will legally bind its Prospective Contractors to a requirement that the Prospective Contractor will not retransfer or otherwise use export-controlled Information furnished by any Participant for any purpose other than responding to a solicitation issued in furtherance of the purposes authorized under this SAC MOU. Prospective Contractors will not be authorized use for any purpose other than responding to the solicitation if they are not awarded a Contract. The Prospective Contractors will also be legally bound not to retransfer the export-controlled Information to a prospective subcontractor unless the prospective subcontractor has been legally bound to limit use of the export-controlled Information for the purpose of responding to the solicitation. Export-controlled Information furnished by one Participant under this SAC MOU may only be retransferred by the NAMA to its Prospective Contractors if the legal arrangements required by this paragraph have been established. Upon request by the furnishing Participant, NAMA will identify its Prospective Contractors and prospective subcontractors receiving such export-controlled Information.
- 9.6 The NAMA will ensure that payments will be made in accordance with the SAC Program Contracts. The NAMA will insert into the Contracts and require from the Contractor(s) that subcontracts contain provisions for Contract Audit for the benefit of NAMO and the Participants on non-competitive offers.

- 9.7 The NAMA will include in Contracts language to bind its Contractors legally to a requirement to be informed of any predicted cost growth, schedule change, or performance problems of any Contract. If the problem(s) encountered are of sufficient magnitude to affect negatively the SAC Program cost, schedule, or performance as described in this SAC MOU, the NAMA will require the Contractors to advise it immediately of the situation and the recommended course(s) of action to resolve the problem(s).
- 9.8 Where the NAMA decides that Contract Audit is required in connection with any Contract to be placed by it, such services will be obtained through the responsible authorities of the Participant within whose territory the performing Contractor or subcontractor is located, consistent with any existing arrangements between/among the Participants and in accordance with national rules and regulations in that regard. The costs of Contract Audit will be borne by the Participant within whose territory the services are carried out. For Contractors based outside the territories of the Participants, separate arrangements for Contract Audit will be made by the NAMA. The costs of such Contract Audits, where appropriate, will be shared among the Participants in accordance with the cost shares set out in Table 2, Annex B (Financial Matters) of this SAC MOU. The NAMO BOD will be notified of, and given relevant information in advance, including Contract Audit and negotiations undertaken.
- 9.9 The NAMA may place Contracts or may request one or more NATO Agency(ies) to award a Contract to meet national requirements related to the SAC Program.

Section 10
Third Party Sales and Transfers

- 10.1 Neither the NAMO nor the Participants will sell, transfer title to, disclose, or transfer possession of Information or any equipment embodying such information or jointly acquired Program Equipment and Material to any Third Party without the prior written consent of the NAMO BOD and the appropriate governmental authorities of the other Participants. Furthermore, no Participant or the NAMO will permit any such sale, disclosure, or transfer, including by the owner of the item, without the prior written consent of the NAMO BOD and the appropriate governmental authorities of the other Participants. Such consent will not be given unless the appropriate governmental authorities of the intended recipient(s) agree in writing that the recipient will:
- 10.1.1 Not re-transfer, or permit the further re-transfer of, such items or Information provided; and
- 10.1.2 Use, or permit the use of, such items or Information provided only for the purposes specified by the Participants.
- 10.2 Any consent required under this section regarding the sale, disclosure, or

transfer of any Information or jointly acquired Equipment and Material will not be withheld except for reasons of foreign policy, national security, or national laws. No Participant will refuse such approval of a sale or transfer to any Third Party when that Participant would be prepared to approve a national sale, disclosure, or transfer of the same Information or equipment to that Third Party.

- 10.3 Sales or other transfers to Third Parties of equipment developed or generated under this SAC MOU may attract a levy to be shared among the Participants. Prior to any such sale or other transfer, the amounts of any levy and the procedure for assessing such levy will be determined by the NAMO BOD and the Participants. However, each Participant may reduce or waive recovery of its share of levy in accordance with its national laws, regulations and practices. Costs recovered by the Participants will be shared among them according to their contributions to that part of the SAC Program taking into account any Participant's reduction or waiver of such recovery.
- 10.4 Notwithstanding any other provision in this Section, disclosure of Information will only be in accordance with the Participants' respective national disclosure policies, laws, and regulations.

Section 11 Equipment and Material Transfers

- 11.1 Each Participant may transfer to another Participant or to the NAMO, such Equipment and Material identified as being necessary for carrying out the AMP. Approval for all transfers will be in accordance with national laws and regulations.
- 11.2 At the request of the Participants involved, the NAMA will maintain a list of all Equipment and Material transferred pursuant to this SAC MOU.
- 11.3 Equipment and Material transferred will be used by the receiving Participant(s) or by NAMO only for the purposes of this SAC MOU. Equipment and Material will remain the property of the providing Participant. In addition, the receiving Participant(s) will maintain the Equipment and Material in good order, repair, and operable condition. Unless the providing Participant has consented that the transferred Equipment and Material may be expended or otherwise consumed without reimbursement to the providing Participant, the receiving Participant(s) or the NAMO will return the Equipment and Material to the providing Participant in as good condition as received, reasonable wear and tear excepted, or return the Equipment and Material and pay the cost to restore the Equipment and Material to such condition. If the Equipment and Material are damaged beyond economical repair, the receiving Participant(s) or the NAMO will return the Equipment and Material to the providing Participant (unless otherwise specified in writing by the providing Participant) and pay the previously agreed upon replacement value. If the Equipment and Material are lost or stolen, the receiving Participant(s) or the NAMO will issue a certificate of loss to the providing

Participant and pay the previously agreed upon replacement value.

- 11.4 The providing Participant will make every effort to ensure that the Equipment and Material are furnished in a serviceable and usable condition according to its intended purpose. However, the providing Participant makes no warranty or guarantee of fitness of the Equipment and Material for a particular purpose or use, and makes no commitment to alter, improve, or adapt the Equipment and Material, or any part thereof.
- 11.5 The providing Participant will transfer the Equipment and Material for the approved period, unless extended by written amendment, provided that the duration will not exceed the effective period determined by the applicable Participants or the NAMO.
- 11.6 The providing Participant, at its expense, will deliver the Equipment and Material to the receiving Participant(s) or the NAMO at the location(s) mutually approved. Responsibility for Equipment and Material will pass from the providing Participant to the receiving Participant(s) or the NAMO at time of receipt. Any further transportation is the responsibility of the receiving Participant or the NAMO.
- 11.7 The providing Participant will furnish the receiving Participant(s) or the NAMO such information as is necessary to enable the Equipment and Material to be used.
- 11.8 The receiving Participant(s) or the NAMO will inspect and inventory the Equipment and Material upon receipt. The receiving Participant(s) or the NAMO will also inspect and inventory the Equipment and Material prior to its return (unless the Equipment and Material is to be expended or consumed).
- 11.9 Upon expiration or termination of the transfer period determined by the applicable Participants or the NAMO (taking into account any extension), or upon withdrawal from, expiration or termination of the SAC Program, whichever occurs first, the receiving Participant(s) or the NAMO will return Equipment and Material, at its expense, to the providing Participant at the location mutually approved. Any further transportation is the responsibility of the providing Participant.
- 11.10 The receiving Participant(s) or the NAMO will provide written notice of consumption or expenditure of Equipment and Material approved for such consumption or expenditure. In the event the intended consumption or expenditure does not occur, the receiving Participant(s) or the NAMO will, unless otherwise determined by the providing Participant, return the Equipment and Material, at its expense, to the providing Participant to the location mutually approved. Any further transportation is the responsibility of the providing Participant.
- 11.11 The Participants will ensure, by all reasonable means, the protection of Intellectual Property Rights (IPR) in Equipment and Material.

- 11.12 Participants will exert their best effort to provide resources, equipment, and personnel necessary to fulfill the baseline master phasing plan at Annex A of this SAC MOU. In the event delays or other problems occur, Participants will consult in the SAC SB to find solutions.

Section 12
NAMO Liability and Claims

- 12.1 The Participants are responsible for liabilities arising out of activities of the NAMO.
- 12.1.1 In particular, the Participants are responsible for liabilities of any kind arising from NAMO ownership of the C-17 aircraft and from the implementation of the NAMO AMP. Furthermore, the Participants are jointly and directly responsible vis-à-vis NATO and to third parties.
- 12.2 The Participants will, through the NAMO BOD, make every effort to process, evaluate, and settle claims filed against the NAMO, under the following terms:
- 12.2.1 A claims Committee will be established under the NAMO BOD. The claims Committee will receive, register and prepare claims filed against the NAMO, and forward the claim to the NAMO BOD with a proposal on how the claim may be settled. The claims Committee will keep records on claims. The NAMO BOD will develop and decide on the TOR for the claims Committee.
- 12.2.2 In settling claims the NAMO BOD will be bound by the provisions of this SAC MOU, and applicable national and international law, *inter alia*, the Ottawa Agreement.
- 12.2.3 Costs incurred in satisfying claims will be borne by the Participants in accordance with Table 2, Annex B (Financial Matters) of this SAC MOU.
- 12.2.4 Claims arising under any Contract awarded under this SAC MOU will be resolved in accordance with the provisions of the Contract. The Participants will not indemnify Contractors against third party liability claims.
- 12.2.5 Employees and agents of Contractors are not considered civilian personnel of a Participant for the purposes of this Section.

PART III: OPERATIONS

Section 13 **Introduction**

- 13.1 The SAC SB is responsible for providing oversight of the operation of the C-17 aircraft and the HAW activities.
- 13.2 The C-17 aircraft and associated support equipment will be operated and supported in accordance with provisions of Part III of this SAC MOU as further described in the CONOPS and Concept of Support (CONSUP).
- 13.2.1 The SAC SB will approve the CONOPS and CONSUP, and any changes or amendments to these documents.
- 13.3 The NAMO member States, and Sweden and Finland as NAMO participants, exercising their rights as reflected in the NAMO Charter, delegate the relevant authorities as specified below in Part III of this SAC MOU.

Section 14 **Flag Nation for C-17 Aircraft**

- 14.1 The C-17 aircraft will be marked and registered in accordance with the appropriate laws and regulations of the Flag Nation. The C-17 aircraft are considered state aircraft for military purposes of the Flag Nation. The Flag Nation will assume responsibilities associated with registering, marking (applying insignia), certifying initial airworthiness, and oversight of continuing airworthiness of the C-17 aircraft. The Flag Nation will serve as the operating nation.
- 14.1.1 Airworthiness Certification
 - 14.1.1.1 The Flag Nation will ensure that initial certification is performed in accordance with its national laws and regulations and the CONOPS. The Flag Nation will provide oversight of continued airworthiness in accordance with its national laws and regulations, and will ensure compliance with the CONOPS.
 - 14.1.1.2 The Flag Nation will establish necessary procedures in accordance with its national laws and regulations for certification of the C-17 aircraft and oversight of the continuing airworthiness during its lifecycle. These procedures will be developed in co-ordination with the Participants. The procedures will describe tasks and responsibilities of the National Aviation Authority (NAA) of the Flag Nation, the NAMO, and the HAW.
- 14.2 The Participants will provide the Flag Nation with the resources needed for registration, initial certification, and oversight of continuing airworthiness. The costs will be shared in accordance with Table 2, Annex B (Financial Matters) of this SAC MOU, and will be processed by the NAMA.

- 14.3 The Flag Nation will assume the responsibilities applicable to its state aircraft in international airspace or within the territories of third nations. These responsibilities apply regardless of the nationality of the aircrew or of the cargo. The other Participants will assume their responsibilities applicable to their role when placing crew members at the disposal of the Flag Nation's state aircraft or having cargo or personnel on board.
- 14.4 Diplomatic Clearances
- 14.4.1 The Flag Nation will submit diplomatic clearance requests for missions performed by the HAW, in accordance with standard national and international procedures. The Participants involved in a mission will provide in due time all information and relevant documents necessary to obtain diplomatic clearance. The Participants providing information and documents are responsible for the validity of their content. The details of the process for applying for diplomatic clearances are contained in the CONOPS.
- 14.4.1.1 Neither the HAW/CC nor any Pilot In Command (PIC) will have the right to permit the boarding of or accept personnel, passengers, cargo or any material on board of the C-17 aircraft that violates the diplomatic clearance for that mission.
- 14.4.2 The Flag Nation will be responsible for payment of mission related services provided to the C-17 aircraft while away from the MOB. Such costs will be apportioned among the Participants as provided in Table 3, Annex B (Financial Matters) of this SAC MOU. The HAW, PIC, or the NAMA will make the payment on behalf of the Flag Nation.
- 14.5 The Flag Nation will be responsible for enforcing all privileges and immunities enjoyed by state aircraft under international law. The other Participants and the NAMO will assist the Flag Nation in fulfilling its responsibilities.
- 14.6 Status of Aircrews
- 14.6.1 The status of individual aircrew members will be determined based on international agreements in force between the aircrew members' state of nationality and the State in which the aircrew members are present or over which they are flying. It will be the responsibility of the Participants to make arrangements, if desired, for their personnel in areas where the NATO or PfP SOFA or other status agreements do not apply.
- 14.7 Entry Aboard C-17 Aircraft
- 14.7.1 The Flag Nation delegates to the HAW/CC and each PIC the right to refuse anyone, including government officials of the State, other than those of the Participants, in which the C-17 aircraft lands, permission to board any C-17 aircraft.

- 14.8 Armed Personnel
- 14.8.1 The Flag Nation delegates to the HAW/CC authority to permit armed military personnel to fly aboard C-17 aircraft.
- 14.9 The Flag Nation may withdraw authorities delegated in this section by informing the HAW/CC of the withdrawal.

Section 15
Heavy Airlift Wing Structure

- 15.1 The Heavy Airlift Wing (HAW) is a multinational military unit that consists of C-17 aircraft, personnel, equipment, and facilities at the MOB located at Papa, Hungary.
- 15.2 The HAW is a tenant unit on the MOB and will be subject to the Participants' policies and procedures as established by the SAC SB and will comply with the basing agreement.
- 15.3 The Host Nation has agreed that Papa Air Base and the facilities thereon, in accordance with the basing agreement, will remain available for use by the HAW as long as the Participants require the use of the base and facilities for the HAW.
- 15.4 The HAW will be commanded by the HAW/CC.
- 15.5 Manning of the HAW
- 15.5.1 The SAC Participants will continuously fill all designated positions in the HAW with qualified and ready-for-duty personnel.
- 15.5.2 As a general rule, the normal tour length will be four years, with three years as a minimum, after successful completion of pre-employment training.

Section 16
Command and Control

- 16.1 The HAW/CC
- 16.1.1 The HAW/CC is delegated OPCON by the Participants, in order to command the HAW and conduct operations with NAMO-owned C-17 aircraft, associated materials, equipment, and all personnel contributed by the Participants to the HAW.
- 16.1.1.1 The HAW/CC will exercise OPCON over the forces contributed by the Participants in order to execute the operational missions assigned to the HAW.
- 16.1.2 The Flag Nation will delegate authority to conduct operations with the C-17

aircraft to the HAW/CC within the framework of this SAC MOU and the CONOPS.

- 16.1.3 The HAW/CC will exercise exclusive control over Assets put at the disposal of the HAW.
- 16.1.4 The HAW/CC is responsible for identifying logistics support requirements as described in Section 18 (Logistics Support) of this SAC MOU.
- 16.1.5 The HAW/CC may solicit advice and consultation from the SAC SB on any issue; this provision is not intended to infer any obligation on the HAW/CC.
- 16.1.6 The HAW/CC will brief the SAC SB at its meetings on operations for the preceding period of time since the last meeting.
- 16.1.7 The HAW/CC is responsible and accountable to the SAC SB for tasks and activities of the HAW. This does not imply that the SAC SB exercises OPCON or may task the HAW/CC or in any way interfere with the military chain of command. The Participant contributing the HAW/CC retains FULLCOM of the HAW/CC.
- 16.1.8 The HAW/CC is responsible to ensure, at the request of Participants concerned, that crew members who are chosen to perform individual missions will be afforded protection under status agreements that are in effect with the destination nation.
- 16.2 Command Relationships Governing Operations
 - 16.2.1 Participants maintain FULLCOM over their national personnel contributed to the HAW. Participants administer FULLCOM through their highest-ranking individual assigned to the HAW, known as the Senior National Representative (SNR).
 - 16.2.2 The Participants will instruct their personnel that are assigned to the HAW to take mission-related direction from the HAW/CC.
 - 16.2.2.1 The Participants are responsible for the discipline of their personnel.

Section 17 Operations

- 17.1 Operations with the C-17 aircraft will be conducted with full respect for this SAC MOU, the CONOPS, and the principles of international law.
 - 17.1.1 The CONOPS will describe the process under which the HAW/CC will receive guidance from the Participants concerning the utilization of the C-17 aircraft. This guidance will identify specific categories of missions that may not be conducted and cargo and passengers that may not be transported on C-17 aircraft.

- 17.1.2 The CONOPS will also describe the process under which a Participant or the HAW/CC may request SAC SB approval to conduct a specific category of mission or to transport specific cargo or passengers on the C-17 aircraft.
- 17.2 The use of the C-17 aircraft will be conducted as a mission of the requesting SAC Participant using its declared Flight Hours.
- 17.3 A Participant may utilize its Flight Hours in support of any person or entity that is not a Participant in this SAC MOU. However, the C-17 aircraft will not be used for commercial purposes or controlled by commercial entities. Any such support will be conducted as a mission of that Participant.
- 17.4 Each Participant is entitled to utilize the C-17 aircraft for the Flight Hours it has declared, as measured over each calendar year, subject to C-17 aircraft availability. However, if a Participant experiences a need for additional Flight Hours in a calendar year, Participants may enter into arrangements to transfer Flight Hours between Participants. If it is not possible to transfer Flight Hours among Participants, the SAC SB may approve the utilization of additional Flight Hours to meet a compelling need.
- 17.5 Request for Use of Flight Hours
- 17.5.1 Requests for Flight Hours will be made in accordance with procedures described in the CONOPS.
- 17.5.2 The spirit of this SAC MOU is that Participants will only submit requests that reflect a genuine need for C-17 capabilities, while remaining as flexible as possible with regard to required timing and priority parameters.
- 17.6 Mission Priorities and Principles for De-conflicting Competing Requests for Flight Hours
- 17.6.1 Mission priorities will be executed as listed in the priority parameters in the CONOPS.
- 17.6.2 In the event of conflicting requests for C-17 aircraft, the HAW/CC is the ultimate authority in de-conflicting competing flight hour utilization requests.
- 17.6.2.1 In exercising this authority, the HAW/CC should consider the following as major factors for resolving the conflict:
- 17.6.2.1.1 First, the immediate/emergency need to safeguard life of Participants' citizens.
- 17.6.2.1.2 Second, in the event of a conflict between missions of equal priority, the Participant with the highest number of declared Flight Hours.
- 17.7 The HAW/CC is authorized to refuse any flight hour utilization request for operational reasons. The Participant will promptly be informed of the reasons for refusal.

- 17.8 If the Flag Nation notifies the SAC SB and the HAW/CC that it considers the use of the C-17 aircraft to be contrary to its international legal obligations, the HAW/CC is not authorized to execute the mission.
- 17.9 Accident Investigation
- 17.9.1 Aircraft accidents and incidents will be investigated for safety purposes according to the NATO Standardization Agreement (STANAG) 3531, where the Participants involved have accepted the STANAG. It is not the purpose of safety investigations to apportion blame, or to determine liability or any other issue not related to safety. The Flag Nation will exercise the responsibilities of the operating nation under the STANAG. This investigation does not replace, all or in parts, nor preclude any investigations performed by a Participant in accordance with its national laws and regulations.
- 17.10 Any Participant may for national security or vital foreign policy reasons, opt out from a mission by notifying the HAW/CC, and inform the Participants through the SAC SB prior to mission execution. No personnel, including crewmembers, or cargo of the Participant opting out will be onboard the C-17 aircraft during the execution of such mission. The Participant opting out will not be associated with any liability and claims paid as a result of that mission.

Section 18
Logistics Support

- 18.1 Logistics support includes all engineering, quality assurance, maintenance, supply, transportation, resource management activities, supporting systems, and ensuring continued airworthiness required to sustain operations.
- 18.2 The HAW/CC is solely responsible for identifying the logistics support to C-17 aircraft and supporting systems to meet the SAC CONOPS and Participants' taskings.
- 18.3 The HAW/CC is solely responsible for maintenance, maintenance oversight, and maintenance quality assurance of the C-17 aircraft and support equipment.
- 18.4 Logistics support will be in accordance with the CONSUP approved by the SAC SB.
- 18.5 The SAC SB will communicate the HAW logistics support requirements to the NAMO BOD.
- 18.6 The NAMA will contract for logistics support on a competitive basis, to the fullest extent possible. Contractors from the Participants will be solicited to provide logistics support, as identified in the NFRP.

Section 19
Status of the Heavy Airlift Wing

- 19.1 The HAW is a multinational military unit comprised of NAMO-owned, Hungary-flagged C-17 aircraft and other Assets and personnel assigned by the Participants under the terms of this SAC MOU.
- 19.1.1 Through the HAW/CC and PIC, the Flag Nation will enforce its responsibilities listed in Section 14 (Flag Nation for C-17 Aircraft) of this SAC MOU.
- 19.1.2 The HAW does not have a legal personality under international law or national laws of the Participants and thus cannot assume rights and obligations. However, the HAW will fulfill the tasks assigned to it under this SAC MOU and under principles of international law governing state aircraft.
- 19.2 Land, buildings, and fixed installations made available by the Host Nation will remain under the ownership of the Host Nation. The legal status of such assets is regulated by the laws and regulations of the Host Nation.
- 19.3 Buildings and fixed installations acquired or improved through the AMP at the MOB are owned by the Host Nation, in accordance with the basing agreement.
- 19.3.1 The Participants, through the SAC SB, will periodically review the status of buildings or fixed installations acquired or improved by the NAMO at the MOB. In the event the SAC SB determines that a particular building or fixed facility is no longer needed for the use of the HAW, the SAC SB will initiate, through the NAMO, the process of transferring the use of it to the Host Nation.
- 19.3.2 The Participants, through the SAC SB, and the Host Nation will consult regarding the terms of the transfer of use of any agreed building or fixed installation, including possible compensation for improvements or construction.
- 19.3.3 Procedures applicable to transfer of use and valuation of buildings and fixed installations at the MOB will be further described in the basing agreement between the Host Nation and the NAMO.
- 19.4 In the territory of the Participants, the status of the Participants, their military and civilian personnel assigned to the HAW, and the dependents of their personnel, will be in accordance with the NATO SOFA or the PfP SOFA, as applicable. Further status may be granted in additional bilateral or multilateral agreements with the Host Nation.

Section 20
Operational Liability and Claims

- 20.1 The Participants are responsible for liabilities arising out of activities of the HAW, or caused by a member of the HAW in the execution of his/her duties in connection with the SAC Program.
- 20.1.1 In particular, the Participants are jointly and directly responsible vis-à-vis NATO and to third parties for liabilities arising from any operation of the C-17 aircraft except for NAC-approved operations as may be provided in specific NATO arrangements to be approved on an ad hoc basis, by the NAC, in line with NATO policy for operations.
- 20.2 The Participants will, through the SAC SB, make every effort to process, evaluate, and settle claims resulting from the execution of the SAC Program under the following terms:
- 20.2.1 A claims Committee will be established under the SAC SB. The claims Committee will receive, register and prepare claims resulting from the execution of the SAC Program, and forward the claim to the SAC SB with a proposal on how the claim may be settled. The claims Committee will keep records on claims. The SAC SB will develop and approve the TOR for the claims Committee.
- 20.2.2 In settling claims, the SAC SB will be bound by the provisions of this SAC MOU, and applicable national and international law.
- 20.2.2.1 Claims will be dealt with in accordance with the provisions of Article VIII of the NATO SOFA or Article I of the PfP SOFA, as applicable.
- 20.2.2.2 Claims between the Participants arising out of situations not covered by the NATO or Pfp SOFA, will be settled, through consultations by the SAC SB on the basis of the principles established in Article VIII of the NATO SOFA.
- 20.2.2.2.1 It is the intention of the Participants to waive claims among themselves in situations not covered by the NATO or Pfp SOFA on the basis of reciprocity. If a Participant is unable to waive claims against another Participant in situations not covered by the NATO or Pfp SOFA, it will declare its position to the SAC SB. After the SAC SB has received such declaration, the Participant in question will not be bound by an obligation to waive future claims, nor will the other Participants be bound to waive future claims against that Participant. Additionally, if a Participant is unable to waive claims against another Participant in situations not covered by the NATO SOFA or the Pfp SOFA, the other Participant may opt out from missions involving the non-waiving Participant, in accordance with the procedures described in paragraph 17.10 of this SAC MOU. The Participant opting out will not be associated with any liability and claims paid as a result of that mission.

- 20.2.2.3 Third party claims not covered by the NATO SOFA or the PFP SOFA will be processed by the most appropriate Participant(s), as determined by the SAC SB.
- 20.2.3 Costs incurred in satisfying claims arising out of activities of the HAW will be borne jointly by the Participants in accordance with Table 2, Annex B (Financial Matters) of this SAC MOU. In case a Participant had opted out of a mission giving rise to a claim, Table 2, Annex B (Financial Matters) of this SAC MOU will be recalculated among the remaining Participants in proportion to their declared Flight Hours.
- 20.2.4 If necessary to pay claims determined to be payable under this Section, the SAC SB will request the NAMO BOD to seek additional contributions to cover these costs. Payment will be disbursed by the NAMA.
- 20.3 Based on the joint responsibility as set out in paragraph 20.1.1 of this SAC MOU, the Participants will indemnify the Flag Nation from liabilities and claims of any kind that may arise as a consequence of flagging or registering the C-17 aircraft. Any cost incurred will be borne by all Participants, including the Hungarian Participant, in accordance with Table 2, Annex B (Financial Matters) of this SAC MOU.
- 20.4 Liabilities or claims of any kind arising out of the use of C-17 aircraft in hostilities to which Article 5 of the North Atlantic Treaty applies will not involve the liability or financial responsibility of PFP nations, unless that nation is participating. If the PFP nation is not participating, it will not share costs incurred in satisfying such claims.
- 20.5 Liabilities or claims arising out of the use of the C-17 aircraft in direct participation of armed conflicts will not be shared by a Participant who has opted out of participating in that mission.
- 20.6 Employees and agents of Contractors are not considered civilian personnel of a Participant for the purposes of this section.

Section 21

Financial Principles and Procedures for the Heavy Airlift Wing

- 21.1 General Principles
 - 21.1.1 The NFRP will govern the financial administration of the operations and support of the HAW.
 - 21.1.2 The Participants will provide all possible assistance to minimize the costs of operations of the HAW.
- 21.2 Financial Principles
 - 21.2.1 Funding requirements for specific national support of a Participant's military

personnel assigned to the HAW (e.g., national administrative support and domestic facilities, such as housing and medical care) are the responsibility of the respective Participant.

- 21.3 Military Personnel Costs
 - 21.3.1 HAW military personnel billets are established as specified in the CONOPS.
 - 21.3.2 Filling of billets is a national responsibility in accordance with paragraph 15.5.1 of this SAC MOU. Every Participant will be assigned at least one billet within the HAW.
 - 21.3.3 Contributions of military personnel will be accounted for as a Non-financial Cost within the SAC Program Cost Ceiling, in accordance with the NFRP.
 - 21.3.4 Participants manning billets above their cost shares in Table 2, Annex B (Financial Matters) of this SAC MOU will receive equivalent additional Non-financial Contribution credit.
 - 21.3.5 Participants manning billets below their cost shares in Table 2, Annex B (Financial Matters) of this SAC MOU will provide additional equivalent financial contributions to the operational budget.
- 21.4 Budget Process
 - 21.4.1 The HAW will be funded through an annual operations budget, administered by the NAMA. The HAW/CC will submit an annual budget request through the SAC SB to the NAMO BOD for approval.
 - 21.4.2 The HAW/CC is authorized to execute the approved operations budget as required for day-to day operation and administration.
 - 21.4.3 If it is necessary for the HAW to operate at a rate that exceeds the normal operational level as determined by the operations budget, the HAW/CC must inform the SAC SB of the accelerated rate of expenditure. If it is necessary to seek additional contributions from the Participants, the SAC SB will inform the NAMO BOD of these requirements for BOD approval of additional contributions in advance of their expenditure.
 - 21.4.4 Claims determined to be payable under Section 20 (Operational Liability and Claims) of this SAC MOU will be processed in accordance with the provisions of paragraph 20.2 of this SAC MOU.
- 21.5 Reimbursements
 - 21.5.1 Expenses incurred while performing missions in support of any person or entity that is not a participant in this SAC MOU will be borne by the relevant Participant(s). Any reimbursement received by the Participant(s) from such a mission will be retained by the Participant(s) consistent with the national laws and regulations of the Participant(s).

Section 22
Configuration Management

- 22.1 Tasks and Responsibilities
 - 22.1.1 The NAMA will perform Configuration Management (CM) for all NAMO-owned aircraft systems, hardware, software, simulators, and peculiar support equipment in accordance with the CONOPS and the CONSUP.
 - 22.2 Interoperability will be maintained with USAF systems. To the maximum extent possible, the Participants will ensure interoperability between the HAW and the national systems with which the HAW may interface.

PART IV: GENERAL MATTERS

Section 23

Disclosure and Use of Information

- 23.1 General
- 23.1.1 The Participants recognize that the success of the SAC Program depends on full and prompt exchange of Information necessary for carrying out the SAC Program. The Participants will acquire sufficient Information and rights to use such Information to acquire, manage, support, and operate C-17 aircraft and other Assets. The nature and amount of Information to be acquired will be consistent with the objectives stated in Section 3 (Objectives and Scope) of this SAC MOU.
- 23.1.2 The following export control provisions will apply to the transfer of Information:
- 23.1.2.1 Transfer of Information will be consistent with the furnishing Participant's applicable export control laws and regulations. Unless otherwise restricted by duly authorized officials of the furnishing Participant at the time of transfer to another Participant or the NAMO, all export-controlled Information furnished by that Participant to another Participant or the NAMO may be retransferred to Contractors, subcontractors, Prospective Contractors, and prospective subcontractors, subject to the requirements of Section 9 (Contractual Arrangements). Export-controlled Information may be furnished by Contractors, subcontractors, Prospective Contractors, and prospective subcontractors of one Participant's nation to the Contractors, subcontractors, Prospective Contractors, and prospective subcontractors of another Participant's nation pursuant to this SAC MOU subject to the conditions established in licenses or other approvals issued by the Government of the furnishing Participant in accordance with its applicable export control laws and regulations.
- 23.1.2.2 If a Participant finds it necessary to exercise a restriction on the retransfer of export-controlled Information as set out in paragraph 23.1.2.1 above, it will promptly inform the other Participants. If a restriction is then exercised and an affected Participant objects, that Participant's NAMO BOD member will promptly notify the other Participants' NAMO BOD members and they will immediately consult in order to discuss ways to resolve such issues or mitigate any adverse effects.
- 23.1.2.3 Notwithstanding the provisions of this SAC MOU that relate to the protection of Information, particularly Section 10 (Third Party Sales and Transfers), Section 23 (Disclosure and Use of Information), Section 25 (Security Arrangements), and Section 26 (Controlled Unclassified Information), the specific export control provisions set out in Section 9 (Contractual Arrangements) and this Section will not apply to transfers of Information amongst non-U.S. DOD Participants where such exchanges do not include U.S. export-controlled Information.

- 23.1.3 Notwithstanding any other provision in this Section, disclosure of Information will only be in accordance with the Participants' respective national disclosure policies, laws, and regulations.
- 23.2 Proprietary Information
 - 23.2.1 Subject to any existing rights of the Participants, all IPR residing in Information will belong to the generator thereof.
 - 23.2.2 All Information that is subject to disclosure and use restrictions with respect to IPR will be identified and marked, and it will be handled as Controlled Unclassified Information or as Classified Information, depending on its security classification.
 - 23.2.3 For NATO member Participants, the provisions of the NATO Agreement on the Communication of Technical Information for Defense Purposes, done at Brussels on October 19, 1970, and the implementing procedures for the NATO Agreement on the Communication of Technical Information for Defense Purposes, approved by the NAC on January 1, 1971 (or any successor agreement and procedures) will apply to Information that is subject to IPR. The PfP Participants consent to the insertion of provisions in the SAC PSI as far as their national laws and regulations permit, and that are no less stringent than applicable security agreements/arrangements, including their implementing procedures, in force between such Participants and NATO.
- 23.3 Information generated or provided by the Participants in the performance of the SAC Program will be in handled in accordance with paragraphs 23.4 through 23.8 below.
- 23.4 Government Foreground Information
 - 23.4.1 Disclosure
 - 23.4.1.1 All Government Foreground Information generated by a Participant's military or civilian employees will be disclosed promptly and without charge to the Participants and the NAMO.
 - 23.4.2 Use
 - 23.4.2.1 Each Participant and the NAMO may use all Government Foreground Information without charge for Defense Purposes. The Participant generating Government Foreground Information will also retain its rights of use thereto. Any sale or other transfer to a Third Party will be subject to the provisions of Section 10 (Third Party Sales and Transfers) of this SAC MOU.
- 23.5 Government Background Information
 - 23.5.1 Disclosure

- 23.5.1.1 Each Participant, upon request, will disclose promptly and without charge to the other Participants and the NAMO any relevant Government Background Information generated by its military or civilian employees outside the scope of this SAC MOU, provided that:
 - 23.5.1.1.1 Such Government Background Information is necessary to or useful in implementing this SAC MOU, with the Participant in possession of the Information determining, after consulting with the requesting Participants, whether it is "necessary to" or "useful in" implementing this SAC MOU.
 - 23.5.1.1.2 Such Government Background Information may be made available only if the rights of holders of IPR are not infringed.
 - 23.5.1.1.3 Disclosure of such Government Background Information is consistent with national disclosure policies and regulations of the furnishing Participant.
 - 23.5.1.1.4 Any disclosure or transfer of such Government Background Information to Contractors is consistent with the furnishing Participant's export control laws and regulations.
- 23.5.2 Use
 - 23.5.2.1 Government Background Information furnished by one Participant to the requesting Participant may be used without charge by or for the requesting Participant for SAC Program purposes. However, subject to IPR held by entities other than the Participants, such Government Background Information may be used for Defense Purposes by the requesting Participant, without charge, when such Information is necessary for the use of Foreground Information. The furnishing Participant, in consultation with the other Participant, will determine whether the Government Background Information is necessary for the use of Foreground Information. The furnishing Participant will retain all its rights with respect to such Government Background Information.
- 23.6 Contractor Foreground Information
 - 23.6.1 Disclosure
 - 23.6.1.1 Contractor Foreground Information generated and delivered by Contractors will be disclosed promptly and without charge to the Participants and the NAMO.
 - 23.6.2 Use
 - 23.6.2.1 Each Participant and the NAMO may use or have used without charge for Defense Purposes all Contractor Foreground Information generated and delivered by Contractors of the Participants. The Participant whose Contractors generate and deliver Contractor Foreground Information will also retain all its rights of use thereto in accordance with the applicable Contracts. Any sale or other transfer to a Third Party of Contractor Foreground

Information will be subject to the provisions of Section 10 (Third Party Sales and Transfers) of this SAC MOU.

23.7 Contractor Background Information

23.7.1 Disclosure

23.7.1.1 The NAMO or a Contracting Participant will make available to the other Participants and the NAMO promptly and without charge all Contractor Background Information generated by Contractors that is delivered under Contracts awarded in accordance with this SAC MOU. Any other Background Information that is generated by Contractors and that is in the possession of one Participant will be made available promptly and without charge to the other Participants and the NAMO, upon request, provided the following conditions are met:

23.7.1.1.1 Such Contractor Background Information is necessary to or useful in the SAC Program, with the Participant in possession of the Information determining, after consultation with the requesting Participants and the NAMO, whether it is "necessary to" or "useful in" the SAC Program.

23.7.1.1.2 Such Contractor Background Information may be made available only if the rights of holders of IPR are not infringed.

23.7.1.1.3 Disclosure of such Contractor Background Information is consistent with the national disclosure policies and regulations of the furnishing Participant.

23.7.1.1.4 Any disclosure or transfer of such Contractor Background Information to Contractors is consistent with the furnishing Participant's export control laws and regulations.

23.7.2 Use

23.7.2.1 All Contractor Background Information delivered by Contractors under Contracts awarded in accordance with this SAC MOU may be used by or for the receiving Participants and the NAMO, without charge, for the SAC Program Purposes, subject to any restrictions by holders of IPR other than the Participants. Any other Contractor Background Information furnished by one Participant's Contractors and disclosed to a requesting Participant or the NAMO may be used without charge by or for the requesting Participant or the NAMO for the SAC Program purposes, subject to any restrictions by holders of IPR other than the Participants; also, when necessary for the use of Foreground Information, such other Contractor Background Information may be used by the requesting Participant or the NAMO for Defense Purposes, subject to such fair and reasonable terms as may be necessary to be arranged with the Contractor. The furnishing Participant, in consultation with the requesting Participant and the NAMO, will determine whether such other Contractor Background Information is necessary for the use of Foreground Information. The furnishing Participant will retain all its rights with respect to Contractor Background Information.

- 23.8 Alternative Uses of Information
- 23.8.1 Any Background Information provided by one Participant will be used by the other Participants and the NAMO only for the purposes set forth in this SAC MOU, unless otherwise consented to in writing by the providing Participant.
- 23.8.2 The prior written consent of each Participant will be required for the use of Foreground Information for purposes other than those provided for in this SAC MOU.
- 23.9 Patents
- 23.9.1 Each Participant and the NAMA will include in all its Contracts for the SAC Program a provision governing the disposition of rights in regard to Inventions and Patent rights relating thereto that either:
- 23.9.1.1 Provides that the Participant will hold title to all such Inventions together with the right to make Patent applications for the same, free of encumbrance from the Contractor concerned; or
- 23.9.1.2 Provides that the Contractor will hold title (or may elect to retain title) for such Inventions together with the right to make Patent applications for the same, while securing for the Participants the right to use, free of charge, the Inventions, and any Patents thereto, on terms in compliance with the provisions of subparagraph 23.7.2.1 of this Section.
- 23.9.2 The provisions of subparagraphs 23.9.3 through 23.9.6 below will apply in regard to Patent rights for all Inventions made by the Participants' military or civilian employees, including those within Government-owned facilities, and for all Inventions made by Contractors for which the Contracting Participant or the NAMO holds title or is entitled to acquire title.
- 23.9.3 When a Participant has or can secure the right to file a Patent application with regard to an Invention, that Participant will consult with the other Participants regarding the filing of such Patent application. The Participant that has or receives title to such an Invention will, in other countries, file, cause to be filed, or provide the other Participants with the opportunity to file on behalf of the Participant holding title, Patent applications covering that Invention. A Participant will immediately notify other Participants and the NAMO that a Patent application has been filed. If a Participant, having filed or caused to be filed a Patent application, abandons prosecution of the application or ceases maintaining the Patent granted or issued on the application, that Participant will notify the other Participants and the NAMO of that decision and permit the other Participants or the NAMO to continue the prosecution or maintain the Patent as the case may be.
- 23.9.4 Each Participant will be furnished with copies of Patent applications filed and Patents granted with regard to SAC Program Inventions.

- 23.9.5 Each Participant will grant to the other Participants and the NAMO a non-exclusive, irrevocable, royalty-free license under its Patents for Inventions, to practice or have practiced the Invention throughout the world for the SAC Program.
- 23.9.6 For NATO member Participants, Patent applications to be filed, or assertions of other IPR, under this SAC MOU that contain Classified Information will be protected and safeguarded in a manner no less stringent than the requirements contained in the NATO Agreement for the Mutual Safeguarding of Secrecy of Inventions Relating to Defence and for Which Applications for Patents Have Been Made, done in Paris on September 21, 1960, and its Implementing Procedures (or any successor agreement and procedures). PfP Participants consent to the insertion of provisions in the PSI that are no less stringent than the requirements contained in the NATO Agreement for the Mutual Safeguarding of Secrecy of Inventions Relating to Defence and for Which Applications for Patents Have Been Made, done in Paris on September 21, 1960, and its Implementing Procedures insofar as those Participants national laws and regulations permit. For PfP Participants, in the event of an inconsistency between the PSI and the NATO agreement, the PSI will prevail.
- 23.10 Each Participant will notify the other Participants of any intellectual property infringement claims brought against that Participant arising in the course of work performed under the SAC Program on behalf of one or more of the other Participants. Insofar as possible, the other applicable Participants will provide information available to them that may assist in defending such claims. Each Participant will be responsible for handling such intellectual property infringement claims brought against it, and will consult with the other Participants during the handling, and prior to any settlement, of such claims. The Participants will share the costs of resolving such intellectual property infringement claims in proportion to their financial contributions for that work specified in Table 2, Annex B (Financial Matters) of this SAC MOU. The Participants will, as permitted by their national laws, regulations, and practices, give their authorization and consent for all use and manufacture in the course of work performed under the SAC Program of any invention covered by Patent, or as determined to be necessary for work under the SAC Program, authorization and consent for non-commercial copyright, granted or otherwise provided by their respective countries.

Section 24
Visits to Establishments

- 24.1 Each Participant will permit visits, relevant to the SAC Program, to its Defense establishments, agencies and laboratories, and Contractor industrial facilities by employees of the other Participants or by employees of the other Participants' Contractors, provided that the visit is authorized by the Participants and the employees have any necessary and appropriate security clearances and a need-to-know.
- 24.2 All visiting personnel will be required to comply with security regulations of

the hosting Participant. Any Information disclosed or made available to visitors will be treated as if supplied to the Participant sponsoring the visiting personnel, and will be subject to the provisions of this SAC MOU.

- 24.3 Requests for visits by personnel of one Participant to a facility of the other Participant will be coordinated through official channels, and will conform with the established visit procedures of the hosting Participant. Requests for visits will bear the name of the SAC Program, and will be submitted in accordance with NATO International Visit Procedures (as described by Multinational Industrial Security Working Group (MISWG) Document No.7).
- 24.4 Lists of personnel of each Participant required to visit, on a continuing basis, facilities of the other Participants will be submitted through official channels in accordance with recurring NATO International Visit Procedures.

Section 25 Security Arrangements

- 25.1 All Classified Information exchanged or generated in connection with this SAC MOU will be used, transmitted, stored, handled, and safeguarded in accordance with the Participants' applicable national security laws and regulations, to the extent that they provide a degree of protection no less stringent than that provided for NATO Classified Information as set forth in the document C-M(2002)49 (Security within the North Atlantic Treaty Organization), and its subsequent amendments.
- 25.2 Classified Information will be transferred only through Government-to-Government channels or through channels approved by the National Security Authorities (NSAs)/Designated Security Authorities (DSAs) of the Participants. Such information will bear the level of classification and denote the country of origin.
- 25.3 Each Participant will take all lawful steps available to it to ensure that Classified Information provided or generated pursuant to this SAC MOU is protected from further disclosure except as provided by paragraph 25.6 of this Section, unless the other Participants consent to such disclosure. Accordingly, each Participant will ensure that:
 - 25.3.1 The recipients will not release the Classified Information to any Government, national organization or other entity of a Third Party without the prior written consent of the originating Participant, in accordance with the procedures set forth in Section 10 (Third Party Sales and Transfers) of this SAC MOU.
 - 25.3.2 The recipients will not use the Classified Information for other than the purposes provided for in this SAC MOU.
 - 25.3.3 The recipients will comply with any distribution and access restrictions on Classified Information that is provided under this SAC MOU.

- 25.4 The Participants will investigate all cases in which it is known or where there are grounds for suspecting that Classified Information provided or generated pursuant to this SAC MOU has been lost or disclosed to unauthorized persons. Each Participant also will promptly and fully inform the other Participants of the details of such occurrences, and of the final results of the investigation and of the corrective action taken to preclude recurrences in accordance with national laws and regulations.
- 25.5 The NSA/DSA of the Participant in which a classified Contract is awarded will assume responsibility for administering within its territory security measures for the protection of the Classified Information, in accordance with its laws and regulations. Prior to the release to a Contractor, Prospective Contractor, or subcontractor of any Classified Information received under this SAC MOU, the NSAs/DSAs will:
- 25.5.1 Ensure that such Contractors, Prospective Contractor, or subcontractors and their facilities have the capability to protect the Information adequately.
- 25.5.2 Grant a security clearance to the facilities, if appropriate.
- 25.5.3 Grant a security clearance for all personnel whose duties require access to Classified Information, if appropriate.
- 25.5.4 Ensure that all persons having access to the Classified Information are informed of their responsibilities to protect the Classified Information in accordance with national security laws and regulations, and the provisions of this SAC MOU.
- 25.5.5 Carry out periodic security inspections of cleared facilities to ensure that the Classified Information is properly protected.
- 25.5.6 Ensure that access to the Classified Information is limited to those persons who have a need-to-know for implementing the provisions of this SAC MOU.
- 25.6 Contractors, prospective Contractors, or subcontractors that are determined by the NSAs/DSAs to be under financial administrative, policy, or management control of nationals or entities of a Third Party may participate in a Contract or subcontract requiring access to Classified Information provided or generated pursuant to this SAC MOU only when enforceable measures are in effect to ensure that nationals or entities of a Third Party will not have access to Classified Information. If enforceable measures are not in effect to preclude access by nationals or other entities of a Third Party, the other Participants will be consulted for approval prior to permitting such access.
- 25.7 For any facility wherein Classified Information is to be used, the responsible Participant or Contractor will approve the appointment of a person or persons of sufficient rank to exercise effectively the responsibilities for safeguarding at such facility the Classified Information pertaining to this SAC MOU. These officials will be responsible for limiting access to Classified Information involved in this SAC MOU to those persons who have been properly approved

for access and have a need-to-know.

- 25.8 Each Participant will ensure that access to Classified Information is limited to those persons who possess requisite security clearances and have a specific need for access to the Classified Information in order to participate in the SAC Program.
- 25.9 The SAC SB will develop and maintain a SAC Program Security Instruction and a Security Classification Guide (SCG) for the SAC Program. The SAC PSI and the SAC SCG describe the methods by which Information will be classified, marked, used, transmitted, and safeguarded, and will require that markings for all export-controlled Classified Information will include the applicable export control markings identified in the SAC PSI in accordance with national laws and regulations. The SAC PSI and SAC SCG, or changes thereto, will be reviewed and approved by the Participants' NSAs/DSAs and are applicable to all NAMA, Government, and Contractor personnel participating in the SAC Program. The SCG will be subject to regular review and revision with the aim of downgrading the classification of SAC Program Information whenever this is appropriate.
- 25.10 The SAC PSI and SAC SCG also apply to the HAW. Specific security procedures regarding protection of the C-17 aircraft, cargoes, and personnel are described in the CONOPS and CONSUP.
- 25.11 Notwithstanding any provision in this Section, disclosure of Classified Information will be in accordance with the Participants' respective national laws and regulations.
- 25.12 Information provided or generated pursuant to this SAC MOU may be classified as high as equivalent to NATO Secret. The existence of this SAC MOU is Unclassified and the contents are Unclassified.

Section 26
Controlled Unclassified Information

- 26.1 Except as otherwise provided in this SAC MOU or as authorized in writing by the originating Participant, Controlled Unclassified Information provided or generated pursuant to this SAC MOU will be controlled as follows:
 - 26.1.1 Such Information will be used only for the purposes authorized for use of Information as specified in Section 23 (Disclosure and Use of Information) of this SAC MOU.
 - 26.1.2 Access to such Information will be limited to personnel whose access is necessary for the permitted use under subparagraph 26.1.1 of this Section, and will be subject to the provisions of Section 10 (Third Party Sales and Transfers) of this SAC MOU.
 - 26.1.3 Each Participant will take all appropriate lawful steps, which may include

national classification, available to it to keep such Information free from further disclosure (including requests under any legislative provisions), except as provided in subparagraph 26.1.2 of this Section, unless the originating Participant consents to such disclosure. In the event of unauthorized disclosure, or if it becomes probable that the Information may have to be further disclosed under any legislative provision, immediate notification will be given to the originating Participant.

- 26.2 To assist in providing the appropriate controls, the originating Participant will ensure that Controlled Unclassified Information is appropriately marked to ensure its "in confidence" nature. The Participants' export-controlled Information will be marked in accordance with the applicable Participant's export control markings as documented in the SAC PSI. The Participants will also decide, in advance and in writing, on the markings to be placed on any other types of Controlled Unclassified Information and describe such markings in the SAC PSI.
- 26.3 Controlled Unclassified Information provided or generated pursuant to this SAC MOU will be handled in a manner that ensures control as provided for in paragraph 26.1 of this Section.
- 26.4 Prior to authorizing the release of Controlled Unclassified Information to Contractors, the Participants will ensure the Contractors are legally bound to control such Information in accordance with the provisions of this Section.

Section 27

Accession of Additional Participants and Changing of Declared Flight Hours

- 27.1 A NATO member State may become a participant in the SAC Program by unanimous affirmative vote of the NAMO BOD and SAC SB. Accession of an additional NATO member State will be subject to such conditions of membership, consistent with the NAMO Charter as the NAMO BOD, SAC SB, and the prospective member State agree.
- 27.2 A Partnership for Peace (PfP) State may become a participant in the SAC Program by unanimous affirmative vote of the NAMO BOD and SAC SB. An approved PfP State will enter into an agreement to participate in the NAMO. The agreement to participate in the NAMO will regulate all necessary aspects of such participation, including rights and responsibilities vis-à-vis NATO and be endorsed by the NAMO BOD and SAC SB and approved by the NAC. However, a PfP member State will not share in the international personality of NATO, nor will a PfP member State share in the juridical personality possessed by NATO by a virtue of Article IV of the Ottawa Agreement.
- 27.3 The financial contribution of each acceding participant to the SAC Program will in general be consistent with the cost sharing principles agreed in this SAC MOU (Section 8, Financial Principles and Procedures). The proposed contribution will be subject to consideration and negotiation between the existing Participants and the candidate; it is the intent of the existing

Participants that each acceding participant should reimburse existing Participants an appropriate share of acquisition and investment costs as agreed to by the SAC SB. It is the intent of the existing Participants that each acceding participant should enter the SAC Program with an annual commitment of at least 40 Flight Hours.

- 27.4 Participants seeking to change their individual share of the SAC Program will conform with procedures for new Participants as outlined in paragraph 27.3.
- 27.5 Accession or changes of stated annual Flight Hours will be effected by an amendment to this SAC MOU, to be signed by all existing Participants and the acceding participant if applicable.
- 27.6 Accession or changes to declared Flight Hours will be effective from the date of the last signature of the appropriate amendment to this SAC MOU.

Section 28

Customs Duties, Taxes, and Similar Charges

- 28.1 Since the NAMO/NAMA will enjoy the privileges of exemption from customs duties, taxes, and similar charges, within the territories of all the Parties to the Agreement on the Status of the North Atlantic Treaty Organization, National Representatives and International Staff (Ottawa, September 20, 1951), Participants will perform SAC Program acquisitions, exports, imports, etc. through the NAMO/NAMA.
- 28.2 Insofar as existing laws and regulations of the Participants permit, the Participants will endeavour to ensure that readily identifiable custom duties, taxes, and similar charges or quantitative/qualitative restrictions on imports and exports will not be imposed in connection with the SAC Program.
- 28.3 The Participants concerned will endeavour to ensure that such custom duties, taxes, and similar charges from which relief is available as foresaid do not enter into the price of Information or materials produced under the AMP. The Participants will administer such taxes, customs duties, and similar charges in the manner most favourable to the satisfactory execution of the arrangements described in this SAC MOU.
- 28.4 In relation to the Participants other than the Host Nation, if customs duties, taxes, or similar charges are levied, they will be borne by the Participant of the country in which they are levied as a cost to that Participant over and above that Participants shared cost of the SAC Program.
- 28.5 In relation to the Host Nation, the exemption from customs duties, taxes, and similar charges necessary for the NAMO to fulfill its tasks will be regulated by the Host Nation Agreement (HNA) between the NAMO and the Host Nation under terms no less favourable to the SAC Program than those provided for in this Section.

Section 29
Settlement of Disputes

- 29.1 Any disputes regarding the interpretation or implementation of this SAC MOU will be resolved only by consultation among the concerned Participants and will not be referred to a national or international tribunal or other Third Party for settlement.

Section 30
Amendment, Withdrawal, and Termination

- 30.1 This SAC MOU may be amended at any time by mutual written consent of the Participants. An amendment will enter into effect in accordance with its provisions.
- 30.2 In the event that a Participant wishes to withdraw from this SAC MOU, the following procedures will apply:
- 30.2.1 Before giving formal notice of withdrawal, detailed consultations will take place among the Participants on the consequences of withdrawal and possibility of avoiding it or minimizing its consequences.
- 30.2.2 Any Participant withdrawing from this SAC MOU will inform all other Participants in writing of this intention not less than one year in advance of the date that the withdrawal will take effect.
- 30.2.3 Withdrawal from this SAC MOU means, *inter alia*, withdrawal from the NAMO if the Participant is not a signatory to another MOU associated with the NAMO. In appropriate cases, the remaining Participants will jointly submit a request to the NAC, through the Secretary General of NATO, to amend the NAMO Charter accordingly.
- 30.2.4 The SAC SB will consider and decide the arrangements to be made for the continuation and completion of this SAC Program to the satisfaction of all Participants.
- 30.3 The Participant withdrawing will meet in full all its commitments up to the effective date of withdrawal.
- 30.4 The withdrawing Participant will take all necessary actions within its control, as requested by the other Participants, to ensure that the SAC Program can be continued by the remaining Participants, in accordance with this SAC MOU.
- 30.5 All direct costs arising as a result of a withdrawal, including the costs of any Contract termination or modification caused by the withdrawal, will be borne by the withdrawing Participant, unless otherwise determined by the SAC SB. The remaining Participants will determine, in consultation with the withdrawing Participant, the most economical arrangement in this respect.

However, the cost to the withdrawing Participant will not exceed its total commitment as set out in this SAC MOU, taking into account the amounts already contributed by the withdrawing Participant.

- 30.6 All Information and rights therein received under this SAC MOU in effect prior to the withdrawal will be retained by the Participants, subject to the terms of this SAC MOU in effect prior to the withdrawal.
- 30.7 This SAC MOU may be terminated at any time by the mutual and unanimous written consent of the Participants. Such termination will be upon the most economical terms. Upon dissolution of the NAMO by the NAC, the Participants will jointly meet the cost of termination, after consideration of any benefits derived from the sale of Assets, in accordance with the NAMO Charter and the cost shares as acquired specified in Tables 1 and 2, Annex B (Financial Matters) of this SAC MOU.
- 30.8 If this SAC MOU is terminated, the C-17 aircraft provided by the United States as a Non-financial Contribution will be returned to the United States using the procedures for disposal of assets in the NAMO Charter.
- 30.9 The respective benefits and responsibilities of the Participants regarding Section 10 (Third Party Sales and Transfers), Section 11 (Equipment and Material Transfers), Section 12 (NAMO Liability and Claims), Section 23 (Disclosure and Use of Information), Section 25 (Security Arrangements), Section 29 (Settlement of Disputes), and Section 30 (Amendment, Withdrawal, and Termination), will continue to apply notwithstanding any amendment, withdrawal, termination, or expiration of this SAC MOU.

Section 31
Final Provisions

- 31.1 All activities of the Participants under this SAC MOU will be carried out in accordance with their respective national laws and regulations, including their respective export control laws and regulations, and respect for international law and their international obligations.
- 31.2 This SAC MOU is not to conflict with national laws and regulations of the Participants or with international law and arrangements in effect. In case of conflict between this SAC MOU and national laws and regulations and/or international law and arrangements, the latter will prevail over this SAC MOU.
- 31.3 If a Participant becomes unable to fulfill the provisions of this SAC MOU, it will promptly notify the other Participants in writing. The Participants will immediately consult with a view to continuation eventually on a changed or reduced basis. If this is not acceptable to all Participants, then the provisions of Section 30 (Amendment, Withdrawal, and Termination) will apply.
- 31.4 Nothing in this SAC MOU is intended to imply that Finland and Sweden may

benefit from, or be bound by, the provisions of the Ottawa Agreement.

- 31.5 The responsibilities of the Participants under this SAC MOU will be subject to the availability of funds for such purposes.
- 31.6 With the exclusion of the NAMO Charter, this SAC MOU prevails over all other memoranda, arrangements, and documentation related to the AMP. Where there is any inconsistency between documents, the terms of this SAC MOU, as interpreted by the SAC SB, are authoritative.
- 31.7 Nothing in this SAC MOU will be perceived as an obligation of the Participants to take part in, or to assist in, any C-17 operation.

Section 32
Industrial Participation

- 32.1 For those Participants that have a requirement for industrial participation, those Participants or their industries may establish arrangements with SAC Program Contractors regarding work outside the scope of this SAC MOU.
- 32.2 No requirement will be imposed by any Participant for industrial participation or other industrial or commercial compensation in connection with this SAC MOU that is not in accordance with this SAC MOU.

Section 33
Effective Date and Duration

- 33.1 This SAC MOU, which consists of a Foreword, thirty-four (34) Sections, and 2 Annexes, will be signed and approved by the Participants in accordance with their national processes. This SAC MOU will enter into effect among the approving Participants on the date they collectively bring the total number of Flight Hours to 3500 (i.e., the minimum number of Flight Hours), and for Participants approving the SAC MOU thereafter, the SAC MOU will enter into effect for such Participant on the date of their approval.
 - 33.1.1 Notwithstanding the above, this SAC MOU will not enter into effect until the Hungarian Participant, as Host Nation, has signed and approved the SAC MOU.
 - 33.1.2 The U.S. Participant, in its role as the SAC MOU repository, will notify the Participants when the minimum total Flight Hour requirement has been met. This SAC MOU will remain in effect for thirty (30) years.
 - 33.1.3 The duration may be modified by consent of the Participants through amendment according to Section 30 (Amendment, Withdrawal, and Termination) of this SAC MOU.

- 33.2 The cost shares for each Participant will not exceed those listed in Table 4, Annex B (Financial Matters) of this SAC MOU. The Acquisition Segment cost share of the United States will not change; however, as additional Participants sign this SAC MOU, the other Participants' cost shares will be recalculated, and the additional Participants will join the SAC Program with the same rights and responsibilities as if they signed this SAC MOU as of the date this SAC MOU entered into effect.
- 33.3 If a Participant does not sign this SAC MOU within three months of this SAC MOU entering into effect, that Participant will be considered as a new joiner under the stipulations set forth in Section 27 (Accession of Additional Participants and Changing of Declared Flight Hours) of this SAC MOU.

Section 34
Language, Copies, and Signature

- 34.1 The official language for the SAC Program is English.
- 34.2 This SAC MOU is signed in one original. The U.S. Participant will provide certified true copies to each Participant and will serve as a repository to hold the original document.

SAC MOU

FOR THE MINISTRY OF DEFENCE OF
THE REPUBLIC OF BULGARIA

Yankulova Souya
Signature

Yankulova Souya
Name

Deputy Minister of Defence
Title

04.05.2008
Date

Sofia
Location

SAC MOU

FOR THE MINISTRY OF DEFENCE OF
THE REPUBLIC OF ESTONIA

Signature

Jaak AAVIKSOO
Name

Minister of Defence
Title

Date

27.06.08

Tallinn
Location

SAC MOU

FOR THE MINISTRY OF DEFENCE OF
THE REPUBLIC OF FINLAND

Jyri Hä
Signature

Jyri Häkämies
Name

Minister of Defence
Title

19 June 2008
Date

Helsinki
Location

SAC MOU

FOR THE GOVERNMENT OF THE
REPUBLIC OF HUNGARY

Dr. Imre Szekeres
Signature



Dr. Imre Szekeres
Name

Minister of Defence
Title

31 March 2008
Date

Budapest
Location

SAC MOU

FOR THE MINISTRY OF NATIONAL
DEFENCE OF THE REPUBLIC OF
LITHUANIA

A handwritten signature in black ink, appearing to read 'Pleštys', with a long horizontal stroke extending to the right.

Arvydas PLĖŠTYS

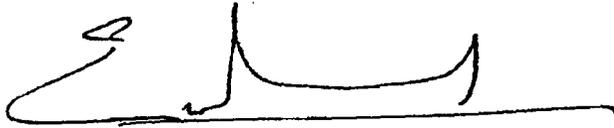
Head of Armament Policy Division
Ministry of National Defence

30 May, 2008

Vilnius

SAC MOU

THE MINISTER OF DEFENCE OF THE
KINGDOM OF THE NETHERLANDS

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the bottom.

E. van Middelkoop

Minister of Defence

12 June 2008

NATO Headquarters Brussels

RELEASABLE ONLY TO SAC NATIONS
FINAL AGREED DRAFT
February 14, 2008

SAC MOU

FOR THE MINISTRY OF DEFENCE OF
THE KINGDOM OF NORWAY


Signature

Anne-Grete Strøm-Erichsen
Name

Minister of Defence
Title

20. June 2008
Date

Oslo, Norway
Location



**DET KONGELIGE
FORSVARSDEPARTEMENT**

*The Royal Norwegian Ministry of Defence
The Minister*

Mr. Craig J. Mallory
Strategic Airlift Capability Initiative

Your ref

Our ref
2007/00160-60/FD 14/TLN

Date

24 JUN 2008

**MEMORANDUM OF UNDERSTANDING CONCERNING STRATEGIC AIRLIFT
CAPABILITY**

In the expectation that Nations taking part in the Strategic Airlift Capability Initiative, individually and jointly, agree to participate in the Strategic Airlift Capability (SAC) Program, I have affixed my signature to the SAC Memorandum of Understanding (SAC MOU version dated February 14, 2008) on behalf of the Royal Norwegian Ministry of Defence, subject to the following conditions:

- (1) that the Norwegian cost share of the Acquisition Segment as defined in the SAC MOU, estimated to 127.959 million in Base Year 2007 U.S. Dollars (USD), should not be more than 10.667 % of the total, up to but not exceeding, 140.755 million USD; and
- (2) that all financial obligations related to the Acquisition Segment, is contingent upon the NATO Airlift Management Organization (NAMO) Board of Directors (BOD) formal approval of the two (2) Letter of Offer and Acceptance from the United States Government regarding the acquisition of two (2) C-17 aircraft and initial sustainment and support efforts, in accordance with the NAMO Charter Article 16, cf. Article 34.

Once the second condition has been met, Norway will be prepared to transfer our cost share for the Acquisition Segment immediately after NAMO BOD approval.

Office address: Glacisgata 1 Telephone: +47 23 09 60 01 Telefax: +47 23 09 60 50
Postal address: PO Box 8126 Dep, N-0151 Oslo, Norway
Org. no.: 972 417 823

Finally, I would like to emphasize that the joint effort to establish and execute the SAC Program to cover the operational need of each participating Nation for this capacity is highly appreciated.

Yours sincerely,



Anne-Grete Strøm-Erichsen

SAC MOU

FOR THE MINISTER OF NATIONAL DEFENCE
OF THE REPUBLIC OF POLAND



Signature

Czesław PIĄTAS

Name

SECRETARY OF STATE

Title

15 JULY 2008

Date

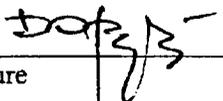
Warszawa

Location



SAC MOU

FOR THE GOVERNMENT OF ROMANIA



Signature

CORNELIU DOBRIȚOIU

Name

SECRETARY OF STATE FOR DEFENSE POLICY AND PLANNING
MINISTRY OF DEFENSE

Title

30.07.2008

Date

BUCHAREST

Location

SAC MOU

FOR THE MINISTRY OF DEFENCE OF
THE REPUBLIC OF SLOVENIA

Signature



KARL ERJAVEC

Name

MINISTER OF DEFENCE

Title

11 JUNE 2008

Date

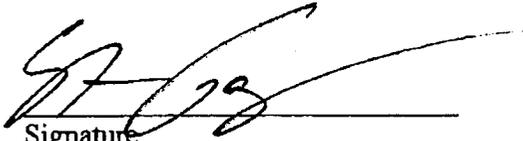
LJUBLJANA

Location

SAC MOU

FOR THE GOVERNMENT OF THE
KINGDOM OF SWEDEN

/ subject to approval,



Signature

Sten Tolgfors
Name

Minister for Defence
Title

11 March 2008
Date

Stockholm
Location

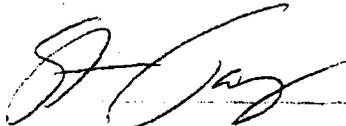
WHEREAS the Memorandum of Understanding (MOU) among the Ministry of Defence of the Republic of Bulgaria and the Ministry of Defence of the Czech Republic and the Ministry of Defence of the Republic of Estonia and the Ministry of Defence of the Republic of Finland and the Government of the Republic of Hungary and the Ministry of Defence of the Italian Republic and the Ministry of Defence of the Republic of Latvia and the Ministry of National Defence of the Republic of Lithuania and the Minister of Defence of the Kingdom of the Netherlands and the Ministry of Defence of the Kingdom of Norway and the Minister of National Defence of the Republic of Poland and the Government of Romania and the Ministry of Defence of the Republic of Slovenia and the Government of the Kingdom of Sweden and the Department of Defense of the United States of America concerning Strategic Airlift Capability (SAC) has been signed, subject to approval, on behalf of the Government of Sweden on 11 March 2008, and

WHEREAS the above-mentioned Memorandum of Understanding has been considered by the Government of Sweden and approved by the Swedish Parliament,

I HEREBY DECLARE, on behalf of the Government, that Sweden approves the said Memorandum of Understanding and undertakes faithfully to perform and carry out all stipulations therein contained.

IN WITNESS WHEREOF I have signed this Instrument of Approval and affixed hereto my Seal.

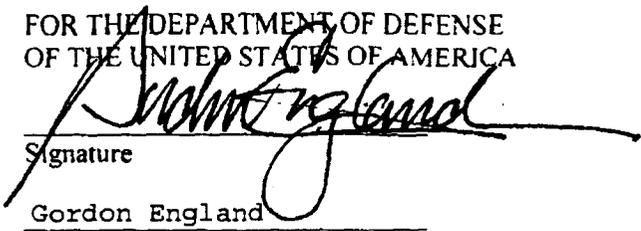
DONE at Stockholm on 9 July 2008

A handwritten signature in black ink, appearing to read 'Sten Tolgfors', written over a horizontal line.

***Sten Tolgfors
Acting Minister for Foreign Affairs***

SAC MOU

FOR THE DEPARTMENT OF DEFENSE
OF THE UNITED STATES OF AMERICA


Signature

Gordon England
Name

Deputy Secretary of Defense
Title

6-11-08
Date

Washington, DC
Location

ANNEX A
BASELINE MASTER PHASING PLAN

Time (T)	Action
T0	SAC MOU entry into effect
T0 + 2 weeks	NAMO stand up; NAMA GM appointed
T0 + 1 month	LOA signature with obligation authority (funds deposited); MOB infrastructure construction commences
T0 + 3 months	Participants' personnel billets established; initial cadre in place
T0 + 6 months	HAW activated
Prior to 1 st C-17	Essential MOB infrastructure projects complete
When supportable	U.S. C-17 Non-financial Contribution
T0 + 10 months	1 st FMS C-17 aircraft delivered (limited operational capability)
T0 + 14 months	2 nd FMS C-17 aircraft delivered (limited operational capability)
T0 + 19 months	Phase I operational capability (limited troubleshooting, limited support equipment and spares)
T0 + 23 months	Phase II operational capability (home station check capability, more robust troubleshooting, with more support equipment and spares available)
T0 + 31 months	Phase III operational capability (most support equipment and spares available, self-sufficient support capability)
T0 + 37 months	Full Operational Capability (FOC)

ANNEX B
FINANCIAL MATTERS

BY 2007 USD in Millions	COST TARGET	COST CEILING
Total Acquisition Segment (SAC MOU para 8.3.1 / 8.1.1)	\$1,199.2	\$1,319.2
FMS Aircraft Procurement	\$773.638	
FMS Support Case	\$387.868	
Beddown Costs--Papa, AB Hungary	\$37.736	
Annual Operation Segment (SAC MOU para 8.3.2 / 8.1.2)	\$147.159	\$176.591
Fixed Costs		
FMS Follow-On Support Case	\$69.288	
Mission Personnel	\$17.765	
Indirect Support	\$2.030	
Papa AB Facilities Recurring.	\$1.007	
Simulator Recurring Costs	\$2.800	
Training	\$5.765	
Major Modifications	\$4.000	
Certification + Registration	\$0.207	
TCTO/ Maintenance	\$3.000	
NAMO Administrative Costs	\$10.003	
Variable Costs		
Consumable Supplies	\$0.653	
Fuel	\$20.522	
DLR (Depot Level Repairable)	\$0.385	
Air to Air Refueling	\$3.793	
Overhead	\$0.746	
Airport Services	\$5.195	
Optional Follow on Investment (SAC MOU para 8.3.3 / 8.1.3)	\$27.980	\$33.576
Simulator	\$26.840	
Simulator facility	\$1.140	
SAC MOU		
Aquisition Segment	\$1,199.2	\$1,319.2
Operations Segment (26 years)	\$3,826.1	\$4,591.4
Simulator Option	\$27.980	\$33.576
TOTAL SAC MOU	\$5,053.4	\$5,944.1

Table 1
Acquisition Segment Cost Share

	Declared Flight Hours	Acquisition Segment Cost Share
Bulgaria	65	1.70%
Czech Republic	40	1.04%
Estonia	45	1.18%
Finland	100	2.61%
Hungary	50	1.31%
Italy	300	7.84%
Latvia	45	1.18%
Lithuania	45	1.18%
Netherlands	500	13.07%
Norway	400	10.46%
Poland	150	3.92%
Romania	200	5.23%
Slovenia	60	1.57%
Sweden	550	14.38%
United States	1000	33.33%
Total *	3550	100%

* Assumes 1000 flight hours per aircraft.
US will provide one aircraft equivalent.
Cost shares adjusted to account for the
33.3% US share.

Table 2
Operations Cost Share

	Declared Flight Hours	Cost Share
Bulgaria	65	1.83%
Czech Republic	40	1.13%
Estonia	45	1.27%
Finland	100	2.82%
Hungary	50	1.40%
Italy	300	8.45%
Latvia	45	1.27%
Lithuania	45	1.27%
Netherlands	500	14.08%
Norway	400	11.27%
Poland	150	4.23%
Romania	200	5.63%
Slovenia	60	1.69%
Sweden	550	15.49%
United States	1000	28.17%
Total	3550	100%

Table 3
Cost Share by Category

	Acquisition Segment Cost Share (Table 1)	Operations Segment Cost Share (Table 2)	Actual Flight Hours
Acquisition Segment			
FMS Aircraft Procurement	X		
FMS Support Case	X		
Beddown Costs-Papa, AB Hungary	X		
Operations Segment			
Fixed Costs		X	
FMS Follow-On Support Case		X	
Mission Personnel		X	
Indirect Support		X	
Papa AB Facilities Recurring.		X	
Simulator Recurring Costs		X	
Training		X	
Major Modifications		X	
Certification + Registration		X	
TCTO/ Maintenance		X	
NAMO Administrative Costs		X	
Variable Costs			
Consumable Supplies			X
Fuel			X
DLR (Depot Level Repairable)			X
Air-to-Air Refueling			X
Overhead			X
Airport Services			X
Optional Follow-on Investment			
Simulator		X	
Simulator facility		X	

Table 4
SAC MOU Enter into Force at 3500 FH

	Declared Flight Hours	Acquisition Segment Cost Share	Operations Segment Cost Share
Bulgaria	65	1.73%	1.86%
Czech Republic	40	1.07%	1.14%
Estonia	45	1.20%	1.29%
Finland	100	2.67%	2.86%
Hungary	50	1.33%	1.43%
Italy	300	8.00%	8.57%
Latvia	45	1.20%	1.29%
Lithuania	45	1.20%	1.29%
Netherlands	500	13.33%	14.29%
Norway	400	10.67%	11.43%
Poland	150	4.00%	4.29%
Romania	200	5.33%	5.71%
Slovenia	60	1.60%	1.71%
Sweden	550	14.67%	15.71%
United States	1000	33.33%	28.57%
Total	3500		