

No. 17480

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**UNITED STATES OF AMERICA**  
and  
**REPUBLIC OF KOREA**

**Memorandum of Understanding relating to the establishment of an M-16 rifle production program in Korea (with annexes). Signed at Seoul on 31 March 1971 and at Washington on 22 April 1971**

**Amendment No. 1 to the above-mentioned Memorandum of Understanding (with annexes). Signed at Seoul on 30 July 1976**

**Amendment No. 2 to the above-mentioned Memorandum of Understanding of 22 April 1971 (with annex). Signed at Seoul on 14 October 1977**

*Authentic texts: English.*

*Registered by the United States of America on 22 January 1979.*

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**ÉTATS-UNIS D'AMÉRIQUE**  
et  
**RÉPUBLIQUE DE CORÉE**

**Mémorandum d'accord relatif à l'établissement d'un programme de production de fusils M-16 en Corée (avec annexes). Signé à Séoul le 31 mars 1971 et à Washington le 22 avril 1971**

**Avenant n° 1 au Mémorandum d'accord susmentionné (avec annexes). Signé à Séoul le 30 juillet 1976**

**Avenant n° 2 au Mémorandum d'accord susmentionné du 22 avril 1971 (avec annexe). Signé à Séoul le 14 octobre 1977**

*Textes authentiques : anglais.*

*Enregistrés par les États-Unis d'Amérique le 22 janvier 1979.*

## MEMORANDUM OF UNDERSTANDING<sup>1</sup> BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA RELATING TO THE ESTABLISHMENT OF AN M-16 RIFLE PRODUCTION PROGRAM IN KOREA

Whereas the Government of the Republic of Korea and the Government of the United States of America, after analysis and review of the defense needs of the Republic of Korea, agree that the establishment of an M-16 rifle production capability in Korea could make an important contribution to the defense needs of the Government of Korea;

Whereas at the request of the Government of the Republic of Korea, the Government of the United States of America conducted a technical survey of production capabilities in the Republic of Korea and determined that it is technically feasible and militarily advisable for the Government of Korea to initiate an M-16 rifle production facility;

Now therefore, in recognition of the purposes of the Mutual Defense Treaty between the Republic of Korea and the United States of America, which was signed on October 1, 1953,<sup>2</sup> and entered into force on November 17, 1954, and in implementation of the Mutual Defense Assistance Agreement between the Government of the Republic of Korea and the Government of the United States of America, which was signed and entered into force on January 26, 1950,<sup>3</sup> representatives of the Government of the Republic of Korea and the Government of the United States of America, acting for their respective Governments, agree to the following Memorandum of Understanding:

### 1. *Program Objectives*

The objectives of the program are the establishment by the Republic of Korea of an M-16 rifle production facility, the purposes of which will be the manufacture and assembly over a six-year period of approximately 600,000 M-16 rifles and associated spare parts, as outlined in annex A.

### 2. *Program Implementation by the Government of the Republic of Korea*

a. The Government of the Republic of Korea will, in conformity with established policies, procedures and regulations of the Government of the United States, select and contract directly with the United States firms for the licenses, proprietary rights, documentation, production equipment, components, raw materials, and technical assistance required to initiate and implement the program.

b. All components of complete M-16 rifles assembled in the Republic of Korea which are not produced in the Republic of Korea will be procured from United States sources, unless otherwise agreed to by both Governments.

### 3. *Program Implementation by the Government of the United States*

a. The Government of the United States will, on a reimburseable basis and subject to the terms and conditions of the standard United States Government Form

<sup>1</sup> Came into force on 22 April 1971 by signature, in accordance with paragraph 12 (a).

<sup>2</sup> United Nations, *Treaty Series*, vol. 238, p. 199.

<sup>3</sup> *Ibid.*, vol. 178, p. 97.

DD 1513, provide to the Government of the Republic of Korea technical assistance and materiel as may be required for the successful execution of the program to the extent that such technical assistance and materiel cannot be provided by the United States contractor and are available within United States governmental sources.

b. Documentation not otherwise available under contractual arrangements for purposes of the production program but required from the Government of the United States will be furnished to the Government of the Republic of Korea on a non-exclusive basis and at no cost other than the cost of reproduction, packaging, handling, and delivery to the Government of the Republic of Korea for all such documentation furnished. Documentation as herein referred includes plans, specifications, technical data, and other information which have been acquired by the Government of the United States.

c. The Government of the Republic of Korea is authorized to use, for the purposes of this production program, documentation furnished by the Government of the United States to the extent that the Government of the United States has rights therein. This authorization shall not in any way constitute a license, grant, or assignment to sell or transfer the documentation or to make, use or sell the subject matter of any inventions, technical information or know-how owned by third parties (hereinafter referred to as "proprietary rights") which may be embodied or described in the documentation. The Government of the United States assumes no responsibility or obligations and shall incur no liability for any procurement, manufacture, use or sale by the Government of the Republic of Korea which makes use of or is based upon any of the aforementioned documentation or for any results derived from the use of documentation furnished.

#### 4. *Program Costs and Financing*

a. To assist the Government of the Republic of Korea in financing the total program costs, estimated at approximately \$72,600,000 as set forth in annex B, the Government of the United States will, subject to the availability of funds and the continuation of legislative authorizations, assure credit from United States public funds made available for the program within the next six years to the Government of the Republic of Korea in the aggregate amount not to exceed \$42,000,000 for the procurement of articles and services from United States sources. The Republic of Korea will provide from its own resources the difference between the total program cost and the total amount of credit which is scheduled to be made available by the Government of the United States hereunder. The United States credits will be provided in the form of increments, time-phased as outlined in annex C. Terms of interest for such credits will be at the prevailing cost of money to the Government of the United States at the time each phased increment of funding is authorized and approved.

b. Detailed financial credit arrangements between the Government of the United States and the Government of the Republic of Korea will be concluded in accordance with the time-phased schedule in annex C. The Government of the United States, subject to continued legislative authority, agrees to include in the detailed credit arrangements moratorium periods for the repayment of principal as follows:

- (1) For the first increment of \$15,000,000, a three (3) year moratorium with the first payment due June 30, 1974.
- (2) For the second increment of \$10,000,000, a three (3) year moratorium with the first payment due June 30, 1975.

- (3) For the third increment of \$8,000,000, a two (2) year moratorium with the first payment due June 30, 1975.
- (4) For the fourth increment of \$3,000,000, a one (1) year moratorium with the first payment due June 30, 1975.
- (5) For the fifth increment of \$3,000,000, the first payment will be due June 30, 1975.
- (6) For the sixth increment of \$3,000,000, the first payment will be due June 30, 1976.

There shall be no moratorium on the payment of interest on any increment and interest shall be payable as set forth in the detailed credit arrangements. A repayment schedule is set forth in annex D based on the time-phased schedule in annex C and provides for full repayment of all principal and interest within ten (10) years in accordance with the terms and conditions of each of the detailed credit arrangements.

c. The Government of the Republic of Korea understands that no grant aid assistance will be furnished by the Government of the United States for the purpose of implementing this program.

#### 5. *Security*

Each Government will take all necessary steps to ensure that no classified information exchanged for the purpose of this program will be supplied by the recipient to any third party or otherwise compromised. The recipient Government will provide substantially the same degree of security protection to classified information as is afforded such information by the originating Government.

#### 6. *Transfers to Third Parties*

The Government of the Republic of Korea will not sell or otherwise transfer title to or possession of rifles, components, production equipment, documentation or any other item purchased from the United States Government under the program, or produced in this production facility, to anyone not an officer, employee, or agent authorized by the Government of the Republic of Korea, without the expressed consent of the Government of the United States.

#### 7. *Standardization and Deviations*

a. The Government of the Republic of Korea will take necessary steps for such production engineering, tooling control and maintenance, as will ensure the operational and logistic interchangeability among the M-16 rifles and components being produced in Korea and in the United States.

b. Deviations to technical documentation for the M-16 rifles and components to be produced based on this Memorandum of Understanding (except such deviations mutually agreed to be minor) will not be made without prior mutual agreement of the designated Liaison Officers of the Republic of Korea and of the United States.

#### 8. *Liaison Officers*

The Government of the Republic of Korea and the Government of the United States will each designate a Liaison Officer to monitor and coordinate the M-16 rifle production program under the provisions of this Memorandum of Understanding. The Republic of Korea Liaison Officer will be based in Korea and the United States Liaison Officer will be based in the United States. Any travel or other expenses directly connected with this program involving the United States Liaison Officer, made at the

request of the Government of the the Republic of Korea, will be reimbursed by the Government of the Republic of Korea.

9. *Provision of Information*

The Government of the Republic of Korea and the Government of the United States will provide the other such reports and technical information, as well as access to facilities, as may be necessary to ensure the orderly and successful accomplishment of the Program.

10. *Customs Duties and Internal Taxes*

a. The Government of the Republic of Korea will authorize and grant duty-free treatment and exemption from all customs duties, fees, and other internal taxation on equipment, machinery, tools, materials, and parts thereto imported into or exported from its territory in connection with this Memorandum of Understanding.

b. The Government of the Republic of Korea will accord to the selected United States contractor, its non-Korean employees and their dependents, duty-free treatment and exemption or arrange for a solution that is equivalent to exemption from customs duties, fees, and other internal taxation as specified in annex E.

11. *Ammunition Program*

The parties hereto agree to enter into a separate Memorandum of Understanding concerning the ammunition requirements of the Government of the Republic of Korea.

12. *Amendment and Implementation*

a. This Memorandum of Understanding shall enter into force upon signature by the representatives of the Government of the Republic of Korea and the Government of the United States of America, and may be amended in writing or terminated at any time by mutual agreement of the parties. Specific implementing arrangements regarding technical assistance will be drawn up as soon as practicable.

b. In case of controversy that may arise regarding any implementation action under the terms of this Memorandum of Understanding or implementing arrangements reached in accordance therewith, such controversy will be submitted for consideration and decision to appropriate levels of each Government.

IN WITNESS WHEREOF, the duly authorized officials of the two Governments have submitted this Memorandum of Understanding for signature at Seoul on this 29th day of March, 1971.

For the Government  
of the Republic of Korea:  
*Submitted:* SHIN WAN SHIK  
Ministry of National Defense  
Representative  
  
*Signed:* JUNG NAE HUIK  
Minister of National Defense  
*Date:* 31 March 1971

For the Government  
of the United States of America:  
*Submitted:* JOHN S. LETSON  
Department of Defense  
Representative  
  
*Signed:* MELVIN R. LAIRD  
Secretary of Defense  
*Date:* 22 April 1971

ANNEX A  
ESTIMATED SCHEDULE OF M-16 RIFLE PRODUCTION

		<i>Cumulative</i>
January 1974 .....	2,000	
February 1974 .....	4,000	6,000
March 1974 .....	6,000	12,000
April 1974 .....	8,000	20,000
May 1974 .....	10,000	30,000
June 1974 .....	10,000	40,000
June 1975 .....	120,000	160,000
June 1976 .....	120,000	280,000
June 1977 .....	120,000	400,000
June 1978 .....	120,000	520,000
February 1979 .....	80,000	600,000
8% Additional Components and Spare Parts .....	48,000	648,000

ANNEX B  
ILLUSTRATIVE M-16 RIFLE PROGRAM COST ESTIMATES  
(Unit: \$)

<i>Classification</i>	<i>FMS Cost</i>			<i>Won Budget</i>	<i>Total</i>
	<i>U.S. Prime Contractor</i>	<i>Other</i>	<i>Total</i>		
Construction .....	—	1,500,000	1,500,000	10,500,000	12,000,000
Production Equipment .....	15,084,000	—	15,084,000	—	15,084,000
Raw Materials .....	6,349,000	—	6,349,000	—	6,349,000
Operating Supplies .....	3,476,000	2,000,000	5,476,000	2,850,000	8,326,000
Service Charge for Selected U.S. Contractor .....	8,000,000	—	8,000,000	—	8,000,000
Royalties for Selected U.S. Contractor .....	5,108,000	—	5,108,000	—	5,108,000
Expenses for ROK Trainees and U.S. Project Officer .....	—	200,000	200,000	—	200,000
Technical Assistance, Technical Data, Basic Issue List Items .....	—	283,000	283,000	3,000,000	3,283,000
Indigenous Labor .....	—	—	—	14,270,000	14,270,000
TOTAL ESTIMATES	38,017,000	3,983,000	42,000,000	30,620,000	72,620,000

ANNEX C  
SCHEDULE OF FMS CREDIT INCREMENTS

FY 1971 .....	\$15,000,000
FY 1972 .....	10,000,000
FY 1973 .....	8,000,000
FY 1974 .....	3,000,000
FY 1975 .....	3,000,000
FY 1976 .....	3,000,000
TOTAL FMS CREDIT	\$42,000,000

ANNEX D  
PRINCIPAL REPAYMENT SCHEDULE

	<i>FY 1971</i>	<i>FY 1972</i>	<i>FY 1973</i>	<i>FY 1974</i>	<i>FY 1975</i>	<i>FY 1976</i>	<i>Total</i>
FMS Credit							
Increments .....	\$15,000,000	\$10,000,000	\$8,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$42,000,000
<i>Repayments</i>							
30 June 1971 .....	Moratorium						
30 June 1972 .....	Moratorium	Moratorium					
30 June 1973 .....	Moratorium	Moratorium	Moratorium				
30 June 1974 .....	2,143,000	Moratorium	Moratorium	Moratorium			2,143,000
30 June 1975 .....	2,143,000	1,429,000	1,000,000	333,334	300,000		5,205,334
30 June 1976 .....	2,143,000	1,429,000	1,000,000	333,334	300,000	300,000	5,505,334
30 June 1977 .....	2,143,000	1,429,000	1,000,000	333,334	300,000	300,000	5,505,334
30 June 1978 .....	2,143,000	1,429,000	1,000,000	333,333	300,000	300,000	5,505,333
30 June 1979 .....	2,143,000	1,428,000	1,000,000	333,333	300,000	300,000	5,504,333
30 June 1980 .....	2,142,000	1,428,000	1,000,000	333,333	300,000	300,000	5,503,333
30 June 1981 .....		1,428,000	1,000,000	333,333	300,000	300,000	3,361,333
30 June 1982 .....			1,000,000	333,333	300,000	300,000	1,933,333
30 June 1983 .....				333,333	300,000	300,000	933,333
30 June 1984 .....					300,000	300,000	600,000
30 June 1985 .....						300,000	300,000
<b>TOTAL REPAYMENTS</b>	<b>(15,000,000)</b>	<b>(10,000,000)</b>	<b>(8,000,000)</b>	<b>(3,000,000)</b>	<b>(3,000,000)</b>	<b>(3,000,000)</b>	<b>(42,000,000)</b>

## ANNEX E

## TAXES AND CUSTOMS DUTIES EXEMPTIONS FOR SELECTED UNITED STATES CONTRACTOR, ITS NON-KOREAN EMPLOYEES AND THEIR DEPENDENTS

The Government of the Republic of Korea will grant the selected United States contractor, its non-Korean employees and their dependents present in the Republic of Korea in connection with performance of services under a technical assistance agreement the following tax and customs duties exemptions:

1. *Tax Exemption*

- a. Payments made by the Government of the Republic of Korea to the selected United States contractor under the technical assistance or license agreement.
- b. Depreciable assets, except houses, held, used or transferred by such persons exclusively for the performance of such services.
- c. Holding, use, transfer by death, or transfer to persons or agencies entitled to tax exemption under the technical assistance agreement, of movable property, tangible or intangible, the presence of which in the Republic of Korea is due solely to the temporary stay of these persons in the Republic of Korea, provided that such exemption shall not apply to property held for the purpose of investment or conduct of other business in the Republic of Korea or to any intangible property registered in the Republic of Korea.
- d. Income derived by non-Korean employees of the selected United States contractor as a result of service in connection with the technical assistance agreement.
- e. Income derived from assets or occupations outside of the Republic of Korea.

2. *Exemption from Customs Duties*

- a. All materials, supplies and equipment imported by the selected United States contractor for its use in the performance of service under the technical assistance agreement.
- b. Reasonable quantities of furniture, household goods, and personal effects for their private use imported by the selected United States contractor's non-Korean employees when they first arrive to serve in the Republic of Korea or by their dependents when they first arrive for reunion with such selected United States contractor's non-Korean employees.
- c. On vehicles imported by the non-Korean employees of the selected United States contractor for the private use of themselves or their dependents (including a reasonable quantity of repair parts therefor).

3. Goods imported into the Republic of Korea free of duty or with duties paid or otherwise absorbed by the Government of the Republic of Korea shall not be disposed of in the Republic of Korea to persons not entitled to import such goods free of duty.

In case this clause is violated, duties will be paid in accordance with appropriate laws of the Republic of Korea.

4. Goods imported into the Republic of Korea free of duty or with duties paid or otherwise absorbed by the Government of the Republic of Korea pursuant to paragraphs 2 and 3 above may be re-exported free from customs duties and other such charges.

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AMENDMENT No. 1<sup>1</sup> TO THE MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA RELATING TO THE ESTABLISHMENT OF AN M-16 RIFLE PRODUCTION PROGRAM IN KOREA<sup>2</sup>

Whereas the Government of the Republic of Korea (hereinafter referred to as ROKG) has requested the Government of the United States of America (hereinafter referred to as USG) to amend the Memorandum of Understanding between the Government of the Republic of Korea and the Government of the United States of America relating to the establishment of an M-16 Rifle Production Program in Korea,<sup>2</sup> entered into effect on 22 April 1971, in order to accelerate the production of M-16 Rifles for delivery to the ROK Armed Forces: and

Whereas the USG agrees to such amendment:

Now, therefore, it is mutually agreed that the said Memorandum of Understanding is hereby amended as follows:

1. Paragraph 4, Program Costs and Financing:

A. In the first sentence of subparagraph 4(a), delete the amount "\$72,600,000" and substitute in lieu thereof the amount "\$95,063,000" and delete the amount "\$42,000,000" and substitute in lieu thereof the amount "\$52,000,000."

B. In sub-paragraph 4(b)(4), delete the words "For the fourth increment of \$3,000,000, a one (1) year moratorium with the first payment due June 30, 1975" and substitute in lieu thereof "For the fourth increment of \$6,100,000, the first payment will be due 30 June 1975."

C. In sub-paragraph 4(b)(5), delete the words "For the fifth increment of \$3,000,000, the first payment will be due June 30, 1975" and substitute in lieu thereof "For the fifth increment of \$5,400,000, the first payment will be due June 30, 1976."

D. In sub-paragraph 4(b)(6), delete the words "For the sixth increment of \$3,000,000, the first payment will be due June 30, 1976," and substitute in lieu thereof "For the sixth increment of \$5,500,000, the first payment will be due June 30, 1977."

E. After sub-paragraph 4(b)(6), add new sub-paragraph 4(b)(7) "For the seventh increment of \$2,000,000, the first payment will be due June 30, 1978."

2. Delete annexes "A," "B," "C," and "D," and substitute new annexes "A," "B," and "C," all dated 27 August 1975.

<sup>1</sup> Came into force on 30 July 1976 by signature.

<sup>2</sup> See p. 226 of this volume.

IN WITNESS WHEREOF, the duly authorized officials of the two governments have duly executed this Amendment Number 1 to the Memorandum of Understanding at Seoul on this July 30 day of 1976.

For the Government  
of the United States:

[Signed]

Major General OLIVER D. STREET  
III, USA  
Chief, Joint United States  
Military Assistance Group — Korea

For the Government  
of the Republic of Korea:

[Signed]

Lieutenant General PAIK, SEOK-CHU  
Assistant Minister for Logistics  
and Installations  
Ministry of National Defense

### REVISED 27 AUGUST 1975 ANNEX A

#### ESTIMATED SCHEDULE OF M-16 RIFLE PRODUCTION

<i>CY</i>	<i>Proposed Annual</i>	<i>Cumula- tive</i>
1974 .....	90,000	90,000
1975 .....	120,000	210,000
1976 .....	210,000	420,000
1977 .....	180,000	600,000
8 % Additional Components and Spare Parts .....	48,000	648,000

<sup>1</sup> Equivalents.

### REVISED 27 AUGUST 1975 ANNEX B

#### ILLUSTRATIVE M-16 RIFLE PROGRAM SEVEN-YEAR COST ESTIMATES (Unit: \$)

<i>Classification</i>	<i>FMS Cost</i>			<i>Won Budget</i>	<i>Total</i>
	<i>U.S. Prime Contractor</i>	<i>Other</i>	<i>Total</i>		
Construction .....	—	1,500,000	1,500,000	10,628,000	12,128,000
Production Equipment .....	15,084,000	—	15,084,000	—	15,084,000
Raw Materials .....	10,982,000	—	10,982,000	4,200,000	15,182,000
Operating Supplies .....	8,843,000	2,000,000	10,843,000	5,961,000	16,804,000
Service Charge for Selected U.S. Contractor .....	8,000,000	—	8,000,000	—	8,000,000
Royalties for Selected U.S. Contractor .....	5,108,000	—	5,108,000	—	5,108,000
Expenses for ROK Trainees and U.S. Project Officer .....	—	200,000	200,000	—	200,000
Technical Assistance, Technical Data, Basic Issue List Items .....	—	283,000	283,000	7,037,000	7,320,000
Indigenous Labor .....	—	—	—	15,237,000	15,237,000
<b>TOTAL ESTIMATES</b>	<b>48,017,000</b>	<b>3,983,000</b>	<b>52,000,000</b>	<b>43,063,000</b>	<b>95,063,000</b>

## REVISED 27 AUGUST 1975 ANNEX C

## SCHEDULE OF FMS CREDIT INCREMENTS

FY 1971 .....	\$15,000,000
FY 1972 .....	10,000,000
FY 1973 .....	8,000,000
FY 1974 .....	6,100,000
FY 1975 .....	5,400,000
FY 1976 .....	5,500,000
FY 1977 .....	2,000,000
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TOTAL FMS CREDIT	\$52,000,000

AMENDMENT No. 2<sup>1</sup> TO THE MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA RELATING TO THE ESTABLISHMENT OF AN M-16 RIFLE PRODUCTION PROGRAM IN KOREA<sup>2</sup>

Whereas the Government of the Republic of Korea (hereinafter ROKG) has requested the Government of the United States (hereinafter USG) further to revise certain portions of the Memorandum of Understanding between the Government of the Republic of Korea and the Government of the United States of America relating to the establishment of an M-16 Rifle Production Program in Korea,<sup>2</sup> which MOU entered into force on 22 April 1971, in order to increase the number of ROKG manufactured M-16 rifles for use by the ROK Armed Forces; therefore, the USG and the ROKG mutually agree to revise the below indicated portions of the Memorandum of Understanding, dated 22 April 1971 as follows:

1. Paragraph 1, Program Objectives: So much of this paragraph as reads “. . . over a six year period of approximately 600,000 M-16 rifles and associated spare parts, as outlined in annex A.” is revised to read: “. . . over an approximate seven year period of approximately 900,000 M-16 rifles and associated spare parts, as outlined in annex A.”

2. Revised annex A, Estimated Schedule of M-16 Rifle Production: Replace by annex A of this Amendment.

3. Delete revised annexes B and C.

IN WITNESS WHEREOF, the duly authorized officials of the two governments have duly executed this Amendment Number 2 to the Memorandum of Understanding at Seoul on this 14th day of October 1977.

For the Government  
of the Republic of Korea:

[Signed]

Lieutenant General RHEE, BOMB JUNE  
Special Assistant to the Minister  
for Defense Industry  
Ministry of National Defense

For the Government  
of the United States:

[Signed]

Major General HARRY A. GRIFFITH  
Chief, Joint United States  
Military Assistance Group — Korea

<sup>1</sup> Came into force on 14 October 1977 by signature.

<sup>2</sup> See pp. 226 and 233 of this volume.

## REVISED OCTOBER 1977 ANNEX A

## M-16 RIFLE PRODUCTION PROGRAM

	<i>Current Schedule</i>	<i>Revised Schedule</i>
1974 .....	90,000	90,000
1975 .....	120,000	120,000
1976 .....	210,000	210,000
1977 .....	180,000	180,000
1978 .....		100,000
1979 .....		100,000
1980 .....		100,000
	TOTAL	900,000
8 % Additional Components and Spare Parts .....	48,000	172,000
	TOTAL	648,000 972,000

<sup>1</sup> Equivalents.

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