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SEP 7 1966

MEMORANDUM FOR THE SECRETARY OF THE AIR FORCE

SUBJECT: Engineering Development Phase of the MOL Program

REFERENCE: Secretary of the Air Force Memorandum for the Director, MOL, dated August 20, 1966, Subject: Authorization to Proceed with the Engineering Development Fhase of the MOL Program

The purpose of this correspondence is to inform you of the actions I have taken and intend to take to implement the direction contained in the referenced Secretary of the Air Force memorandum.

I have dispatched to General Berg the directive attached as TAB A. In summary, the Deputy Director has been instructed to: (1) Continue negotiations with major associate contractors, conclude these negotiations without delay, and forward as soon as possible the contract costs and fiscal year fund requirements agreed upon with the contractors; (2) take contractual actions prior to full-scale EDP approval as necessary to protect program lead times and the flight schedule, within the constraints specified in your instructions; and (3) review program plans and schedules to isolate and identify items which can be deferred without adverse schedule impact on the first manned flight in order to minimize FY 1967 funds requirements.

The specific course of action contemplated with respect to contractual activity is the following: Pre-Contract Cost Letters of the format appended as TAB B have been executed to cover Douglas, McDonnell, and General Electric for the month of September. These agreements recognize contractors' expenses incurred during September in contemplation of coverage of this effort in definitive contracts. Costs to be incurred under this arrangement will be limited to specific dollar amounts not exceeding the SPO estimates of expenditures for September. These cost limitations are \$4.0 million for Douglas, \$1.739 million for McDonnell and \$2.0 million for General Electric. In order to minimize the period of time the contractors will be required to finance the above effort, it is planned to execute amendments to the existing Fhase IC contracts to cover this interim effort until Phase II contracts are approved.

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-SECRET-FROM SAF-SL Fr General Evans to General	<u>7087/</u> AUG 1966 al Berg. This message in 4 Parts.	
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effort will be made to hold FY 67 MOL Funding requirements

to the minimum consistent with the schedule and objectives

for the first manned MOL flight. The Deputy Director, MOL Program, will review present program planning to identify any items for which initiation of development can be deferred without adverse schedule impact on the first manned flight. Items so identified will be reported to the Director, MOL Program, at the time of review of total negotiated program costs. Part IV. Action is being taken through financial channels to provide \$29.6 million for September and October requirements in accordance with your SAF-SL-4 22543 Aug 66. GP-3

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> DEPARTMENT OF THE AIR FORCE MANNED ORBITING LABORATORY, SYSTEMS PROGRAM OFFICE (OSAF) AF UNIT POST OFFICE, LOS ANGELES, CALIFORNIA 90045



SAFSL-8

Pre-Contract Cost Recognition for MOL Program Engineering Development Phase Land Time Protection, Douglas Aircraft Compony

Douglas Aircraft Company ATTN: Mr. C. E. Humphrey

1. This letter is to confirm that pre-contractual costs in an amount not exceeding \$4,000,000 will be recognized commencing 1 September 1966 through 30 September 1966. This recognized commencing 1 September 1966 Company proceeding with subject effort at its own risk in anticipation of a contract being placed for such offert. It should be recognized that in the event that a contract is not placed with Douglas Aircraft Company for such specified effort, any pre-contract costs so incurred will not be reimbursed by the Government nor will such costs be used as the basis for submission of a claim.

2. It is therefore agreed that in the event a contract is placed with you, for the subject described effort, the contractual instrument will contain the following provisions:

Pre-Contract Costs.

All costs which have been incurred on and after 1 September 1966 by the contractor in enticipation of this contract and prior to the execution thereof, and which, if incurred after the execution of this contract, would have been considered allowable costs hereunder, shall be allowable costs hereunder; provided, however, such costs shall not exaced \$4,000,000.

LLONARD T. ATKING Contracting Officer