

DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D.C. 20301



15 July 1982

In reply refer to:
Transmittal No. 7
DOD 5105.38-M

MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, MILITARY ASSISTANCE AND SALES
MANUAL - PARTS I, II AND III

SUBJECT: MASM I, II and III Transmittal

The attached revised pages incorporate previously issued guidance. Highlights of this transmittal include chapters on (Part I) Policy and Security Classification and Release of Information; (Part II) Articles and Services, International Military Education & Training, and Issuance of ITOs; and (Part III) General Procedures, Preparation & Processing of FMS Transactions, Management of the Ceiling on Weapons and Weapons Related Items, and Leases.

Update the portions of your current MASM in accordance with the List of Changes. Specific changes are indicated by a broken line in the margin of the chapter.

This transmittal supersedes Interim Changes 7-1 through 7-9.

A handwritten signature in black ink, appearing to read "Walter B. Ligon", is positioned above the typed name.

WALTER B. LIGON

Acting Director

Defense Security Assistance Agency

Attachments

- (1) List of Changes
- (2) MASM Update Materiel

LIST OF CHANGES

Remove and insert the following portions of your current MASM:

REMOVE

Table of Contents -

pages xi - xxx

PART I -

C-3 - C-4

G-1 - G-2

Chapter J

PART II -

C-5 - C-6

E-11 - E-12

E-22

App 1E-7

PART III -

C-15 - C-16

C-18a

D-1 - D-11a

D-39 - D-40

Chapter M

INSERT

List of Effective Pages

Table of Contents -

pages xi - xxx

PART I -

C-3 - C-4

G-1 - G-2

PART II -

C-5 - C-6a

E-11 - E-12a

E-22

App 1E-7

PART III -

C-15 - C-16a

C-18a

D-1 - D-11c

D-39 - D-40

Chapter P

In addition to the above, post the following pen and ink changes:

PART I -

(1) Chapter H - Page H-12 - Generic B3 - Under "Ground Launched Missiles" - add "X. Patriot." Page H-17 - Generic F3 - add "W. Close in Weapon Systems FSC 1230" with an "X" under "Major Item." Page H-18 - Generic G1 - add "I. 22mm FSC 1305" with an "X" under "Major Item."

(2) Appendix A - Pages App A-11, App A-12, and App A-14b - add "European Participating Group - F-16 Contract Administrative Services, Europe (EPG F-16 CASEUR) EP NR NR." Pages App A-11, App A-13, and App A-14b - add "Sinai Peacekeeping Force S2 NR NR." Page App A-15 - para 28 - second column - delete the two paragraphs beginning "The second digit ..." and "The third digit ...". Page App A-18 - add Generic "B1X. Patriot." Page App A-20 - add Generic "F3W. Close in Weapon Systems" and G1I. 22mm." Page App A-23 - add Generic "N7G. Shipment - Instructional Material."

PART II -

(1) Chapter A - Page A-3 - para 4h - 7th line from the top - change "\$150" to read "\$250". Para 4i - change the last sentence to read "Foreign excess property of DOD which does not fall into this category may be transferred in exchange for substantial benefits or sold at property disposal sale".

PART III -

(1) Chapter B - Page B-5 - para 3b(1)(h) - delete in its entirety.

(2) Chapter D - Page D-19a - Note f - change the first line to read "Whenever a DD Form 1513-1 increases the original case value by more than \$50,000,".

MILITARY ASSISTANCE AND SALES MANUAL

LIST OF EFFECTIVE PAGES

<u>Chapters</u>	<u>Page Numbers</u>	<u>Date of Latest Revision</u>
Table of Contents	xi through xxxi	15 July 1982
 <u>PART I--GENERAL INFORMATION</u>		
Glossary of Terms and Abbreviations	1 through 13	1 May 1980
DOD Directives and Instructions	1 through 7	1 October 1981
A	A-1 and A-2	1 October 1981
B	B-1 through B-4	1 August 1978
C	C-1 through C-4	15 July 1982
D	D-1 through D-11	1 August 1978
E	E-1 and E-2	1 August 1978
F	F-1 through F-3	1 October 1981
G	G-1 through G-4	15 July 1982
H	H-1 through H-24	15 July 1982
Appendix A	App A-1 through App A-34	15 July 1982
 <u>PART II--GRANT AID</u>		
A	A-1 through A-4	15 July 1982
B	B-1 through B-6	15 December 1978
C	C-1 through C-27	15 July 1982
D	D-1 through D-14	1 August 1978
E	E-1 through E-33	15 July 1982
Appendix 1-E	App 1E-1 through App 1E-7	15 July 1982
F	F-1 through F-22	1 October 1981
G	G-1 through G-24	15 December 1979
H	H-1 through H-4	1 August 1978
J	J-1 through J-2	15 December 1978
K	K-1 through K-4	1 December 1980
 <u>PART III--FOREIGN MILITARY SALES</u>		
A	A-1 through A-3	1 October 1981
B	B-1 through B-6	15 July 1982
C	C-1 through C-26	15 July 1982
Appendix 1-C	App 1C-1 through App 1C-5	15 December 1979
D	D-1 through D-46	15 July 1982
Appendix 1-D	App 1D-1 through App 1D-4	1 December 1980
E	E-1 through E-8	1 August 1978
F	F-1 through F-8	1 October 1981
G	G-1 through G-18	1 October 1981
Appendix 1-G	App 1G-1 through App 1G-4	1 December 1980
H	H-1 through H-4	1 October 1981
J	J-1 through J-6	1 October 1981
K	K-1 through K-13	1 October 1981
L	L-1 through L-21	15 December 1978
N	N-1 through N-18	1 December 1980
O	O-1 and O-2	1 December 1980
P	P-1 through P-21	15 July 1982
Appendix A	App A-1 through App A-3	1 October 1981
Appendix B	App B-1 through App B-11	1 October 1981
Appendix C	App C-1 through App C-12	1 August 1978

CONTENTS

<u>Chapter</u>	<u>Page Number</u>
LETTER OF TRANSMITTAL	iii
FORWARD	v
TABLE OF CONTENTS	xi

PART I--GENERAL INFORMATION

GLOSSARY OF TERMS AND ABBREVIATIONS

DOD DIRECTIVES AND INSTRUCTIONS

A. PURPOSE, AUTHORITY AND SCOPE	A-1
1. Purpose of Security Assistance	A-1
2. Nature of Security Assistance	A-1
3. Legislative Authority	A-1
4. Distribution of the MASM	A-2
5. Reports Control Symbol	A-2
B. RESPONSIBILITIES AND RELATIONSHIPS	B-1
1. Executive Branch	B-1
2. Department of Defense	B-1
3. Relationships	B-3
C. POLICY	C-1
1. Purpose and Scope	C-1
2. Administration	C-1
3. Planning	C-1
4. Economic Considerations	C-1
5. Emphasis on Sales	C-2
6. Personnel	C-2
7. Excess Defense Articles	C-2
8. Commitments	C-3
9. Incendiary Items and Riot Control Agents	C-3
10. MAP (Grant Aid) Price and Availability Data	C-3
11. Suspensions/Cancellations	C-3
D. PLANNING	D-1
1. Military Security Assistance Projection (MSAP)	D-1
2. Foreign Country Participation	D-1
3. Coordination at Country Level	D-2
4. Continuous Appraisal	D-2
5. Coordination	D-2
6. Projection Period	D-2

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
7. Planning Cycle	D-2
JSOP Vol II Guidance (including Book III, "Allied and Friendly Forces")	D-2
JSOP Vol I (Military Strategy and Force Planning Guidance)	D-2
Defense Policy and Planning Guidance	D-3
JSOP Volume II, Book III, "Allied and Friendly Forces" Input	D-3
JSOP Volume II, Book III, "Allied and Friendly Forces" Formulation and Issuance of Military Assistance Policy Guidance	D-3
Defense Planning and Programming Guidance	D-3
Integrated Security Assistance Planning Data	D-3
Joint Force Memorandum ("Support to Other Nations" (JFM) Military Security Assistance Projection (MSAP)	D-3
Identification of Security Assistance Issues Within DOD Program Decision Memorandum (PDM)	D-4
Interagency Security Assistance Issues Within DOD	D-4
Budget Formulation and Submission	D-4
Presidential Budget Decision (PBD)	D-4
Congressional Presentation Document (CPD) Baseline Guidance	D-4
Congressional Presentation Document Preparation and Congressional Hearings	D-5
Program Adjustment	D-5
8. Preparation of the MSAP	D-5
Content	D-5
Instructions for Preparation	D-5
Distribution	D-6
Administration Instructions	D-6
E. SHIP TRANSFERS	E-1
1. Purpose	E-1
2. General Policy	E-1
3. Sale	E-1
4. Loan	E-1
5. Lease	E-1
6. Transfer Plan Development	E-1
7. Approval Procedures	E-2
F. AUDITS AND INSPECTIONS	F-1
1. Purpose	F-1
2. Types of Audit/Inspections	F-1
GAO Audits	F-1
DOD Internal Audit	F-1
IGA Inspections	F-1
3. Notification of Audits and Inspections	F-1

<u>Chapter</u>	<u>Page Number</u>
4. Policy Concerning Releasability to GAO of DOD Records Relating to MAP, MASF and FMS	F-1
5. Relationships with Audit/Inspection Agency	F-2
6. Exit Conference	F-2
7. Action on GAO Audit Draft Reports	F-2
8. Action on GAO Final Reports	F-2
9. Action on DAS Reports	F-3
10. Action on IGA Reports	F-3
11. Corrective Action Follow-on	F-3
 G. SECURITY CLASSIFICATION AND RELEASE OF INFORMATION	 G-1
1. Purpose and Scope	G-1
2. Security Classification Guidelines	G-1
General Guidelines	G-1
Specific Guidelines	G-1
3. RCS: DSAA(AR)1100 FMS Report Submissions	G-3
Entry of Data	G-3
Declassification	G-3
Codes: Card Columns	G-3
4. Release of Information to Foreign Governments, International Organizations and the Public	G-3
Unclassified	G-3
Classified	G-4
Approval of Chief of Diplomatic Mission	G-4
 H. MILITARY ARTICLES AND SERVICES LIST (MASL) GUIDANCE	 H-1
1. General	H-1
2. MASL Content	H-1
Materiel	H-1
Training	H-2
Services	H-2
3. Definitization Policy	H-2
4. DSAA MASL Files	H-2
5. Assignment of Footnote Codes	H-3
General	H-3
Footnote Code "NN"	H-3
6. MASL Relationship to DSAA Program Data Files	H-3
MAP/IMETP	H-3
FMS	H-3
MAP/IMETP/FMS	H-4
7. Maintenance of the MASL	H-4
Changes	H-4
Inquiries	H-4
8. Submission of MASL Data	H-4
General	H-4
Additions	H-5
Changes	H-7

<u>Chapter</u>	<u>Page Number</u>
Deletions	H-7
Appendix A--MACHINE READABLE CODES	App A-1
1. Acceptance Date - 1100 System	App A-1
2. Acceptance Fiscal Year/Quarter - 1100 System	App A-1
3. Action Code	App A-1
1000 System	App A-1
1100 System	App A-3
4. Area Code - All Systems	App A-3
5. Calender Dates - 1100 System	App A-3
6. Card Code	App A-4
1000 System	App A-4
1100 System	App A-4
MASL	App A-5
7. Case Description - 1100 System	App A-5
8. Case Designator - 1100 System	App A-5
9. Case Identifier/Case Number - 1100 System	App A-5
10. Case Suffix Code - 1100 System	App A-5
11. Ceiling Account - 1100 System	App A-5
12. Ceiling Percentage - 1100 System	App A-5
13. Change Originator Code	App A-5
1000 System	App A-5
1100 System	App A-6
14. Classification Code	App A-6
MASL	App A-6
1100 System	App A-6
15. Commercial Item - 1000 System	App A-6
16. Commitment Code - 1000 System	App A-6
17. Communication/Ancillary Item/CSP Code - 1000 System	App A-6a
18. Completed Line Item Code - 1100 System	App A-7
19. Condition Code - 1000 System	App A-7
20. Code Code - 1000 System	App A-8
21. Country/Activity Code - All Systems	App A-9
Alphabetic	App A-9
Countries	App A-9
Activities	App A-11
Alphabetic by Country/Activity Code	App A-11
Area Listing	App A-14
22. CRA Code - 1000 System	App A-14b
23. Credit Arrangement Number - 1100 System	App A-14c
24. Customer Within Country Code - 1000 System	App A-14c
25. Delivery Commitment Date - 1100 System	App A-15
26. Delivery Forecast Date - 1100 System	App A-15
27. End Use Code - 1000 System	App A-15
28. Excess Offer Number Code - 1000 System	App A-15
29. Execution Agency Identifier Code - 1000 System	App A-15
30. Fiscal Code	App A-16
31. Footnote Code - MASL	App A-16

<u>Chapter</u>	<u>Page Number</u>
32. Funding Priority Code - 1000 System	App A-17
33. Generic Code - All Systems	App A-17
34. Implementation Date - 1100 System	App A-23
35. Implementing Agency Code	App A-23
1000 System	App A-23
1100 System	App A-23
36. Issue Priority/Required Delivery Date Code - 1000 System	App A-24
37. Lead Time Code - 1000 System	App A-24
38. Letter of Request - 1100 System	App A-24
39. Major Defense Equipment Code - 1100 System	App A-24
40. MAP Element Code - 1000 System	App A-24
41. Method of Funding Code - 1000 System	App A-26
42. MILSTRIP Routing Identifier Code - 1000 System	App A-26
43. National Stock Number - All Systems	App A-27
44. Offer Date - 1100 System	App A-27
45. Offer Expiration Date - 1100 System	App A-27
46. Program Originator Code - 1000 System	App A-27
47. Program Year Code - 1000 System	App A-27
48. Reason for Change Code	App A-27
1000 System	App A-27
Reason for Change - 1100 System	App A-29
49. Record Control Number - 1100 System	App A-29
50. Record Serial Number - 1100 System	App A-29
51. Selected Item Description Number/Sequence Number and Quantity Control - All Systems	App A-29
52. Source of Supply Code - 1000 System	App A-30
53. Spare Parts, AGE and Equipment Attachment Codes - All Systems	App A-30
54. Special Supply Procedures Code - 1000 System	App A-31
55. Status Code	App A-31
1000 System	App A-31
1100 System	App A-31
56. Student Availability Code - 1000 System	App A-32
57. Student Code - 1000 System	App A-32
58. Sub-Area Code - 1100 System	App A-32
59. System Code - 1100 System	App A-32
60. System - Identifier - 1000 System	App A-32
61. Training Course Duration Code - 1000 System	App A-32
62. Type of Assistance Code	App A-33
1000 System	App A-33
1100 System	App A-33
63. Unified Command Code - All Systems	App A-34
64. Unit of Issue - All Systems	App A-34
65. Worksheet Control Number (WSCN) - 1000 System	App A-34

Chapter

Page Number

PART II--GRANT AID

A. ELIGIBILITY	A-1
1. General Authority	A-1
2. Conditions of Eligibility	A-1
3. General Information	A-2
4. Prohibitions Against Furnishing Assistance	A-2
5. Suspensions/Cancellations	A-4
B. UTILIZATION, REDISTRIBUTION AND DISPOSAL OF MAP MATERIEL	B-1
1. General	B-1
Applicability	B-1
Waivers	B-1
2. Supervision of End-Item Use	B-1
Reports Submitted by Foreign Country	B-2
3. Reporting and Screening MAP Materiel Declared Excess	B-2
Action by Chief of MAAG	B-2
Action by Military Department	B-3
4. Transfer of MAP Excess Materiel	B-3
Submission of Requirements	B-3
Accessorial Charges and Rehabilitation Costs	B-4
5. Cannibalization and Retention	B-4
6. Disposal of MAP Property	B-4
Methods of Disposal	B-4
Demilitarization of Disposable MAP Property	B-5
FAA Regarding Disposal	B-5
7. Reporting MAP Property Redistribution and Disposal	B-6
Action by Chief of MAAG	B-6
Action by Military Department	B-6
C. ARTICLES AND SERVICES	C-1
1. Purpose	C-1
2. Master Program File	C-1
3. MAP Element Description Data	C-1
MAP Element Structure	C-1
MAP Element Code	C-1
MAP Element Coding Instructions	C-2
4. General Programming Guidelines	C-4
General Principles	C-4
Materiel	C-5
Loan of Equipment	C-5
Constructions	C-6
Technical Assistance	C-7
Policy and Related Programs	C-7
5. Programming Guidance and Procedures	C-7
Procedures	C-7

<u>Chapter</u>	<u>Page Number</u>
New Program Recipients	C-8
Administration and Support Costs	C-8
Programming Instructions	C-9
6. Execution of Procedures	C-15
Maintenance of Records	C-15
Requisitioning Control	C-15
7. Implementation Procedures	C-16
Reporting to Congress Those MAP Items Costing \$25 Million or More to be provided From Inventories of Active U.S. Forces or From Current Production	C-16
Review of Major Items in Undelivered Programs	C-16
Management of Dollar Program Lines Funded Under Annual MAP Appropriation	C-17
MILSTRIP Backorder Reconciliation	C-17
Responsibility for Delivery and Forecast Information	C-17
Development of Delivery Forecasts for MAP/MASF Program Lines	C-19
Diversions	C-20
Certification of Recipient's Capability	C-20
Suspension or Cancellation of Programs	C-20
Delivery and Transfer of Title	C-21
Required Availability Dates	C-21
Logistics Support of Equipment	C-21
Retention and Transfer Policy	C-22
MAP Repairable Returns	C-23
8. NATO Standardization Agreement on Supply Forms	C-24
 D. CONSTRUCTION	 D-1
1. General	D-1
2. Responsibilities	D-2
Unified Command and MAAG Responsibility	D-2
Construction Agents and Field Office Responsibility	D-3
Procedural Responsibilities (see Construction Flow Diagram, Figure D-1)	D-3
Administration of MAP Contract Constructions	D-4
3. Planning and Programming	D-5
General Rules	D-5
Supporting Data for Plans and Programs	D-7
Distribution	D-8
4. Approval and Funding	D-8
Approval	D-8
MAP Orders and Funding	D-8
Continuing Resolution Authority (CRA)	D-9
Certification	D-9
5. Changes to Funded Construction Programs	D-9
6. Reporting	D-11
Construction Status Reporting	D-11
MAP Order Performance Reporting	D-11

<u>Chapter</u>	<u>Page Number</u>
E. MILITARY EDUCATION AND TRAINING	E-1
1. Purpose	E-1
2. Objectives	E-1
3. Areas of Emphasis	E-1
4. Resources Management	E-1
5. English Language Training	E-2
6. Selection and Utilization of Trainees	E-3
7. Constraints	E-3
8. Program Development and Execution	E-4
Guidance	E-4
Submission	E-4
Execution	E-5
9. Student Training	E-5
Scope	E-5
U.S. Military Services School	E-5
U.S. Civilian Schools	E-5
Specialized English Language Training	E-6
Orientation Training	E-6
On the Job Training	E-8a
Minimum Duration Limits for CONUS Student Training	E-8a
Instructor Training	E-9
Country Liaison Personnel	E-9
Fifth Quarter Training	E-9
Student Security Screening	E-9
Visits to Canada and Mexico	E-10
Dependents of Trainees	E-10
Uniforms and Personal Clothing	E-10
Disposition in Event of an Emergency	E-10
Transportation and Accommodations for FMTs	E-10
Living Allowances for FMTs	E-11
Baggage Weight Allowance for FMTs	E-12
10. Mobile Training Teams (MTT)	E-12a
11. Field Training Services	E-13
DOD Engineering and Technical Services Specialists (ETSS)	E-13
Contract Field Services Personnel (CFS)	E-13
12. Extraordinary Expenses	E-14
13. Other Training Support	E-14
14. Training Materials	E-14
15. Programming	E-15
General	E-15
Requirements	E-15
Formal Training, United States (U.S.)(Generic Codes N1A-N1J)	E-15
Formal Training Overseas (O/S)(Generic Codes N1N-N1W)	E-18
Mobile Training Teams (Generic Codes N2A-N2V)	E-19
Field Training Services (Generic Codes N3A-N3J)	E-20
Extraordinary Expenses (Generic Code N6A)	E-21
Other Training Support (Generic Codes N7A-N7F)	E-21

<u>Chapter</u>	<u>Page Number</u>
Appendix 1 -- Chapter E -- Format for Invitational Travel Orders (ITO) for Formal Schooling, OJT, Familiarization/Qualification and Observer Training	App 1E-1
F. PROGRAM SUBMISSION AND MANAGEMENT	F-1
1. Purpose	F-1
2. Submission of Data	F-1
Method of Submission	F-1
Channels of Submission	F-6
Confirmation	F-7
3. Changes of Funded Programs	F-7
Responsibilities	F-7
Method of Submission	F-7
General Procedures	F-7
Exchange Transactions	F-8
Fiscal Year Identity of Program Changes	F-9
Delegation of Approval Authority	F-9
Types of Changes to Current Year Funded Programs	F-10
4. Programming of MAP Owned Materiel (MAPOM)	F-15
Purpose and Scope	F-15
Programming of Materiel to MAPOM Account	F-15
Processing Requested or Directed Cancellations	F-15
Records of MAPOM Assets	F-15
Utilization of MAPOM Assets	F-15
Custody of MAPOM Assets	F-16
5. Programming of Transferable Assets	F-16
Authority	F-16
Types of Procedures	F-17
MIMEX Procedures	F-17
MAPEX Procedures	F-18
6. Excess Defense Articles (EDA) General Programming Instruc- tions	F-19
Major Items	F-19
7. MAP Orders	F-19
Purpose	F-19
MAP Order Procedure	F-20
MAP Order Recipients	F-20
G. MAP ADMINISTRATION AND SUPPORT COSTS	G-1
1. General	G-1
2. Responsibilities	G-1
3. Military Assistance Program Semi-annual Review Cycle	G-1
4. Development and Submission of Budget Estimates	G-2
5. General Instructions for Completion of Formats	G-2
6. Instructions Applicable to Individual Formats for September Financial Plan/Budget Review	G-3

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
7. Instructions Applicable to Formats for March Financial Plan/Budget Review	G-9
H. FUNDING OF PROGRAMS	H-1
1. Financial Resources	H-1
2. Annual Appropriations	H-1
3. Reappropriations	H-1
4. Reimbursements	H-1
5. Recoupments	H-2
6. Transfers	H-2
7. Administrative Authority	H-2
8. Method of Funding Reservation	H-2
Direct Obligation or Direct Citation	H-2
Section 108 Reservation	H-3
9. MAP Order Funding	H-3
10. Allocation of Funds	H-3
11. Special Authorization	H-3
12. Continuing Resolution Authority	H-4
J. MAP REPORTS	J-1
1. Purpose	J-1
2. Structure of the MAP Data Base	J-1
3. Categories of MAP Reports	J-1
Weekly Update Products	J-1
Item Detail Listings	J-1
Summaries by Category	J-1
Country Summaries	J-1
Other Summaries	J-1
4. Requests for MAP Reports	J-1
5. MAP Reports	J-2
Availability of Reports	J-2
Reports Descriptions	J-2
6. Abbreviated Titles	J-5
K. TRANSPORTATION PROCEDURES FOR MAP MATERIEL	K-1
1. Introduction	K-1
2. Accessorial Costs	K-1
3. Shipment	K-1
4. Shipment of MAP Materiel by Mail	K-1
5. MAP Shipments From U.S./Commands Outside the United States	K-2
6. Sensitive Materiel	K-2
7. Discharge of MAP Materiel	K-2
8. Port Charges and Related Costs	K-2
9. Transfer of Title to MAP Materiel	K-3

Chapter

Page Number

PART III--FOREIGN MILITARY SALES

A.	ELIGIBILITY FOR FOREIGN MILITARY SALES	A-1
1.	General Authority	A-1
2.	Conditions of Eligibility	A-1
3.	Eligible Countries and International Organizations	A-1
B.	FOREIGN MILITARY SALES POLICIES, GUIDELINES AND RESTRICTIONS . .	B-1
1.	Purpose	B-1
2.	Basic Sales Policy and Guidelines	B-1
	Basic Sales Policy	B-1
	Guidelines	B-1
3.	Major Restraints and Significant Recurring Reports to the Congress	B-3
	Major Restraints	B-3
	Significant Reports to the Congress	B-5
C.	GENERAL PROCEDURES	C-1
1.	Introduction	C-1
2.	Buyer-Seller Relationships	C-1
3.	Purpose for Sale of U.S. Military Equipment Abroad	C-1
4.	General Criteria Regarding Sale of Military Equipment	C-2
5.	Channels Used in the Sale of Military Equipment	C-2
6.	Basic Foreign Military Sales Procedures	C-3
7.	Furnishing Information on Price, Availability and Condition of Military Equipment to Foreign Governments	C-4
	Importance of Accurate Estimates	C-4
	Discussions with Foreign Governments	C-5
	Foreign Government Requests for FMS Data	C-5
	Format for Response to Requests for "P&R" and "P&A" Data Estimates are not Commitments	C-5
	Requests for P&R Data, P&A Data or LOA Which Involves a Less Than Economic Order Quantity (EOQ)	C-6
	Coordination of Requests for P&R Data or a LOA	C-6
8.	Pricing of FMS Transactions	C-7
	Items from Defense Stocks	C-7
	Items from New Procurement	C-7
9.	Authorized Surcharges	C-7
	Accessorial Costs	C-7
	Administrative Charges	C-8
	Nonrecurring Cost Recovery	C-8
	Asset Use Charge and Rental Charge for Government-Owned Tooling	C-8a
	Termination Liability Reserve	C-8a
10.	Diversion of DOD Materiel	C-9

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
11. Insurance	C-9b
12. Source Selection for Procurement for Foreign Governments . .	C-9b
13. U.S. Response to Requests for "Offset" Procurement	C-10
DOD Participation in Offset Procurement	C-11
Interdependent Research and Development	C-12
DOD Procedures in Offset Agreements	C-12
14. Release of U.S. Technical Data	C-14
Approval to Release Technical Data	C-14
Sale of TDPs for Maintenance and Operational Purposes . .	C-14a
Sale of TDPs for Production Purposes	C-14a
Internal Monitoring of Royalty Fee Payments	C-16
15. Principles Regarding Coproduction Projects	C-16
16. Processing Letters of Offer for \$25 Million or More or for Major Defense Equipment of \$7 Million or More	C-17
Price and Availability (RCS: DSAA(Q)1138)	C-17
17. Sales Commissions and Fees	C-18
Prior Notification to Purchasing Government	C-18
Ex-Post Facto Notification to Purchasing Government . .	C-18a
Coordination with DSAA	C-18a
Exceptions	C-18a
Proprietary Information	C-19
Projects Provided or Financed Under Security Assistance Commercial Communications Projects	C-19
18. Engineering Review of U.S. Provided Foreign Communications Systems	C-19
Projects Provided or Financed Under Security Assistance Commercial Communications Projects	C-19
19. Patent Rights	C-20
20. DOD P&A Versus a Commercial Proposal	C-20
21. Translation Services	C-20
22. Appointment of an Agent	C-20
23. Foreign Military Sales (FMS) Customer Procedures Guide . . .	C-21
24. Cooperative Projects	C-21
25. Major Defense Equipment	C-22
26. Authority to Negotiate and Sign International Agreements . .	C-22
27. Exclusive Licensing Arrangements	C-22
Appendix 1 -- Chapter C -- Defense Requirements Survey Team	App 1C-1
D. PREPARATION AND PROCESSING OF FOREIGN MILITARY SALES TRANS- ACTIONS	D-1
1. Introduction	D-1
2. DD Form 1513--Offer and Acceptance	D-1
3. Processing Requests for Letters of Offer and Acceptance . .	D-2
4. Duration of Letters of Offer	D-3
5. Information Conveyed by Letters of Offer	D-3
6. Supplemental Information for Letters of Offer	D-4
Transportation Instructions	D-4

<u>Chapter</u>	<u>Page Number</u>
Delivery Schedules of Items	D-5
Personnel Movement to and from Country	D-5
Qualifications Regarding Price and Availability Data Furnished on the DD Form 1513	D-5
Agreements to Safeguard Status or Provide Facilities for USG or Contractor Personnel While in Host Country	D-5
Statement of Facilities, Services or Personnel to be Provided by the Purchasing Nations	D-5
Memorandum of Understanding or Statement of Work	D-6
Schedules of Personnel Training	D-6
Logistical Information	D-6
Explanation of Condition of Equipment	D-6
Identification of Equipment Supportables Under Requisitions of Cases	D-7
Description of Services to be Provided	D-7
Description of Components of Pricing	D-7
Responsibility for Initiation of Requisitions	D-8
Indemnification and Assumption of Risk	D-8
7. Absence of Specific Information	D-8
8. Pricing Data to be Included with Selected Letters of Offer	D-8
9. Termination Liability Reserve Data to be Included with Selected Letters of Offer	D-10
10. Direct Charges to FMS Cases	D-10
11. DOD Form 1513-1--Amendment to Offer and Acceptance	D-10
12. Pen & Ink Changes	D-11
13. DD Form 1513-2--Notice of Modification of Offer and Acceptance	D-11a
14. Letters of Intent (LOIs)	D-11b
15. Financial Annexes	D-11c
16. Obligational Authority	D-11c
Appendix 1 -- Chapter D -- Direct Charges to FMS Cases	App 1D-1
E. LOAN FINANCING	E-1
1. Purpose	E-1
2. General	E-1
3. Policy Guidance	E-1
Foreign Military Sales (FMS)	E-1
Loan Financing	E-1
4. Types of Loans	E-1
Loans Guaranteed by the DOD	E-1
DOD Direct Loans	E-1
Eximbank Loans or Guaranties	E-2
5. Channels for Credit Requests	E-2
Purchasing Country Request	E-2
U.S. Country Team Review	E-2
Washington Agency Coordination and Approval	E-2
Implementation of Direct or Guaranty Request	E-3

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
Commercial Military Exports	E-3
6. Utilization of FMS Loans	E-3
Basic Policy	E-3
Exceptions and Procedures	E-3
7. Financial Standards and Criteria	E-4
8. FFB Credit Procedures	E-5
General	E-5
Procedures	E-5
9. DOD Direct Loan	E-7
The Annexes	E-8
F. IMPLEMENTATION OF FMS	F-1
1. Purpose	F-1
2. Policies	F-1
FMS Delivery Commitments	F-1
Use of U.S. Military Logistics System	F-1
Follow-on Logistic Support	F-1
3. Standard Foreign Military Sales Cases	F-1
Defined Order Cases	F-2
Blanket Order FMS Cases	F-2
Supply Support Arrangement Sales Cases	F-2b
4. Requisition Procedures	F-4
Use of MILSTRIP	F-4
UMMIPS	F-4
Delivery Commitment Date (DCD)	F-4
Delivery Forecast Date (DFD)	F-5
Order Quantities	F-5
5. Management Review	F-5
6. Delivery Performance	F-6
7. Supply Management	F-6
Materiel Standards	F-6
Condition of Aircraft	F-6
8. Suspensions/Cancellations	F-7
9. Management Reports	F-7
G. FINANCIAL PROCEDURES	G-1
1. Purpose	G-1
2. Basic Principles	G-1
Recovery of Costs	G-1
Administration of Cash Sales Program	G-1
Administration of FMS Credit Program	G-2
Preparation and Implementation of DD Form 1513 Letters of Offer	G-2
3. Terms of Sale; Type of Assistance Codes	G-2
General	G-2
Type of Assistance Codes and Terms of Sale (Refer also to Table G-1)	G-2

ChapterPage Number

4.	Financial and Billing for Foreign Military Sales Under Credit Agreements Executed Subsequent to March 1972	G-5
	Applicability	G-5
	Execution of Credit	G-5
	Processing DD Form 1513 Letters of Offer and Purchase Agreements for Credit Sales	G-6
	Processing and Routing Billings	G-6
	Processing Promissory Notes	G-6
	Processing of Payments of DOD Direct Credit Funds	G-6
	Processing Billings for Repayment of Principal and Interest	G-7
5.	Financing and Billing for Military Sales Guaranties	G-7
	General Explanation	G-7
	Procedures for Processing FMS Cases	G-7
6.	Commercial Contracts Financed From DOD Direct Credit Funds	G-7
	Applicability	G-7
	Approval Process	G-7
	Processing Billings and Promissory Notes	G-8
	Processing Payments and Billings for Repayments of Principal and Interest	G-8
	Reporting of Transactions	G-8
7.	Commercial Contracts Financed by Guaranty of Private Credit	G-8
8.	Processing Foreign Military Sales Under Credit Agreements Executed Prior to April 1972	G-9
	General Explanation	G-9
	Execution of Credit Agreements	G-9
	Processing DD 1513 Letters of Offer and Acceptance and Obtaining Financing	G-9
	Processing of Payments of DOD Direct Credit Funds	G-9
	Processing of Promissory Notes and Billings for Repayment of Principal and Interest	G-10
9.	Closing Foreign Military Sales Cases Financed Under Credit Agreement Executed Prior to April 1972	G-10
	Applicability	G-10
	Purpose	G-10
	Procedures for Closing Cases	G-10
	Processing Discrepancy Report Credits	G-11
10.	Multiple Sources of Financing	G-11
	Reasons for Using Multiple Sources of Financing	G-11
	Type of Assistance Coding Required for Cases Financed Under Credit Agreements	G-11
	Criteria for and Routing of Billings for Cases Financed Under Credit Agreements Executed Subsequent to March 1972	G-11
	Criteria for and Routing of Billings for Cases Financed Under Credit Agreements Executed Prior to April 1972	G-11
11.	Overdue Billings and Delinquent Accounts	G-12
	FMS Cash Sales	G-12

<u>Chapter</u>	<u>Page Number</u>
12. Billings for Payments of Principal and Interest for the DOD Direct Credit Program	G-13
Basic for Calculating and Submitting Billings	G-13
Overdue Payments	
13. Reporting Collections of DOD Direct Credit Funds From DSAA and From Private Guaranty Credit Funds	G-13
14. Sale of MAP Owned Property Under FMS	G-13
15. Financing Reports of Discrepancy (ROD) When the U.S. Government (USG) is Liable	G-14
General	G-14
Specific	G-14
FMS Administrative Fund Budget Approval	G-14
16. Address of the Central Collection and Billing Office	G-14
17. Addresses of Military Department Central Activities Responsible for Preparation and Issuance of Letters of Offer	G-14
Appendix 1 -- Chapter G -- Financing Reports of Discrepancy (ROD) When the U.S. Government (USG) is Liable	
	App 1G-1
H. FOREIGN MILITARY SALES - COMMERCIAL AVAILABILITY	H-1
1. Purpose	H-1
2. Legislative Provisions	H-1
3. Department of Defense Policy	H-1
4. Guidelines for Determining Commercial Availability	H-1
Special Exemptions	H-2
5. Responses to Industry for Commercial Availability Designation	H-2
6. Procedures for Processing Foreign Government Requests with Respect to Commercially Available Articles	H-3
Response to Requests	H-3
7. Information Requirement	H-4
J. FOREIGN MILITARY SALES TRAINING (FMST)	J-1
1. Purpose and Scope	J-1
2. General Guidance	J-1
FMST Initiating and Programming Sequence	J-2
Training Requirements Related to the Purchase of Major Equipments	J-3
3. English Language Training	J-3
4. FMST Tuition Rates	J-3
5. Cancellation of Training--Penalty Charge	J-4
6. Training at Civilian Institutions	J-4
Training by Contractors	J-4
7. Transportation and Travel	J-4
8. Living Allowances/Privileges	J-4
Living Allowances	J-5

<u>Chapter</u>	<u>Page Number</u>
Subsistence	J-5
Quarters	J-5
Privileges	J-5
Medical Care	J-5
9. Training of Civilians Under FMS	J-5
10. FMS Orientation Training Courses and Visits	J-5
11. Mobile Training Teams (MTTs) and Field Training Services (FTS)	J-5
12. Training Relations	J-5
13. Restrictions on Transfer of Training	J-6
14. Intelligence Training	J-6
 K. FOREIGN MILITARY SALES REPORTING SYSTEM	 K-1
1. Purpose	K-1
2. Concept	K-1
3. Reporting Frequency	K-1
4. Master File Update	K-2
5. Major Features	K-2
6. Military Articles and Services List (MASL)	K-2
7. Preparation of FMS Data Cards	K-2
8. Control Fields	K-11
Letter of Request (LOR) System	K-11
FMS 1100 System	K-11
9. Changing Field to Blank	K-11
10. Increase or Decrease of Numbers	K-11
11. Inter-Relationship of Card Fields	K-12
12. Card Processing	K-12
13. FMS Administrative Surcharges	K-13
14. Special Characters	K-13
 L. FMS REPORTS	 L-1
1. Purpose	L-1
2. Source of FMS Data	L-1
3. Categories of FMS Reports	L-1
Letter of Request Reports	L-1
Item Detail Level	L-1
Item Detail Data Summarized into Categories	L-1
Case Level	L-1
Summary Management and Credit Reports	L-1
4. Requests for FMS Reports	L-2
5. FMS Reports	L-2
Availability of Reports	L-2
Report Descriptions	L-2
6. Abbreviated Titles	L-5

<u>Chapter</u>	<u>Page Number</u>
N. TRANSPORTATION PROCEDURES FOR FOREIGN MILITARY SALES (FMS) MATERIEL	N-1
1. Introduction	N-1
2. Foreign Military Sales (FMS) Shipment Policies and Pro- cedures	N-2
Point of Delivery	N-2
Transfer of Title	N-2
Consolidation	N-2
Packaging and Marking	N-3
Cost of Transportation Materiel to the Freight Forwarder	N-3
Codes A, Y and Z Shipments	N-3
Discrepancies	N-4
Package Shipments	N-4
Exceptions to Delivery Policy	N-5
Government Bill of Lading (GBL)	N-6
Commercial Bill of Lading (CBL) or Prepaid to CONUS Port of Exit	N-7
Prohibition Against Section 10721 Rates	N-7
3. Responsibilities of the U.S. Government	N-7
Initiation of Shipments	N-7
Evidence of Shipment	N-7
Proof of Delivery	N-7
Materiel Shipment	N-8
Processing of Claims	N-8
Liaison Assistance	N-8
4. Responsibilities of the Customer	N-8
Employment of a Freight Forwarder	N-8
Receipt, Handling and Processing of Materiel	N-8
Export License	N-8
Title Transfer	N-8
Export Declaration and Customs Clearance	N-9
Transportation	N-9
Carrier Selection	N-9
Overseas Customs Clearance	N-9
Notice of Availability (NOA)	N-9
Payment for Transportation Services	N-9
Follow-up on Shipping Status	N-10
Claims for Loss or Damage	N-10
Claims Against the DOD for Incorrect Shipments	N-10
Reparable Return Materiel	N-10
Insurance	N-10
Military Assistance Program Address Directory (MAPAD), DOD 5105.38-D	N-10
5. Responsibilities of the Freight Forwarder	N-11
Export License	N-11
Warehousing and Storage Facilities	N-11
Receipt and Staging of Materiel	N-11
Processing Materiel for Transshipment	N-11

Chapter

Page Number

Containerization	N-12
Transportation Arrangements	N-12
Customs Clearance	N-12
Payment for Transportation Services	N-12
Claims	N-13
Return of Reparable Materiel	N-13
Insurance	N-13
Notice of Availability (NOA)	N-13
Tracer Action	N-13
Multiple Delivery Addressees	N-13
Discrepancy Reporting	N-13
Pilot Pick-up of Materiel	N-13
Administrative Responsibility	N-14
Reporting System	N-14
Control of Shipments	N-14
Military Assistance Program Address Directory	N-14
O. EXPORT LICENSE AND CUSTOMS CLEARANCE FOR FOREIGN MILITARY SALES CUSTOMERS	0-1
1. Export License Requirements	0-1
2. Application for Export License	0-1
3. FMS Customer Responsibility	0-1
Export License	0-1
Export Custom Clearance	0-1
Movement Requiring Export Customs Clearance	0-2
Overseas Customs Clearance	0-2
Reporting of Export Traffic	0-2
4. US/DOD Responsibility	0-2
US/DOD Exemption from Export Clearance	0-2
Annotation of Transportation Documents	0-2
Reporting of FMS Export Shipments	0-2
P. LEASES	P-1
1. Authority and Purpose	P-1
Use of Leases	P-1
DOD Approval	P-1
Administration	P-1
2. Lease Terms and Conditions	P-1
Lease Format	P-1
Lease Identification	P-2
Duration	P-2
Loss, Destruction, or Damage	P-2
Rental Payment	P-2
Exceptions	P-2
3. Coordination	P-3
4. Congressional Requirements	P-3

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
Certification Reports	P-3
Certification Procedure	P-3
5. Financial Arrangements	P-4
6. Emergency Waiver of Congressional Reporting Requirement . .	P-4
7. Reporting	P-4
8. US Navy Ships	P-4
9. Loans	P-5
 Appendix A - MAJOR DEFENSE EQUIPMENT LIST	 App A-1
Category I - Firearms	App A-1
Category II - Artillery and Projectors	App A-1
Category III - Ammunition	App A-1
Category IV - Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets, Torpedoes, Bombs and Mines	App A-1
Category V - Propellants, Explosives and Incendiary Agents . .	App A-1
Category VI - Vessels of War and Special Naval Equipment	App A-1
Category VII - Tanks and Military Vehicles	App A-2
Category VIII - Aircraft, Spacecraft and Associated Equipment .	App A-2
Category IX - Military Training Equipment	App A-2
Category X - Protective Personnel Equipment	App A-2
Category XI - Military and Space Electronics	App A-2
Category XII - Fire Control, Range Finder, Optical and Guidance and Control Equipment	App A-2
Category XIII - Auxiliary Military Equipment	App A-3
 Appendix B - PROCESSING FMS LETTERS OF OFFER WHICH MUST BE REPORTED TO CONGRESS	 App B-1
1. Section 36(b), Arms Export Control Act (AECA) FMS Case Reporting Criteria	App B-1
2. Section 813 FMS Case Reporting Criteria Under the DOD Appropriation Authorization Act, 1976	App B-2
3. State/Defense Section 36(b), AECA Staffing Agreement	App B-2
4. Submission of Support Data	App B-2
5. Classification	App B-3
 Appendix C - FINANCIAL ANNEXES TO LETTERS OF OFFER	 App C-1
1. Introduction	App C-1
2. Purpose of Financial Annexes	App C-1
3. Policies	App C-1
4. Preparation of Payment Schedules	App C-2

current year unprogrammed requirements (i.e., fully eligible and validated grant aid requirements that are not programmed in the current year solely due to lack of resources).

8. Commitments

a. No discussions or written communications that make or imply future performance on the part of the U.S., or future allocations, obligations, or expenditures of U.S. funds will be made without specific prior approval of the Director, DSAA.

b. All agreements, offers, arrangements, or other communications committing the U.S. to furnish any article or service will define precisely the terms and limits of such commitment as well as the foreign country's obligations upon which such U.S. commitment is predicated. The limits of responsibility for any additional or recurring costs for training, training material, ancilliary equipment, modification, testing, improvement, repair, or follow-on materiel support also will be defined.

9. Incendiary Items and Riot Control Agents

The U.S. Government generally discourages the purchase of incendiary items and riot control agents but recognizes that there are occasions when a country will have a legitimate need for certain types of such items. The following is U.S. Government policy regarding the sale of such items:

a. NAPALM including napalm thickener, dispenser and fuses will not be provided through MAP, FMS, or on a commercial basis.

b. Requests for white phosphorus munitions should be submitted in accordance with the procedures established in Part III, Chapter C, paragraph 6 for Significant Combat Equipment. Requests should indicate, by type of ammunition requested, the quantity and intended use of the ammunition. Requests should be accompanied by mission's

opinions as to whether the amount requested is reasonable in relation to the intended use, current on-hand inventories, and predictable usage rates of such items; and requests must contain assurance from the host government that the white phosphorus munitions will be used only for purposes such as signalling and smoke screening. DSAA will be responsible for coordinating approval of the request. Upon approval, DSAA will advise the cognizant DOD component of the approval along with the conditions for its use which will be made a part of the LOA.

c. Riot control agents may not be provided via MAP or FMS but certain types are available on a commercial basis. Such proposed commercial sales require that an export license be obtained from the Department of State, Office of Munitions Control.

10. MAP (Grant Aid) Price and Availability Data

Program originators will obtain price and availability data from the supplying Military Department prior to submission of data card 3 program additions to DSAA for materiel items with a unit of issue code of other than XX. In addition, commitment code 9 will be inserted in card column 22 of program additions to indicate that unit price, supply source and leadtime reflected therein are based on price and availability data obtained from the implementing agency within sixty days prior to date of program submission.

11. Suspensions/Cancellations

a. DSAA will issue instructions to the cognizant DOD components in the event the Department of State determines that it is necessary to suspend or cancel foreign military sales including FMS training (and as applicable MAP and IMET) to a purchaser or recipient country.

b. The following procedures will normally apply to a suspension action unless otherwise noted in the DSAA guidance:

(1) All deliveries of FMS and MAP materiel to subject purchaser will be sus-

MILITARY ASSISTANCE AND SALES MANUAL—PART I

pending immediately. No new releases of Letters of Offer and Acceptance (DD Form 1513) or materiel to subject purchaser or its authorized agents (freight forwarder) will be made.

(2) No shipments of FMS and MAP materiel under U.S. Government control will be loaded at ports of embarkation or offloaded at ports of debarkation. Such items will be stored by the cognizant DOD component by the most economical means pending further disposition instructions.

(3) In those instances where MAP orders have been issued or Letters of Offer accepted, but contracts have not been awarded, the DOD component should inform DSAA of the details and request specific guidance. Normally, contracts in being should proceed to completion; however, DSAA should be advised of the completion and the possible diversion of the materiel to other countries or to the DOD component. All new contracting actions should be suspended for that purchaser or recipient country.

(4) Materiel ready for shipment from a contractor should be shipped to the cognizant DOD component facility for segregated storage pending further disposition instructions. Arrangement for storage may be made with the contractor, provided such arrangement is the most economical.

(5) Requisitions submitted by subject purchaser against supply support arrangements or blanket order FMS cases will not be filled. Such requests should be held by the receiving DOD component.

(6) With regard to FMS training and IMET, students actively undergoing training prior to the date of the suspension notification will complete scheduled training, excluding sequential training unless otherwise directed. Students who have not entered training by this date will not do so and DSAA

will advise the DOD components as to the disposition of these students.

(7) DSAA will be advised within 10 days of a suspension notification, the impact of the action to include identification of major items and significant secondary items which are enroute via DTS, which are scheduled for release within 30 days, and those which are on order but unshipped. DSAA will then be advised as soon as possible, but not later than 21 days after the suspension, of all other materiel enroute, scheduled for shipment within 30 days and on order but unshipped. This latter report will also identify the total unused dollar value on blanket order cases and supply support arrangement cases (FMSO II).

c. Suspension of delivery to FMS purchasers of current security assistance under a. and b. is to be distinguished from FMS case cancellation (and, as applicable, MAP order cancellation) and contract termination actions (including stop work orders) by the implementing agency. Suspension action may be extended by the Department of State to become a cancellation action in accordance with Section 2(b) and Section 42(e) of the Arms Export Control Act. Should contract termination action be directed by DSAA, specific guidance with regard to disposition of items, funding, etc. will be provided after a case-by-case review of the situation. Points of contact and meetings would be arranged to cover this action.

d. It should be noted that the above guidance does not address items for which title has passed to the purchaser but which may be in storage or in transit within the United States under the control of the foreign government or its agent (freight forwarder). Instructions concerning possible refusal to permit export of such materiel are the responsibility of the Department of State, and will be handled by the Department of State directly with the representative of the foreign government concerned.

CHAPTER G

SECURITY CLASSIFICATION AND RELEASE OF INFORMATION

1. Purpose and Scope

The only basis for classifying selected Security Assistance information is to protect the national security, that is, the national defense and foreign relations of the United States. This chapter contains specific criteria, based on Executive Order 12065 (Classification and Declassification of National Security Information and Material), and that provided by the Department of State, for classification and release of Security Assistance information for the purpose of protecting the conduct of the United States foreign policy. Security Assistance information will be classified for national security purposes in accordance with the criteria of this chapter and of DOD 5100.1-R (Information Security Program Regulation) and corresponding Military Department regulations. The Department of State, the Assistant Secretary of Defense for International Security Affairs (ASD/ISA), and the Director, Defense Security Assistance Agency (DSAA) may issue special instructions which modify or supplement this chapter in particular situations.

2. Security Classification Guidelines**a. General Guidelines**

(1) All Security Assistance information not specifically designated as classified under paragraph b. below is unclassified unless the Department of State, ASD/ISA, or Director, DSAA directs classification in a particular situation, or unless the national security classification criteria of DOD 5200.1-R and corresponding Military Department regulations warrant classification for national defense purposes.

(2) All Security Assistance information designated as classified under paragraph b.

below is CONFIDENTIAL unless the Department of State, ASD/ISA, or Director, DSAA directs a higher level of classification in a particular instance, or unless the national security classification criteria of DOD 5200.1-R and corresponding Military Department regulations warrant a higher level of classification for national defense purposes.

(3) All classified Security Assistance information will be declassified in accordance with the schedules in paragraph b. below unless a longer period of classification is either directed in a particular situation by the Department of State, ASD/ISA, or Director, DSAA, or is warranted by the national security classification criteria of DOD 5200.1-R and corresponding Military Department regulations for national defense purposes.

(4) The Department of State has approved the exemptions from the General Declassification Schedule of DOD 5200.1-R which are specified in paragraph b. below.

b. Specific Guidelines

(1) Military Assistance Program (MAP) and International Military Education and Training Program (IMETP)

Dollar levels and content of a program for the budget or a subsequent fiscal year are classified for each individual country and international organization. Budget year data falls within the Advanced Declassification Schedule of DOD 5200.1-R, paragraph 3-101, and will be declassified upon delivery to Congress of the Congressional Presentation Document for the program. Budget year dollar levels and content will be marked:

"CLASSIFIED BY MASM (DOD 5105.38M) (PART I, CH G).
DECLASSIFIED ON STATUTORY NOTIFICATION TO
CONGRESS UNLESS REQUIRED OTHERWISE
BY COMPETENT AUTHORITY."

MILITARY ASSISTANCE AND SALES MANUAL—PART I

(2) Foreign Military Sales (FMS)

(a) The primary factors considered by the Department of State and OASD/ISA in requiring classification of FMS information under paragraphs (b) and (c) below are: the extent to which disclosure of the information would reveal the purchaser's order of battle, taking into consideration the nature and quantity of defense articles being sold and the degree to which the purchaser relies on the United States as a source of military supply; and, the extent to which disclosure of the information could be expected to stimulate demands by third countries upon the United States or upon other supplying nations for defense articles, thus encouraging global or regional instability or fostering an arms race. Classification of FMS information under paragraphs (b) and (c) below, in the interests of U.S. foreign relations, is to prevent unauthorized disclosure of the fact that a specific defense article (e.g., F-4 aircraft) is or may be sold to a particular foreign government.

(b) Planning and Review (P&R)

Data; Price and Availability (P&A) | Data; Letters of Request; Advance Section 36(b) Notifications

P&R and P&A data which identify a requesting foreign government and specific items of major defense equipment (e.g., M-48 tanks) in which that government has expressed an interest are classified. Such classified data will be declassified when the related Letter of Offer is unclassified. In accordance with paragraph 11-100 of DOD 5200.1-R, Department of Defense elements will respect the security classification of documents originated by foreign governments, including Letters of Request. However, Letters of Offer will not be classified unless authorized under paragraph 2.a.(1) above or paragraph (c) below. Implementing agencies will so inform concerned governments. Implementing agencies will classify data for advance notifications to Congress under Section 36(b) of the Arms Export Control Act as specified in Part III, Appendix B.

(c) Letters of Offer

The Department of State will determine, for foreign relations purposes, the classification of each Letter of Offer for an FMS case which is formally notified to Congress under Section 36(b) of the Arms Export Control Act. Letters of Offer for FMS cases which are not formally notified to Congress under Section 36(b) are unclassified except as otherwise provided by paragraph 2.a.(1) above. FMS implementation records as specified in paragraph (e) below are unclassified, regardless of whether information in the Letters of Offer to which they correspond is classified.

(d) Declassification

Subject to paragraph 2.a.(3) above, classified information in a Letter of Offer and related documents falls within the Advanced Declassification Schedule of DOD 5200.1-R, paragraph 3-101, and will be declassified when the FMS case is closed. The Letter of Offer and related documents will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M),
DECLASSIFY ON CASE CLOSURE."**

(e) FMS implementation records, such as case directives, production or repair schedules, International Logistics Supply Delivery Plans, requisitions, shipping documents, bills of lading, work orders, contract documents, billing and accounting documents, work sheets, and related feeder information are unclassified.

(f) Projections of dollar levels or content of FMS agreements, and of dollar levels of FMS credit extensions, for the budget year or a subsequent fiscal year are classified for each individual country and international organization. Such projections are subject to the Advanced Declassification Schedule of DOD 5200.1-R, paragraph 3-101. Such projections will be declassified upon delivery to Congress of the Congressional Presentation Document for the fiscal year to which the projections apply. Such projections will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M), DECLASSIFY ON
DELIVERY TO CONGRESS OF CONGRESSIONAL PRESENTATION
DOCUMENT FOR FISCAL YEAR (insert fiscal year)."**

results of DCA review of these projects will be submitted to Defense Security Assistance Agency (DSAA) through the Joint Chiefs of Staff (JCS). Further distribution of review results will be accomplished as appropriate.

(7) In addition to the above procedures, Military Departments or other DOD elements which are aware of foreign commercial communications projects under the sponsorship of U.S. industry should bring them to the attention of DCA in order that such plans can be obtained and reviewed for compatibility with DOD communications systems.

b. Materiel

(1) In order that maximum benefit is realized from U.S. Military Assistance, Unified Commands and MAAGs will insure that:

(a) Equipment and supplies provided as grant aid are properly distributed, maintained and used.

(b) Forces being assisted are receiving an equitable distribution of material on hand and anticipated from sources other than grant aid.

(c) Items for which attrition replacement is provided are removed from inventory by actual loss, cannibalization, scrapping or destruction.

(d) Obsolete items for which replacement is provided are disposed of promptly in accordance with applicable regulations.

(2) Authorized allowances and Military Assistance requirements will be determined on the basis of the minimum necessary to accomplish the military task and not on the basis of U.S. allowances or standards. Full consideration will be given to local conditions and standards including such factors as whether the mission is limited or static, the terrain, probable opposing forces, proximity to sources of supply, actual and anticipated existence of civilian facilities and assets, and limitations on manpower, skills and other supporting requirements.

(3) Items that are obsolete by U.S. standards will be provided only if they meet

the operational requirement and are acceptable to the recipient, and if necessary support can be assured by either the U.S. or recipient country.

(4) Wherever practicable, requirements will be met with more economical, limited standard, or commercial type items.

(5) In calculating deficiencies to be satisfied by provision of Military Assistance, excess on hand in a country military service will be applied to the requirements of remaining country military services prior to programming additional quantities of the item. MAAGs will make every effort to have excesses declared by the holding country. Such excess redistributable material will be reported for screening in accordance with provisions of Chapter B.

(6) Commercial type items are not authorized for MAP programming without prior approval of DASD(SA)/DSAA as appropriate. Requests for approval will be submitted as prescribed in Paragraph 5.d.(9) of this chapter.

(7) Maintenance floats may be programmed for grant aid recipients. Such items if required must be programmed within the country authorized program level. MAAGs will coordinate with the Military Departments to determine the quantity of an item recommended for maintenance float. Unified Commands and MAAG/MILGPs will insure through inspection that maintenance floats, if programmed, are required to maintain combat readiness and are not excessive.

(8) Provision under MAP of defense articles and services for the purpose of establishing in-country production or increasing existing production capabilities is not authorized without prior approval of the DASD(SA)/DSAA on a case-by-case basis. Requests for approval will contain complete details and justification, and will include comments and recommendations of the Chief of the U.S. Diplomatic Mission.

c. Loan of Equipment

(1) Equipment may not be loaned to foreign governments under authority of the Foreign Assistance Act without prior ap-

MILITARY ASSISTANCE AND SALES MANUAL—PART II

proval of DSAA. Requests or recommendations for such loans will be favorably considered only in those exceptional cases where, for cogent reasons, it is determined that transfer of title as grant aid would not serve the best interests of the U.S. As used in this context, the term "equipment" includes ammunition but excludes Production Plant Equipment which may not be loaned under these provisions.

(2) In addition to such other terms and conditions as the President may determine pursuant to Sec. 503(a), FAA, defense articles may be loaned thereunder only if—

(a) there is a bona fide reason, other than the shortage of funds, for providing such articles on a loan basis rather than on a grant basis;

(b) there is a reasonable expectation that such articles will be returned to the agency making the loan at the end of the loan period, unless the loan is then renewed;

(c) the loan period is of fixed duration not exceeding five years, during which such article may be recalled for any reason by the United States;

(d) the agency making the loan is reimbursed for the loan based on the amount charged to the appropriation for military assistance under Sec. 503(c); and

(e) The loan agreement provides that (a) if the defense article is damaged while on loan, the country or international organization to which it was loaned will reimburse the United States for the cost of restoring or replacing the defense article, and (b) if the defense article is lost or destroyed while on loan the country or international organization to which it was loaned will pay to the United States an amount equal to the replacement cost (less any depreciation in the value) of the defense article.

(3) Under Sec. 503(c)—

(a) In the case of any loan of a defense article made under this section, there shall be a charge to the appropriation for military assistance for any fiscal year while the article is on loan in an amount based on—

1. the out-of-pocket expenses authorized to be incurred in connection with such loan during such fiscal year; and

2. the depreciation which occurs during such year while such article is on loan.

(b) The provisions of this subsection shall not apply—

1. to any particular defense article which the United States Government agreed, prior to the date of enactment (17 December 1973) to lend; and

2. to any defense article, or portion thereof, acquired with funds appropriated for Military Assistance under this Act.

(4) Recommendations to loan equipment in lieu of transferring its title will be considered on a case-by-case basis and will be submitted to the Defense Security Assistance Agency (DSAA) for approval, with an information copy to the appropriate Unified Command. Loan agreements will (1) be of specified duration with an option for renewal on a mutually agreed basis, (2) provide for return of the equipment on short notice in event of an unanticipated U.S. need, and (3) contain a requirement that the equipment be maintained in a fully serviceable condition in accordance with U.S. standards. Loans under the authority of Section 503 FAA shall be implemented only by: (1) a Memorandum of Understanding between the Director, DSAA and an appropriate authorized official of the lending agency, setting forth the terms and conditions under which the loan is authorized to be made and all charges, including depreciation, to MAP funds during specified fiscal years; and (2) a written loan agreement is concluded prior to the commencement of the loan on behalf of the lending agency and the borrowing government.

(5) For loans of ships, the special provisions of Part I, Chapter E of this Manual also apply.

(6) All loans of defense articles to foreign countries or international organizations for a period of one year or longer must be reported to the Congress not less than 30

days before being entered into. Refer to Part III, Chapter P, paragraphs 4, 6, and 9 for specifics of this requirement.

d. Construction

(1) Military Departments will curtail maintenance and repair of real property projects under Operation and Maintenance of MAP Installations (generic code L3G) to

(b) Transportation for dependents of trainees will not be provided. If the trainee elects to bring his dependents to the U.S. (or to an overseas training installation) he may be allowed the cost of the transportation to which he is entitled as prescribed in his invitational travel orders in order that he may travel with his dependents. When this election is made the student will be encouraged to utilize U.S. flag carriers to the maximum degree possible.

(c) Round trip transportation costs for a trainee returning to his homeland on emergency leave will be paid by the trainee or his government if he is to return to the U.S. for continuation of training.

(d) When a trainee is permitted by his government to deviate from the most direct route for the purpose of visiting other countries, sponsorship will terminate at the point and time of such deviation. Further, should a trainee elect to remain at a point enroute to his homeland beyond the time normally required to make travel connections, funding of allowances during that excess time is not authorized.

(4) Accommodations

Accommodations on U.S. installations provided to foreign students enroute will be commensurate with those provided U.S. personnel of equivalent grade.

q. Living Allowances for FMTs

(1) Trainees from countries for whom the U.S. pays transocean travel are entitled to living allowances in a travel status to include the day of departure from home country through the day of arrival at their first training location. Living allowance in training status will commence the day after arrival at training location. Living allowance in a travel status will resume the day of departure from the last training location and terminate the day of arrival in home country, excluding leave period authorized by trainees government following termination of training.

(2) Trainees whose trans-ocean travel costs are paid by their own governments are entitled to living allowances in a travel status to include the day of departure from the

U.S. entry port enroute to the training location, through the day of arrival at the training location. Living allowance in a travel status will resume the day of departure from the last training location and include the day of arrival at the U.S. departure point.

(3) Living allowances are not authorized for:

(a) Periods of unauthorized absence from duty.

(b) Excess travel time when proceeding by other than government transportation when not authorized by the administrative authority of the Military Department concerned.

(c) Periods of delay not in connection with training, except for hospitalization or outpatient care.

(d) Trainees whose country assumes the payment of all living costs.

(e) Periods of training conducted in the home country of the trainees.

(f) Periods of leave for individuals on orientation tours.

(g) Period of leave authorized by trainee's government following termination of all training courses.

(4) Leave with living allowances may be granted within CONUS as specified below:

(a) During authorized holidays.

(b) Period between consecutive courses. It is not the intent of this provision that leave be given or used indiscriminately to occupy the trainees during period between courses of instruction when appropriate on-the-job training is feasible.

(c) Period of delay while awaiting transportation at port for departure to home country.

(5) Living allowance rates for FMTs are set forth in Table E-1. Living allowance rates for FMTs accompanied by dependents will not be increased over those authorized by Table E-1.

(6) Advance payment of living allow-

MILITARY ASSISTANCE AND SALES MANUAL--PART II

ances not to exceed \$50 may be made to trainees at the port of entry or first training location for U.S. trainees and at the first training activity for overseas trainees. Military Departments may authorize advance payment of allowances to accrue during leave following the termination of training.

(7) No attempts will be made to collect overpayments from trainees after they have departed from the U.S. or overseas training activity.

r. Baggage Weight Allowance for FMTs

(1) Authorized Baggage Weight Allowance.

A baggage weight allowance of 100 pounds is authorized for FMTs when travel costs are paid from U.S. funds. When duration of training is 270 days or longer a baggage allowance of 150 pounds is authorized. Baggage will accompany FMTs. Shipment of instructional materials will be billed to the IMETP separately based on standard rates and weight allowances.

(a) The following weight allowances apply to shipment of instructional material:

1. 50 pounds when total training period is 26 weeks or less.

2. 100 pounds when total training period exceeds 26 weeks, or if the FMT is an instructor-student.

3. 50 pounds for FMTs attending English Language training at DLIELC. This allowance is in addition to that authorized for any follow-on training regardless of total CONUS training time.

4. 50 additional pounds for FMTs attending MILDEP courses (ACSC, AWC, CGSC, NCC, MCCSC).

(b) This material is to be packaged and labelled at the training installation and shipped normally via the most expeditious means to the SAO (Security Assistance Organization) of the IMET country for delivery to the FMT. A copy of the student's ITO will be placed inside the package.

(c) The training installation will ensure that no personal luggage or other unauthorized matter is shipped with the instructional material.

(d) The following standard rates for mailing instructional materials are based on (1) cost estimates for 50 and 100 pounds of publications (approximately 100 pages per pound) contained in Table 716-3 of DOD 7290.3-M and (2) Military Postal Service transportation rates based on percentages in para 70403 A5 of DOD 7290.3-M.

Weight Allowance (Pounds)	Transportation Cost	
	Area A	Area B
50	\$ 60	\$ 68
100	\$120	\$137

Area A includes countries in North America (Canada and Mexico), Central America, the Caribbean, the northern portion of South America (Colombia, Venezuela, Guyana and Suriname), Europe, and Mediterranean Africa (Morocco, Egypt, Tunisia and Lebanon). Area B includes countries in the Far East, Near East, remainder of South America and Africa.

(e) The above rates should be programmed by the Military Department sponsoring the training in a separate MASL) training line (N7G, 0367000) in the same manner in which medical expense is currently programmed, based on weight constraints, duration and type of training for formal courses only (i.e., no MTTs, OTTs, etc.) for each country as a one-time charge per student for each student's total training allowance.

(f) These rates should not be programmed when the total instructional material issued for a particular student is less than 10 pounds; however, the instructional material should be shipped at no expense to the student. Students wishing to send their instructional materials via international mail, and/or send instructional materials over the total maximum allowance, will do so at their own expense.

(2) Unauthorized Baggage

Shipment of baggage in excess of the weight allowance contained in (1) above is not authorized. Disposition of unauthorized baggage will be made at the expense of the trainee or his government. Commanding officers of the training or administrative installation should insure that unauthorized baggage is shipped at the trainee's expense

prior to his departure from the installation. Trainees reporting to ports of departure with unauthorized baggage will be requested to forward the unauthorized baggage by commercial means at their expense. If lack of time prohibits this, unauthorized baggage will be taken into custody by the traffic representative, and the trainee will be given a receipt for the baggage. The trainee will remain on the flight or carrier. After departure of the carrier, the traffic representative will deliver the unauthorized baggage to the nearest appropriate foreign consulate.

(3) Guest Instructors at Panama Canal Area Military Schools (PACAMS).

Shipment of household goods from Panama Canal area to their home country is authorized for Latin American guest instructors who have completed a tour of duty at PACAMS. The net weight allowance for married and single guest instructors is 2,000 and 200 pounds, respectively. A net weight allowance of 4,000 pounds is authorized for married Latin American guest instructors assigned as Deputy Commandant at PACAMS. In addition to net weights listed above, weight allowances are authorized for crating

and packing materials on same basis as for US military personnel and in accordance with the JTR. Shipment of household goods in excess of authorized net weight will be at the expense of the guest instructor or his government. Shipment will be by surface common carrier. Air freight may be used only when surface common carrier is not available.

(4) Country Liaison Personnel

Foreign personnel on duty at U.S. training installations as liaison officers are authorized a baggage allowance of 150 pounds.

10. Mobile Training Teams (MTT)

a. See para. 7.b, above.

b. MTTs provided under budget project N20 are composed of Military Department personnel on temporary duty for the purpose of training foreign personnel.

(1) MTTs are authorized for (1) a specific training requirement in-country which is beyond the capability of the MAAG/Mission/ODC and for which it is more expeditious, practical, and economical to bring the training to the country, (2) training associated with equipment transfers wherein the

TABLE E-1
TABLE OF DAILY LIVING ALLOWANCES
FOR IMET FOREIGN MILITARY TRAINEES

	Officer and Civilian Equivalents	Enlisted (1)
In travel status, including unscheduled delays: (2)	Various	Various
In training status:	\$33.00	\$33.00
Neither quarters nor mess available (3)		17.00
Quarters available, mess not (3)	20.00	19.00
Mess available, quarters not (3)	23.00	7.00
Both quarters and mess available (3)	14.00	7.00
Both quarters and mess available, free of charge (aboard ship)	7.00	7.00
Both quarters and mess available, officers charged for mess (aboard ship)	10.00	N/A
Dependents authorized (4)	33.00	N/A
On leave (5)	Various	Various
In military hospital (6)	7.00	7.00
Orientation Tour participants (7)	23.00	N/A

NOTES:

- (1) Not applicable to enlisted Foreign Military Trainees (FMTs) attending training at the United States Army School of Americas (USARSA), Small Craft Inspection and Training Team (SCIATT) facility, and Inter-American Air Forces Academy (IAAFA). The daily living allowance rate authorized for these enlisted FMTs is \$1.50 per day.
- (2) Travel allowance rate is authorized to include the day of arrival at, and day of departure from, training installation except for FMTs who receive no US Government (USG) living allowance. Rates on travel status, including unscheduled delays, are based on rates equal to those in Joint Travel Regulations (JTRs) for US Personnel.
- (3) In overseas areas, where US Government quarters and mess are not available, the rates authorized are equal to those authorized for US personnel in the Joint Travel Regulations. "Quarters Available" means that US Government quarters were either furnished or made available. "Mess Available" means three meals per day were available in a US Government mess, whether or not actually consumed. US Government mess excludes open mess, and is not considered available to officer FMTs except during maneuvers, field exercises, training in the field or when an officer's field ration mess is specifically available (e.g., officer's field ration mess is available at Lackland AFB and Maxwell AFB, both with a heavy student load).
- (4) This rate authorized only for accompanied FMTs attending certain courses designated by the MilDepts (AC&CS, SOS, AWS, CGSC, NCC, NSC, MCC&SC, SWOS, PGS) and includes authorized leave periods. This rate is applicable regardless of availability of quarters and is payable whether or not FMT lives on or off post.
- (5) Living allowance for leave period following termination of training is not authorized. Leave with living allowances may be granted during periods of class breaks, authorized holidays, between consecutive courses, and delays at port while awaiting transportation, at the rate that is appropriate to training status.
- (6) In those cases where officer FMT is authorized increased living allowance for accompanying dependents (see Note 4, above) and is subsequently hospitalized, the increased living allowance (\$33.00) shall apply during period of hospitalization rather than the reduced rate specified herein.
- (7) Meal allowance only. Cost of quarters to be paid from programmed funds by Class A agent/cashier escort officer.

e. No baggage will be transported at U.S. Government expense.

16. a. Retainable instructional material will be shipped to trainee's home country in accordance with applicable Military Department regulations, at IMET expense.

b. Retainable instructional materiel for foreign military sales (FMS) students will not be shipped to trainee's home country at U.S. Government expense.

17. Student is parachute qualified and authorized to participate in jumps from U.S. aircraft.

18. When qualified flying Trainees desire to participate in flights under AFR 60-1, include statement: "_____ Government certifies that Trainee is physically, professionally, and administratively qualified to participate in flights in his country air force aircraft as pilot (or as applicable)." (These Trainees must meet medical clearance requirements as specified in AFR 160-39.)

Of the foregoing special instructions, the following are mandatory and must be identified in the basic ITO for all services: 1, 2, 3, 4, 5, 6, 7, 8, and 9.

Of the foregoing special instructions, one of the optional statements must be identified in the basic ITO:

Army—10a or b; 11a or b; 12a or b; 13a, b, c or d; 14a, b or c; 15a, b, c, d, or e; 16a or b; 17 (if applicable).

Navy—Same as Army (less 17).

Air Force—Same as Army (less 17 and plus 18).

unit produced for third country sale will be charged.

(c) The charge for "in-country" consumption only may be waived when the foreign applicant is a current recipient of grants under the MAP materiel program.

(d) Where the item to be produced is obsolete and no longer being manufactured for United States Military Departments and/or is not available in the Military Departments inventories, the 5 percent royalty fee for "in-country" consumption or the royalty fee of 8 percent where the DOD has specifically approved "in-country" production for third country sale may be reduced. The authorized sale price will be determined by DSAA in collaboration with ODDR&E based on cost of the most similar U.S. items in production.

(e) Where the pricing of the TDP is subject to an international agreement to which the DOD is a party or is otherwise bound, the sale will be determined consistent with the terms of that agreement.

(f) Where the item(s) to be produced is in long supply in a U.S. military department inventory, or if the item is being produced in the United States, requests for foreign production of the item(s) will normally be denied.

(g) In the case of TDPs related solely to processes, machinery or other items to be used in production, rather than to an end-item itself, and sold separately from a TDP for an end-item, the royalty fee will be based on the production of the end-item using the related TDP. In such cases, the authorized production under the TDP and other terms and conditions will be specified as in the case of TDPs for manufacture of end-items. However, if TDPs for processes, machinery or other items related to production are sold in conjunction with or subsequent to the sale of a TDP for manufacture of a related end-item, only one royalty will be charged based on production of the end-item.

(3) The Military Departments shall include on the Letter of Offer the applicable notes listed in (a), (b) and (c), below:

(a) The following note should be placed on all Letters of Offer involving the sale of a TDP and/or assessment of a royalty fee:

NOTE: The above stated royalty fee applies to the above quantity only. Any production in excess of the above quantity will be subject to a recalculation of royalty fee and the issuance of a new or amended Letter of Offer and Acceptance.

(b) The following note should be placed on the LOA if the TDP is to be used to manufacture items for in-country use only:

NOTE: The technical data and items to be manufactured therefrom are for recipient's indigenous purposes only, and neither the data nor the items manufactured therefrom will be sold or transferred to a third country without the written consent of the U.S. Government and the execution of a new or amended Letter of Offer and Acceptance for an additional royalty fee. It is understood that the furnishing of this data does not in any way constitute a license to make, use, or sell the subject matter of any privately-owned inventions which may be embodied or described therein except at the risk of the recipient.

(c) The following note should be added if the TDP is to be used to manufacture items for third country sale:

NOTE: The items to be manufactured for third-country sale will not be sold or transferred to third countries other than . . . (insert country name/names) . . . without the written consent of the U.S. Government.

(d) In all cases, care will be taken to insure that the TDP bears clear identifying markings stating any restrictions, such as classifications, which may apply.

(e) For reporting purposes, the royalty fee line on the LOA will be reported as code R9D in the 1100 system. Technical data packages (TDP's) will be recorded in the 1100 system under generic code M1F pseudo NSN 0208000000 TDP.

d. Internal Monitoring of Royalty Fee Payments

The SAAC will maintain a file of all LOAs for the production of items from the sale of a technical data package (TDP). After a reasonable period of time (at least one year, but no later than two years, after acceptance of the LOA), if no royalty fee payment was received, SAAC will provide pertinent data to security assistance team in-country so that they may query the country as to production and payment status.

15. Principles Regarding Coproduction Projects

Defense policy, expressed in DOD Directive 2000.9, dated 23 January 1974, states that initiation of coproduction project agreements will be encouraged and supported by all elements of DOD under the following circumstances:

a. When they advance the ability of participating countries to improve their military readiness through expansion of their technical and military support capability, while promoting U.S.-allied standardization of military materiel and equipment thus generating uniform logistics support and multi-national operational capabilities.

b. When they directly benefit the U.S. through increased capability to support the deployment of U.S. forces, strengthen international military operations in times of emergency or hostilities, encourage the unitization of common military materiel, and improve mutual support capability of friendly allied nations.

c. When they supplement and reinforce the U.S. FMS program.

d. When they are in the best interest of the U.S.

A coproduction project may be limited to the assembly of a few end-items with a small input of local country parts, or it may extend to a major manufacturing effort requiring the build-up of capital industries. Coproduction is a program under the aegis of the U.S. Government, by diplomatic or DOD agreement, either directly through the FMS pro-

gram or indirectly through specific licensing arrangements by designated commercial firms, which enables an eligible foreign government, international organization, or designated foreign commercial producer to acquire the "know-how" to manufacture or assemble, repair, maintain and operate, in whole or in part, a specific weapon, communication or support system, or an individual military item.

The "know-how" furnished through coproduction programs may include research, development production data and/or manufacturing machinery or tools, raw or finished materiel, components or major sub-assemblies, managerial skills, procurement assistance or quality-control procedures. Third country sales limitations and licensing agreements are also included, as required. Thus coproduction programs may be limited or extensive depending upon the major objectives to be attained.

Coproduction projects may be initiated by DSAA or, subject to prior approval of DSAA, by the Military Departments, the Military Assistance Advisory Groups, and by authorized representatives of foreign governments and international organizations. The cognizant DOD component will ensure appropriate coordination will DSAA and furnish technical and negotiating assistance as required. Military Department recommendations concerning foreign government requests for coproduction must represent consolidated Departmental views and include, to the extent practicable, the following information: (a) origin, nature, and scope of the programs; (b) supporting rationale for its approval; (c) implications of the proposed technology transfer endorsed by the Military Department; (d) any exceptions to the National Disclosure Policy which are required or have been approved, together with the scope and limitations of the exceptions; (e) impact of such coproduction on US industry, including both the prime and subcontractors involved in the manufacture of the items being considered; (f) the views of these prime and subcontractors with respect to the proposal, if known; and (g) the impact of the program on the US mobilization

base for the item. After such agreements are signed, the appropriate DOD component will perform the necessary managerial and reporting functions.

In all cases, as prerequisite, the restrictions imposed by Section 42(b) of the FMS Act will be complied with, namely: "No credit sale shall be extended and no guarantee shall be issued in any case involving coproduction or licensed, production outside the United

States origin unless the Secretary of State shall, in advance of any such transaction, advise the appropriate committees of the Congress and furnish the Speaker of the House of Representatives and the President of the Senate with full information regarding the proposed transaction, including, but not limited to, a description of the particular defense article or articles which would be produced under license or coproduction, and the probable impact of the proposed trans-

planation and/or justification for the proposed fee, together with any other data requested by the purchasing governments. The Note will also include a statement that acceptance of the Letter of Offer by the purchasing government, with inclusion of the Note, will constitute that governments' approval of the sales commissions and fees involved.

b. Ex-Post Facto Notification to Purchasing Government

When it is not possible to determine prior to presentation of the Letter of Offer whether the price quoted for the articles or services includes sales commissions and fees, the purchasing government will be notified as soon as possible if, in the course of subsequent contract negotiations, it appears that a charge for sales commissions and fees will be claimed by the contractor. This notification will include the information in paragraph a above, along with a statement that, unless contrary advice is received from the purchasing government within 30 days of the data of the notification, the Department of Defense will determine whether or not to accept such a charge as a valid cost in the contract. No sales commissions and fees will be accepted by the contracting officer prior to expiration of the 30 day period.

c. Coordination with DSAA

(1) All Letters of Offer which specify that a sales commission or fee is included in the case will be coordinated with DSAA, regardless of the dollar value of the case, prior to LOA dispatch to the requesting government. (Note: Letters of Offer which carry the notation that no sales commissions and fees are included in the case do not require coordination with DSAA except as may be required by other policies and procedures which may be in effect.)

(2) All correspondence with a foreign country on the subject of agent's fees will be coordinated with DSAA prior to dispatch.

(3) All ex post facto notifications of an agent's fee to a foreign country will be coordinated with DSAA prior to dispatch.

(4) The submission to DSAA of all

LOAs or ex post facto notifications for coordination shall be in writing, shall contain a certification that the agent is *bona fide* in accordance with the criteria set forth in DAR 1-505, and shall provide the rationale for reasonableness or an explanation if the reasonableness of the fee cannot be determined.

d. Disallowance of Agent's Fees

No fee shall be accepted by the contracting officer if disapproved by the purchasing government.

If, in making the determination required by DAR 1-505, the contracting officer or head of the procuring activity (HPA) determines that an agent is not *bona fide* for reasons other than reasonableness of fee, no Letter of Offer will be tendered pending withdrawal by the prospective contractor of the fee for such agent from his proposal.

e. Exceptions

The procedure contained in paragraph a, above, will not be followed in the case of Australia, China Rep. of, Egypt, Greece, Iran, Israel, Japan, Jordan, Korea Rep. of, Kuwait, Pakistan, Philippines, Saudi Arabia, Turkey, Thailand, and Venezuelan Air Force. These governments have requested that the following statement be included in all Letters of Offer:

'All U.S. Government contracts resulting from this Offer and Acceptance shall contain one of the following provisions, unless the sales commission and fee have been identified and payment thereof approved in writing by the Government of (____) before contract award:

'(A) For firm fixed-price contracts or fixed-price contracts with economic price adjustment:

'The contractor certifies that the contract price (including any subcontracts awarded hereunder) does not include any direct or indirect costs of sales commissions or fees for contractor sales representatives for the solicitation or promotion or otherwise to secure the conclusion of the sale of any of the

CHAPTER D

PREPARATION AND PROCESSING OF FOREIGN MILITARY SALES TRANSACTIONS

1. Introduction

a. The guidance contained in this chapter provides specific instructions for the utilization and processing of the DD Form 1513—Offer and Acceptance, the DD Form 1513-1—Amendment to the Offer and Acceptance, the DD Form 1513-2—Notice of Modification of Offer and Acceptance, and the Letters of Intent—DD Form 2012 and DD Form 2012-1. Further provided in this chapter is a description of data which must be included in Letters of Offer submitted in response to requests from FMS purchasers. It also prescribes normal time for processing requests for Letters of Offer, and allowable times between release and expiration of such offers.

b. The Operations Directorate (DSAA-TS) is the point of entry in OSD for the DOD components to use in coordinating FMS Cases (LOAs, Amendments, and Notices). The Operations Directorate is also responsible for obtaining coordination of appropriate OSD staff elements, as well as obtaining coordination from the DSAA Comptroller. (This is not the Countersignature required for all LOAs, Amendments and Notices (see paragraph 10, this chapter, for those notices requiring countersignature)). FMS cases must contain, as minimum, the following supportive and explanatory documentation:

(1) Financial Analysis in accordance with paragraph 8.a, below.

(2) Financial Annex, except for FMSO I cases.

(3) All amendments must be accompanied by the basic DD Form 1513 and any changes or notices that preceded the amendment.

(4) All Letters of Offer should indicate a coordination by the cognizant comptroller and legal counsel, as required.

FMS transactions submitted for coordination which do not include the proper documentation will be returned to the appropriate DOD Component without coordination. If the urgency of the situation requires processing without waiting for the required documents, the matter should be referred to the Director or Deputy Director, Operations Directorate. DSAA Operations coordination occurs prior to DOD component submission to DSAA Comptroller for countersignature.

2. DD Form 1513—Offer and Acceptance

a. The DD Form 1513—Offer and Acceptance (LOA) will be used for all foreign military sales of defense articles and services (including training) by the Military Departments and Defense Agencies. LOAs for open cases, e.g., cases providing for the requisition of spare parts and components, or cases covering the provision of a continuing service such as contractor administrative services or engine or component improvement programs, will normally be of one-year's duration.

b. LOAs for blanket order FMS cases, training cases or cases covering the provision of a continuing service (e.g., contractor administrative services or engine or component improvement programs), may be written for up to two year's duration, provided total value of case does not exceed \$5 million. Exceptions to this duration and dollar limitation require the approval of DSAA.

c. The offer will itemize the defense articles and services offered and when executed becomes an official tender by the Government of the United States.

d. The acceptance constitutes the agreement of the foreign government to the offer and with applicable funding completes the contract.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

e. Annex A of the Offer and Acceptance contains the General Conditions which are an official part of every offer issued.

f. In all FMS cases involving major systems/end items, the LOA will include all complementing/supporting material and services as opposed to negotiating separate cases for each of these items/services. Exceptions to this requirement must have prior DSAA Operations approval.

g. Such additional terms and conditions as may be appropriate for a particular sales case shall be set forth in one or more attachments or continuation sheets to the DD Form 1513. All attachments (including notes) are an integral part of the LOA. Each page should indicate the case identifier at the top of the page and be numbered consecutively from the first page of the LOA to the end of all information provided with this LOA. Thus the number on the DD Form 1513 would reflect the total number of pages in the LOA.

h. If all line items cannot be listed on the first page of an offer and acceptance, show only the program total and list the remaining line items on DD Form 1513c continuation sheets. (See Figure D-4).

i. The percentage rate used for determining packing, crating and handling costs, general administrative costs, and supply support arrangement costs should not be indicated in the applicable blocks. (This guidance also pertains to Other Estimated Costs (Block 25) should a percentage rate be applicable.)

j. See Figure D-1 for detailed instructions on the filling in of the blocks on the DD Form 1513—Offer and Acceptance.

3. Processing Requests for Letters of Offer and Acceptance

a. Approval channels for requests for Letters of Offer are included in Paragraph 6, Chapter C, Part III. DOD components must formally acknowledge receipt of such

requests within five days. Maximum processing time between the receipt of a request for a Letter of Offer and submission of the Offer or Amendment to DSAA for coordination and/or countersignature is sixty (60) days. Earlier response will be made whenever possible.

b. DOD components will submit all Letters of Offer for SCE and for those items or services of a critical or special nature to the Operations Directorate, DSAA, for approval prior to submission to the Comptroller, DSAA, for countersignature and onward processing to the requesting country. Additional LOA's which require Operations Directorate, DSAA, approval are:

(1) All Letters of Offer for \$10 million or more, and all amendments which increase the value of a case \$10 million or more,

(2) all Letters of Offer for which the terms of payment are credit or guaranteed funds,

(3) all Letters of Offer for items containing a nonrecurring surcharge as an element of cost of the items when the surcharge requires the approval of DSAA as prescribed in DOD Directive 2140.2,

(4) all Letters of Offer for items or services which are not standard in DOD inventory or for which new development effort is included as an element to be procured,

(5) all Letters of Offer involving the sale of Technical Data Packages or similar data for production purposes which would result in the establishment of a foreign production capability for an item, and

(6) all Letters of Offer including agent's fees.

c. FMS LOAs, amendments and applicable modifications will be staffed with the DSAA Operations Directorate and will complete Congressional notification if re-

quired, before being provided to the DSAA Comptroller for countersignature. DOD components should forward the original plus two copies of the signed LOA or amendment/modification to the DSAA Comptroller, FMS Control Division for countersignature prior to release to the customer. For LOAs financed with the FMS credits, the original plus three copies will be provided. The LOA/amendment/modification provided to the DSAA Comptroller for countersignature will also include copies of any accompanying data, e.g. Financial Analysis. This requirement also applies to DD Forms 1513-1, amendments, and certain DD Forms 1513-2, modifications (see paragraph 13, this chapter). The DSAA Comptroller will forward a copy of the DD Form 1513-1, or DD Form 1513-2, to SAAC together with any applicable accompanying data. DSAA Comptroller and SAAC will take action to process and record appropriate extracts of data from the DD Form 1513, 1513-1, or 1513-2 into the DSAA FMS Data Base.

4. Duration of Letters of Offer

a. Each Letter of Offer (DD Form 1513) or Amendment (DD Form 1513-1) will include the date upon which the offer expires. DOD policy is to allow the purchaser no more than sixty (60) days between the date of issue of the Offer or Amendment and its expiration date. When the Letter of Offer or Amendment is forwarded to the DSAA, for coordination and/or countersignature, the date of the Offer (Block 7) or the date of the Amendment (Block 8) should be completed along with the signature and typed name and title of the U.S. Department/Agency authorized representative. Additionally, Block 8 of the Offer or Block 9 of the Amendment should contain an expiration date of 85 days after the date placed in Block 7 of the Offer or Block 8 of the Amendment. This 85 day period permits a 60 day review period for the country and a 25 day period for the administrative processing required for countersignature and for DOD component issuance of the LOA or Amendment to the purchaser.

b. If a shorter expiration period is required because of (1) the validity of contractor quotes comprising the price and availability information included on the Offer or Amendment, or (2) the time sensitivity of any information included in the Offer or Amendment, then the shorter expiration period should appear on the LOA or Amendment, and a note placed on the Letter of Offer which explains why the expiration period is less than 60 days.

c. Requests by the purchasers for extensions to expiration dates will be honored only after a full review by the preparing agency and DSAA to insure that all data included in the Offer remains valid, to include ceiling availability. The foreign country should be advised of the new expiration date via message along with authorization to make a pen and ink change to the expiration date listed on the LOA or amendment. The Security Assistance Accounting Center and Defense Security Assistance Agency should be provided an information copy of the message.

d. Upon the receipt of each accepted Letter of Offer (DD Form 1513), accepted Amendment (DD Form 1513-1) or acknowledgement of receipt of a Notice (DD Form 1513-2), the initiating DOD component will provide a copy to the FMS Control Division (FMSCD), DSAA Comptroller.

5. Information Conveyed by Letters of Offer

The Letter of Offer and Acceptance, when signed, is an official agreement between the United States and the purchasing nation regarding terms and conditions pertaining to furnishing certain goods or services. As such, the DD Form 1513 and its enclosures must provide sufficient detailed information so as to make clear the obligations of the United States and the Purchaser. The type and amount of information which must be conveyed will vary depending on the nature of the sale. However, at least some information which is supplemental to the preprinted "General Conditions" of Annex A of the DD Form 1513 must be provided for each

sale. The normal method of accomplishing this is in the form of explanatory "Notes" which are cross-referenced to information included on the face of the DD Form 1513. Inclusion of this information as a complete package within the Offer, rather than orally or by separate correspondence, reduces misunderstandings over FMS Cases.

6. Supplemental Information for Letters of Offer

Figure D-5 indicates that information must be provided to purchasers in the form of Notes or Supplemental Terms and Conditions, depending upon the nature of the material and/or services being sold. Items indicated by X must be addressed in Notes or Supplemental Terms and Conditions to the DD Form 1513; those indicated as being on an as required basis (A/R) should be addressed if the nature of the transaction so warrants. The following subparagraphs include instructions and discussion regarding the nature of this supplemental information. The subparagraphs are aligned to the column "Supplementary Information for Letters of Offer" of Figure D-5. The Checklist shown in Figure D-6 must accompany each case submitted to the Defense Security Assistance Agency (DSAA).

a. Transportation Instructions

(1) There must be clear understanding between the USG and the purchaser as to where and how purchased material will be shipped. Blocks (19), (20), (33) and (34) of the DD Form 1513 are designed to fulfill this purpose under the normal Foreign Military Sales (FMS) method of shipment (i.e., by collect commercial bill of lading to freight forwarders), by the use of codes prescribed in DOD Directive 4140.17-M. However, supplementary instructions are required to enable purchasers to fill out Blocks (33) and (34) properly. Figure D-7 shows the instructions furnished by the Defense Logistics Agency (DLA) to meet this need; it should be used by all DOD components concerned as a guide.

(2) The normal method of movement of FMS materiel is by commercial carrier to a freight forwarder designated by the purchaser. The use of the DOD Transportation System (DTS) is authorized as an exception to this policy for the shipment of classified materiel, firearms, all classes of explosives, lethal chemicals, other hazardous cargo and materiel outsized to the capability or availability of commercial air carriers, and waivers previously approved by the Defense Security Assistance Agency (DSAA). Any other exceptions must be specifically approved by DSAA on a case-by-case basis. Use of the DTS, to include all related terms and conditions for movement, must be stated in the DD Form 1513. Each request for an exception to use the DTS must be supported with a statement that addresses projected tonnage, special transportation requirements, and other relevant information that will justify the commitment of DOD transportation assets. Upon approval, the extent of authorization must be clearly delineated in the supplementary conditions in the DD Form 1513. This would include identification, by specific item, when certain items in the DD Form 1513 are to be shipped via DTS and others are to be shipped via country freight forwarders.

(3) The transportation of materiel to U.S. facilities for repair and return is normally the responsibility of the FMS customer. Use of the DOD Transportation System (DTS) for such materiel will be authorized only in exceptional situations. The factors, criteria, and approval channels summarized in paragraph 6a(2) above for authorizing the use of the DTS also apply to such authorizations for the repair and return of foreign country owned materiel. Figure D-7 provides instructions for completing the transportation related blocks of the DD Form 1513 for repair and return FMS cases. It is the responsibility of the cognizant Military Department to assure that the DD Form 1513 for the repair and return of materiel is complete and provides all information required by the customer. A complete CONUS address for

each item or category of items must be identified in the DD Form 1513.

b. Delivery Schedules of Items

Block (18) of the DD Form 1513 provides the appropriate leadtime from the date of order of material to the date of delivery. This provides sufficient information for most cases, unless delivery of major end items (i.e., airplanes, ships, missiles, or major combat vehicles) is involved. A schedule of estimated in-country or CONUS equipment deliveries by month, will be provided for major end items. When appropriate, the schedule of deliveries will include required delivery dates for items not to be delivered earlier than a specified date.

c. Personnel Movement to and from Country

Cases which provide for the provision of technical assistance services, either by contractor or military personnel, should specify to the extent known:

- (1) The number of personnel who will perform the task.
- (2) Planned date of arrival in-country.
- (3) In-country destination and "home station".
- (4) Extent of in-country travel required to perform the mission.
- (5) Planned duration of stay in-country, and planned departure date.

d. Qualifications Regarding Price and Availability Data Furnished on the DD Form 1513

(1) There must be as clear an understanding as possible of the limitations of the validity of data included in the Letter of Offer; much of the "boilerplate" of the DD Form 1513 is designed for this purpose. However, any of the following data which is pertinent to the case must be provided as "Notes" to the Letter of Offer.

- (a) Any deviations or substitutions to quantities or equipment which was included in the country request for Letter of Offer, with explanation for the deviation or substitution.
- (b) The last date of validity of either price or availability data included in the

Letter of Offer, with an explanation of the reason why, if the Offer is time-sensitive. Even though each Offer carries an expiration date, it is important that the purchaser be aware of any criticality in that date.

(c) Any particular reservations regarding the price quoted in the Offer should be noted and explained.

(d) The extent to which either the price or availability quoted is dependent upon an action yet to be taken by the USG (e.g., the selection of the equipment for U.S. forces).

e. Agreements to Safeguard Status or Provide Facilities for USG or Contractor Personnel While in Host Country

(1) The Letter of Offer should include those conditions required to insure that U.S. personnel can operate to the extent possible in safety, immunity, and under U.S.-type conditions. Agreements required will vary due to both the nature of the project and the nature of the country involved. The appropriate legal office of the Service concerned should be consulted to provide the salient agreements which protect that status of U.S. personnel in a given country.

(2) Figure D-8 sets forth sample terms and conditions which can be used as a guide for negotiating agreements with countries on programs involving the introduction of substantial numbers of contractor personnel. It is based on an actual agreement negotiated with the Government of Iran. These conditions may be used as a guide in developing similar agreements for countries for which no Status of Forces Agreement (SOFA) exists. Where a SOFA exists, references should be made to the SOFA.

f. Statement of Facilities, Services, or Personnel to be Provided by the Purchasing Nations

Figure D-8 also provides examples of certain actions which had to be taken by the purchaser to insure success of the program, in terms of facilities, services, or personnel. These actions will vary from program to program. It is essential that the responsibilities

MILITARY ASSISTANCE AND SALES MANUAL—PART III

of the USG and the purchasing nation be clearly and completely delineated as a part of the Letter of Offer or its attachments.

g. Memorandum of Understanding or Statement of Work

Major FMS undertakings may call for Memorandums of Understanding, or detailed Statements of Work, before they can be undertaken by the USG. Such documents should be made an integral part of the Letter of Offer by reference on the DD Form 1513 and, where appropriate, be attached to the Letter of Offer.

h. Schedules of Personnel Training

(1) Letters of Offer which call for training of foreign personnel, include firm scheduling of personnel into specific training courses. When this is not feasible, Letters of Offer should set forth training plans and schedules in general terms, and should include information required to arrange for definitization of specific training requirements at a later date.

(2) Letters of Offer must specify purchasing nations' responsibilities such as providing pay and allowances, housing, qualified students, and any required supervision of students.

(3) Blanket Order Letters of Offer for training will include Notes to explain scope of coverage, methods for definitizing and requesting specific courses, and duration of applicability of the case. As indicated in paragraph 2b, above, such cases may be written for up to two years duration, provided total value of case does not exceed \$5 million, unless an exception is approved by DSAA.

i. Logistical Information

(1) The sale of weapons systems normally requires the establishment of understandings between the USG and the purchaser regarding logistical arrangements and support. This subject must be addressed in the "Notes" to the Letter of Offer to delineate USG responsibilities; specify the type of equipment being provided, identify subse-

quent actions which must be taken by both the USG and the purchaser, and occasionally to advise the purchaser of the nature of procurement action which will be taken.

(2) Letters of Offer will specify the configuration of equipment being sold, but will furnish detailed equipment specifications only if required. Variations from standard USG configurations will be noted, together with any risks which might be assumed as a result of the variance. The notes will highlight any purchase of equipment being made of a configuration contrary to that recommended by the USG.

(3) Letters of Offer will include the requirement for, and scheduling of logistical conferences or site surveys for the purpose of definitizing procurements of spare parts and support equipment, when applicable.

(4) The purchaser will be advised of the estimated period USG spare parts support will be available, providing that a termination of such support can be identified.

(5) It will be noted if the procurement is to be conducted from a sole source, based upon the request of the purchaser.

(6) Any USG intent to develop logistical or maintenance support plans will be specified.

(7) The basis upon which logistical support cost estimates are made will be specified. These should include the period of support of initial spares package, operational deployment of equipment, level of maintenance to be accomplished by the purchaser, and number of maintenance sites.

(8) Insofar as possible, the Letter of Offer must identify by line item of equipment any critical long-lead time items of spares or support equipment which must be procured in advance of the definitization conference, to insure in-country logistical support of the weapons system by its scheduled delivery date.

j. Explanation of Condition of Equipment

(1) The Letter of Offer must include information which makes clear the condition of any equipment furnished from USG inventories; the purchaser must not be sur-

prised or disappointed if receiving equipment in less than "like new" condition. Any known limitations in condition must be specified in the Letter of Offer, using codes set forth in Annex A of the DD Form 1513.

(2) It is desirable for a purchaser to inspect, in advance receipt of a Letter of Offer, major items and quantities of excess equipment being sold in "as-is, where-is" condition. It also is desirable for the USG to obtain written acceptance of the condition of the equipment as a result of this inspection. Any such agreement of this type should be noted in the Letter of Offer.

(3) The condition of equipment sold "as-is, where-is" should be identified by Condition Code (e.g., R-4), and the Letter of Offer should include a short description of what this Condition Code means.

(4) The Letter of Offer must specify that the cost of any repair/rehabilitation of excess items is not included in the "as-is, where-is" price.

k. Identification of Equipment Supportable under Requisition Cases

(1) Letters of Offer for all requisition cases (whether Supply Support Arrangement (SSA) or blanket order) must identify the major items of equipment supportable under the case.

(2) Letters of Offer for Supply Support Arrangements (SSA) stock level cases fall into two broad categories, weapon systems for which actual support experience is available and new weapon systems for which supply support experience is not available. When supply support experience is available, the normal annual dollar amount of requisitions for repair parts will be computed as a percent of the value of the total major items supported. This percentage will then be applied to the sale price of the major items sold to an FMS customer to arrive at an annual dollar amount of support. On major items for which supply support experience is not available, it will be necessary to develop a priced listing of projected repair parts. The total of the listing will be the dollar amount of supply support required. This annual total dollar amount is the factor

(normally 12/17) shown as the on-order portion of the FMSO I. An additional factor (normally 5/17) is added for the on-hand portion of the agreement to arrive at the total FMSO I price.

l. Description of Services to be Provided

(1) There must be a clear and comprehensive understanding of the extent and limitations of the obligation undertaken by the USG when providing services under an FMS case. This may require a detailed Statement of Work for major undertakings, but can be done by providing the following information for routine cases:

(a) Description of the nature of the service to be performed, together with its purpose.

(b) Statement of where and how the services will be performed.

(c) Statement of the anticipated result when the service is completed, together with any information of which the purchaser should be aware regarding USG reservations or qualifications as to success of the project.

m. Description of Components of Pricing

(1) It is not normal FMS practice to provide a detailed description of the components of cost included in estimated prices for line items on Letters of Offer. There may be instances where the provisions of such information is desirable to clarify the service to be provided. When project management offices are established in the CON-US, to insure proper management of major FMS projects, it sometimes is necessary to provide detailed cost data to provide the purchaser with information which demonstrates that such costs are necessary.

(2) FMS cases established for the sole purpose of collecting either royalties or pro rata nonrecurring cost recovery charges must include the charge to be made per unit of production. However, pro rata nonrecurring cost recovery charges assessed for items sold under FMS will be included in the unit price of the end item being sold and will not be shown separately.

n. Responsibility for Initiation of Requisitions

(1) There must be clear understanding between the USG and the purchaser as to which party will initiate requisition actions required for spare parts and similar type support.

(2) The Letter of Offer will contain sufficient information, either by Note or by reference to DOD instructions available to the purchaser to enable the purchaser to initiate and route requisitions correctly.

(3) The Letter of Offer will also contain sufficient disposition instructions for items (owned by the purchaser) being returned by the purchaser to the CONUS for maintenance and repair services.

o. Indemnification and Assumption of Risk

(1) Annex A of the DD Form 1513 contains provisions regarding indemnity which are deemed satisfactory and complete for most FMS programs. Advice should be obtained from the appropriate legal office of the Service concerned when it appears that special circumstances of individual purchases require an expansion of indemnity clauses.

(2) If additional indemnity Clauses are required, Figures D-9 through D-11 provide the pertinent Clauses which should be used.

(3) When a sale of ammunition is requested, you should include the following note on the Letter of Offer:

NOTE: The U.S. Government is a self-insurer, and in this connection your attention is invited to Conditions A-1 and A-2 of Annex A to this Offer and Acceptance. DOD shall employ the same inspection procedures for this ammunition as would be used in the procurement of this type of ammunition for itself. Lot production of ammunition, however, carries risks associated with the ammunition's resultant performance. This risk is assumed by the U.S. Government in procurement for its own use, and this risk is also assumed by the Purchaser in procurement for its use under this Offer and Acceptance. Accordingly, financial restitution will not be made for claims made on

SF 364 Report of Item Discrepancy (ROID) (see Condition B-6 of Annex A) for ammunition deficiencies unless such claims involve damage due to U.S. Government actions with respect to compliance with applicable inspection criteria and procedures, or U.S. Government actions with respect to packing, crating, handling, or transportation, or unless the U.S. Government can obtain equal restitution from its contractor.

7. Absence of Specific Information

a. Letters of Offer are sometimes prepared either at purchaser request or in USG interest, before the specific details to provide all information covered in the foregoing paragraphs are known. In such cases, Notes to Letters of Offer will include general coverage of this information and estimate of when specific information on these topics can be provided to the purchaser.

b. The Letter of Offer should include information sufficient to establish follow-on channels of communication between the purchaser and the USG component responsible for implementing the FMS case.

8. Pricing Data to be Included with Selected Letters of Offer

a. All Letters of Offer and proposed amendments for the sale of end items or services must be accompanied by a Financial Analysis for each line item which contains one or more of the following:

(1) Pricing based on supply from excess or non-excess stocks, when no replacement is required.

(2) Nonrecurring RDT&E and/or Production Costs.

(3) Asset use charges (including contractor rental payments for U.S. Government-owned plant and production equipment).

(4) A total value of \$14.0 million or more.

The purpose of the analysis is to permit all approval echelons a review for completeness and accuracy of financial data. The Financial Analysis will accompany the Letter of Offer or amendment throughout the coordination cycle but will not be submitted to the prospective purchaser. DSAA Comptroller will provide a copy of the Financial Analysis and DD Form 1513 to the SAAC after countersignature.

b. The following information will be included:

(1) Case designator, line item and complete descriptive data relative to the item or service.

(2) Source of the item. Examples are:

(a) Excess inventory.

(b) Inventory (without replacement).

(c) Inventory (replacement with same item).

(d) Inventory (replacement with improved item).

(e) Production.

(3) Source of price estimates. Examples are:

(a) Prime Contractor quote.

(b) Prime and GFE Contractor quotes.

(c) Standard Price.

(d) Military Department estimate without contractor participation¹, based on recent sale or similar experience, or in accordance with DOD Instruction 7290.3-M.

(4) The basis for making or adjusting estimates from any of the above sources. Examples are:

(a) Agent's fees or commissions included in the FMS case and the amount

thereof. The Military Department certification of reasonableness in accordance with DAR 1-505 and DAR 6-1305 must be attached. If the fee cannot be or has not been certified as reasonable, the Military Department notification or proposed notification to the foreign government should also be attached for information or coordination. See Chapter C, paragraph 17, for further guidance.

(b) Inclusion of nonrecurring RDT&E and production cost recoupment in accordance with DOD Directive 2140.2.

(c) Inclusion of adjustments for estimated inflation or other risk factors.

(d) Replacement cost in accordance with the provisions of DOD Instruction 7290.3-M.

(e) Asset use charge as described in DOD Instruction 7290.3-M.

(f) First destination transportation costs.

(g) Recurring support costs.

(h) Unfunded costs.

(i) Application of factors for estimating "dollar line items" such as concurrent spare parts.

(j) Adjustments based on anticipation of the receipt of other orders or Defense Department procurement of the item involved which would likely result in shared overhead costs and a reduced price for the item.

(5) Courses of data used to make any of the above adjustments and their application to the case.

(6) A comparison of Letter of Offer prices with budgeted or on-going Military Department procurement price, e.g., the Selected Acquisition Report (SAR).

(7) Source for Schedule of Payments.

(8) A comparison of Letter of Offer prices with all other Letters of Offer prices for the same item within the previous twelve (12) months. This comparison should be limited to sales within the same region.

¹In this connection, notice should be taken of Section 6-1303.1 of the Defense Acquisition Regulation (DAR) concerning the participation of the procuring contracting officer in the preparation of Price and Availability Data and that the provisions of this section are complied with.

c. Figure D-12 is a suggested format for use in presenting required Financial Analysis data. The format may be modified to meet the needs of the individual Military Departments. The financial analysis must, however, identify methods used in developing costs and provide information outlined above for each line item in sufficient detail to enable the reviewer to judge the accuracy, completeness, and firmness of the estimated prices.

9. Termination Liability Reserve Data to be Included with Selected Letters of Offer

a. Letters of Offer and Acceptance (DD Form 1513) and amendments thereof with a value of seven million dollars or more will be accompanied by a termination liability worksheet as part of the required financial analysis when the Letter of Offer and Acceptance is submitted to DSAA for countersignature. The purpose of this worksheet is to provide the Director, DSAA with information concerning the implementing agency's determination of and plan for the collection of an appropriate amount of funds to cover the liability that would accrue to the US Government should the sales agreement be terminated prior to normal completion. This worksheet is for internal management purposes and normally will not be furnished to the purchaser of the defense article or service.

b. The following information will be included on the worksheet:

(1) Deposit date. Normally quarterly in accordance with the schedule of payments.

(2) Total payment. Amount required to be deposited for both disbursements and reserves.

(3) Estimated disbursements. Anticipated payments to contractors or suppliers during the period.

(4) Contractor holdback. Amount earned by contractors or suppliers during the period but held back to ensure future performance.

(5) Termination reserve. Amount required to cover liability should the contract be terminated during the period.

(6) Remarks/computations. Appropriate comments concerning the methodology by which the data was determined.

c. Figure D-13 presents a format for use in presenting this termination liability reserve information. Entries for each date should show both the quarterly transactions and the cumulative totals.

d. These instructions do not apply to any cases for cooperative logistics (FMSO I and II), spare parts requisitions, training, and other equipment or services to be provided from Department of Defense inventories, or those programs for which termination liability requirements have been waived.

10. Direct Charges to FMS Cases

See Appendix 1, this chapter, for detailed discussion of certain estimated costs which will be presented on DD Form 1513 and case execution reports.

11. DD Form 1513-1—Amendment to Offer and Acceptance

a. Changing circumstances frequently require that changes be made to a completed Letter of Offer and Acceptance (DD Form 1513). To assure that FMS records reflect adjustments to program content in the fiscal year in which such changes occur, it is essential that we make all practical efforts to process new DD Form 1513's to provide for significant increases in scope to previously approved programs.

b. It is recognized that there are times when U.S. interests are best served by processing Amendments to cover small changes in scope, since administrative reasons sometimes preclude, or make difficult and costly, the preparation of new Letters of Offer. The Amendment to Offer and Acceptance (DD Form 1513-1) should be used to meet only minimum essential administrative needs. The amendment to Offer and Acceptance (DD Form 1513-1) may be used for minor changes in scope when such use of the form is essential for administrative reasons. Minor changes in scope occur most frequently for:

(1) Changes or requirements within FMS training cases.

(2) Minor changes in configuration of equipment previously ordered in an original Letter of Offer.

(3) Minor changes in scope due to omission in the original LOA of supporting equipment or services for major weapon systems previously sold.

(4) Increases in time of performance which result in an increase in cost.

(5) Increases in the estimated costs of a blanket order type case due to an increase in the amount of items purchased under this case.

(6) Extensions of the order period for blanket order type cases which cause an increase in estimated cost.

(7) Minor increases in quantity of a definitive quantity case.

(8) Changes in description which increases the item/service.

(9) Changes in terms or conditions (other than unilateral changes on the part of the USG), or a change of transportation delivery codes which result in increased costs to the customer.

(10) All revisions to FMSO I cases.

c. All changes in the scope of an existing Letter of Offer should be treated as a new FMS case unless minor changes in scope of the nature referred to in b(1) through (10) above occur which would, for administrative reasons, be more effectively handled as an amendment. When a new case is prepared on the basic DD Form 1513, a cross-reference to the previous FMS case may be made on LOAs issued due to an increase in scope.

d. The DD Form 1513-1 would be used only if the revision requires purchaser acceptance before implementation. If this revision is a unilateral change on the part of the USG to the terms and conditions of the LOA, or provides for the addition of a previously omitted pricing element or surcharge (except as indicated in para 11b(9)), which does not require purchaser acceptance, the DD Form

1513-2, Notice of Modification of Offer and Acceptance, should be provided the purchaser. (See Figure D-3).

e. Major changes in the scope of an existing LOA require the preparation of a new FMS case on the basic DD Form 1513 unless approval has been obtained from DSAA to utilize the DD Form 1513-1 Amendment. However, should major (or minor) changes in scope occur in the same fiscal year as that in which the original LOA was accepted by the purchaser and such amendment would also be accepted in the same fiscal year, use of the DD Form 1513-1 Amendment is permitted.

f. The percentage rate used for determining packing, crating and handling costs, general administrative costs, and supply arrangement costs should not be indicated in the applicable blocks. (This guidance also pertains to Other Estimated Costs (Block 26) should a percentage rate be applicable.)

g. All DD Forms 1513-1 which reflect an increase in excess of \$50,000 should be coordinated with the Director, DSAA Operations. Such increases will be recorded in the fiscal year the DD Form 1513-1 is accepted. DD Forms 1513-1 which reflect an increase of \$50,000, or less, shall be recorded in the year of the basic FMS case.

h. See Figure D-2 for detailed instructions on the filling in of the blocks on the DD Form 1513-1.

i. For record purposes, all DD Forms 1513-1 will have appended to them a copy of Annex A, General Conditions, which are part of the original case.

12. Pen & Ink Changes

a. "Pen & Ink" changes are modifications to a DD Form 1513 or DD Form 1513-1 authorized by the issuing agency prior to acceptance of the document. The change may be at the request of the purchaser or initiative of the issuing agency. The issuing agency

must authorize the pen and ink change by message or letter to the purchaser with a copy to SAAC. If the change authorizes a new offer expiration date or modified unit or total costs, DSAA/TC FMS Control Division must concur and be furnished a copy of the authorization.

b. Extensive changes should be made by issuance of a new DD Form 1513 or a DD Form 1513-1 rather than a pen and ink change.

13. DD Form 1513-2—Notice of Modification of Offer and Acceptance

a. This form is utilized to record modifications to an existing offer and acceptance, other than modifications which constitute a change in scope, except for decreases in scope due to a deletion of an item. (See paragraph c. and d. below for modifications which must be accomplished on a DD Form 1513-2.) Modifications which do affect the scope of the offer and acceptance (other than decreases) require either a new DD Form 1513 or a formal Amendment (DD Form 1513-1), as indicated in paragraph 9, above.

b. When the DD Form 1513-2 is used, acceptance by the foreign customer is not required, but merely acknowledgment of receipt to ensure that the Notice of Modification has been received by an authorized official. The DD Form 1513-2 should be used for changes in data which may be made unilaterally under an offer and acceptance (non-scope change).

c. The following modifications to a LOA or Amendment must be accomplished by use of a DD Form 1513-2. Such modifications require DSAA coordination and countersignature prior to dispatch to the foreign country.

(1) Price increases and related changes in payment schedules to a previous DD Form 1513 or Amendment thereto. DOD components issuing Letters of Offer will promptly and officially notify purchasers whenever the estimated total costs (Block 26 of the DD Form 1513) increase more than 10 percent. For such price increase notifications, to ensure that the country is fully aware of its

options with respect to the cancellation or reduction of the case, the following information, if applicable, should be included:

(a) The detailed reason for the increase.

(b) Status of contracting for this purchase—e.g., contract completed, contract still being negotiated, etc.

(c) The options that the country has, if any, with respect to avoiding the price increase (e.g., contract termination or reduction of quantities).

(d) The estimated financial consequences of selecting such options.

(e) Any time limits for notifying the USG of purchaser desire to cancel or reduce quantities.

(2) Deletions of items or decreases in the quantities of items to be sold. Notices to the purchasing country of such changes should be issued if the result is a decrease in the "total estimated costs" of over 10 percent.

(3) Changes initiated by the foreign country of terms (Block 27, DD Form 1513 and Block 28, DD Form 1513-1) from a type of assistance code (other than Z) to an FMS Credit Case (Code Z).

d. The following additional modifications to a Letter of Offer or Amendment must be made on a DD Form 1513-2, but such modifications do not require DSAA coordination or countersignature prior to dispatch to the foreign country.

(1) Changes or extensions exceeding 90 days of the delivery commitment date.

(2) Extensions of the ordering period for a blanket order type case provided there is no increase in the total estimated cost.

(3) Changes to transportation codes due to the requirement to use the DTS (e.g., shipment of hazardous and sensitive cargo, Chapter D., paragraph 6.a.), provided there is no increase in the total estimated cost.

(4) Clarifying notes which do not involve a change in the total estimated cost of the case.

(5) Changes in payment schedules to LOAs or Amendments on which the "total estimated costs" remain the same.

(6) Changes in Generic Codes.

e. Price increases or decreases discovered during case closure will be assessed the country during final billing. Issuance of a DD Form 1513-2 is not required in addition to the final billing.

f. All terms and conditions of an existing DD Form 1513 and any related Amendments thereto not specifically noted as being modified by the DD Form 1513-2 remain unchanged and in effect. For record purposes, all DD Forms 1513-2 will have appended to them a copy of Annex A, General Conditions, which are part of the original case.

g. The percentage rate used for determining packing, crating and handling costs, general administrative costs, and supply support arrangement costs should not be indicated in the applicable blocks. (This guidance also pertains to Other Estimated Costs (Block 20) should a percentage rate be applicable.)

h. If there is any doubt as to whether to use the DD Form 1513, DD Form 1513-1 or the DD Form 1513-2 in a particular case, that case should be promptly referred to DSAA Operations for determination. (Note: When a DD Form 1513-2 is signed for dispatch, appropriate change card(s) should be submitted to SAAC by DSAA for inclusion in the 1100 System.)

i. A DSAA RCS(Q) 1123 report will be submitted to DSAA on a quarterly basis 45 days after the end of each quarter of the fiscal year, and will include a listing of all cases for which the value of the DD Form 1513 has increased in value in excess of 10 percent, together with an explanation of the reason for the change. (A copy of the DD Form 1513-2 which informed the country of this increase, as required per paragraph 13.c(1) above, will be provided with this report.) This report will be submitted with the report on delivery schedule changes required by paragraph 4.c(2) of Chapter F. The format at Figure F-1, Chapter F, should be followed for this report.

j. See Figure D-3 for detailed instructions on the filling in of the blocks on the DD Form 1513-2.

14. Letters of Intent (LOI)

a. There are two form Letters of Intent: The DD Form 2012, used to finance procurement of long lead time items prior to the issuance of a DD Form 1513, Letter of Offer and Acceptance; and the DD Form 2012-1, used to finance procurement of long lead time items during the period between issuance of a DD Form 1513 and acceptance by the purchasing country.

b. As both forms contemplate a specified dollar limitation upon the liability of the purchasing country for the procurement of long lead time items, in order to comply with the requirements of the Arms Export Control Act, it is necessary that all cost-reimbursement contracts awarded to implement a Letter of Intent (procurement as well as research and development) include a Limitation of Cost or Funds contract clause (see DAR 7-203.3(a), 7-402.2 and 7-702.11). That clause may be deleted by contract amendment after Purchaser's signature of the DD Form 1513.

c. Use of the DD Form 2012 does not constitute authorization to take implementing action under such LOI in advance of compliance with the statutory reporting requirement of Section 36(b) of the AECA. The procedures prescribed in Appendix B of the MASM apply to any such LOI regardless of dollar amount, when it is contemplated that the DD Form 1513 will total \$25 million or more or for the sale of a major defense equipment for \$7 million or more. In the event that a Military Department is of the opinion that production scheduling requirements necessitate initiation of procurement of long lead time items in advance of full compliance with Section 36(b) of the Arms Export Control Act, the Military Department concerned shall, prior to transmitting a proposed LOI to a purchasing country, promptly forward its recommendations to the Director, DSAA, for a decision. If an exception is made by the Director, DSAA, a modified version of the DD Form 2012 will be provided to the Military Department by DSAA on a case-by-case basis.

d. DD Form 2012-2, Amendment to Letter of Intent, should be used for amending LOIs as provided for in paragraph 2(c) of DD Form 2012 and DD Form 2012-1.

e. Samples of these forms are at Figures D-13 through D-15.

15. Financial Annexes

Financial Annexes as supplemental finan-

cial terms and conditions to the DD Form 1513 will be prepared as outlined in Appendix C, Figures Appendix C-1 through Appendix C-8.

16. Obligational Authority

Obligational Authority will be approved, as necessary, by SAAC only after the receipt of the accepted FMS case and initial deposit, if required.

FINANCIAL ANALYSIS

CC _____
 Case _____
 System _____
 Case Line _____

Date prepared _____

PRICING TECHNIQUE

a. NSN _____

b. QTY _____

c. Source of Item (Check One) :

- (1) _____ Excess Inventory
- (2) _____ Inventory (without replacement)
- (3) _____ Inventory (replacement with same item)
- (4) _____ Inventory (replacement with improved item)
- (5) _____ Production
- (6) _____ Other

d. Source of Price (Check One) :

- (1) _____ Prime Contractor
- (2) _____ Prime and GFE Contractor
- (3) _____ Standard Price
- (4) _____ Major Subordinate Command Estimate
- (5) _____ Other (Explain)

e. Source of Unit Price _____

f. Adjusted Price (Explain source and computation in Remarks)

- (1) _____ Agent's Fees or Commissions
- (2) _____ Nonrecurring Costs (RDT&E)
- (3) _____ Nonrecurring Costs (Production)
- (4) _____ Replacement Costs
- (5) _____ Adjusted for Inflation
- (6) _____ Asset Use Charge
- (7) _____ Contractor Rental Payments for USG-owned Plant and Production Equipment
- (8) _____ Unfunded Costs
- (9) _____ Recurring Support Costs _____ Contract _____ Government
- (10) _____ First Destination Transportation
- (11) _____ Other (Explain)
- (12) _____ Total Adjustment.

g. Adjusted Unit Price _____

h. Source for Schedule of Payments

- (1) _____ Prime Contractor
- (2) _____ Prime and GFE Contractor
- (3) _____ Major Subordinate Command Estimate
- (4) _____ Other (Explain)

MILITARY ASSISTANCE AND SALES MANUAL—PART III

i. Comparison with other cases (12 months)

CC CASE UNIT PRICE RATIONAL FOR EVALUATION *

(1)

(2)

j. Remarks (Use Continuation Sheets, as necessary)

* If different from above adjusted unit price.

Figure D-12
(continued)

CHAPTER P

LEASES

1. Authority and Purpose**a. Use of Leases.**

Normally, the US Government makes defense articles available to foreign governments either by Foreign Military Sales under the Arms Export Control Act (AECA), or by Military Assistance Program grant under the Foreign Assistance Act of 1961. However, there may be exceptional instances in which a lease agreement will be the most appropriate method whereby US defense articles can be made available to eligible foreign countries or international organizations. Such arrangements are authorized under Chapter 6 of the AECA when it is determined that there are compelling foreign policy and national security reasons for providing such articles on a lease rather than a sales basis, and the articles are not for the time needed for public use. For example, a foreign government may desire to obtain a defense article for a short period under a lease for testing purposes to assist it in determining whether to procure the article in quantity. As another example, the US Government may only be able to respond to an urgent foreign requirement for defense property by making it available from inventory, but for national defense reasons cannot sell the property and must require its return to inventory after a specified term. Leases of defense articles to foreign countries or international organizations will be concluded under the AECA, Chapter 6; leases or loans to foreign countries, or international organizations under 10 USC 2667 are not authorized.

b. DOD Approval.

The approval of the Director, DSAA must be obtained before entering into a lease of a defense article with a foreign country or international organization by any DOD component. DOD components will advise DSAA and obtain DSAA concurrence before indicating to a foreign country or international organization that a lease is being favorably considered or is an available option. The cognizant DOD component will provide a Determination in the format at Figure P-1 under the cover memorandum at Figure P-2 for DSAA signature when the draft lease is provided to DSAA for coordination and countersignature.

c. Administration.

The administration of leases is delegated to the Military Department or DOD element logistically responsible for the defense article(s) being leased. An individual or activity will be assigned responsibility for administration during the lease period and for ensuring return/disposition of the defense article(s) upon expiration, or termination of the lease.

2. Lease Terms and Conditions**a. Lease Format.**

The basic lease format at Figure P-3 will normally be used for leases of defense articles to foreign countries or international organizations by DOD components. This format may be amended or expanded upon to cover special provisions, circumstances, or particular component practices or proce-

MILITARY ASSISTANCE AND SALES MANUAL—PART III

dures with approval of the appropriate legal offices of the DOD component concerned. The lease will not be provided on a DD Form 1513, but the DD Form 1513 will be used for the sale of associated articles and services, including any refurnishment of the defense article(s), required prior to, during, or after the lease period. The lease will be signed by the appropriate DOD component and provided to DSAA (Operations Directorate) for staffing and countersignature by the DSAA Comptroller prior to signature by the foreign country representative.

b. Lease Identification.

The cognizant DOD component will assign a tri-alpha designator to each lease, which is separate and distinct from the system for designating FMS cases. The designator will be developed as follows:

Country Code—DOD Component Identification—Tri-alpha Designator

For other than Military Department leases an X will be used for the DOD Component Identification.

c. Duration.

(1) Leases shall be for a fixed duration of time not to exceed five years and shall provide that, at any time during the leasing period, the USG may terminate the lease and require the immediate return of the defense article(s). Leases of less than five years may provide for renewals but the total lease period may not exceed five years. The lease period will normally begin when the foreign country signs the lease, unless the lease period is otherwise specified within the lease terms and conditions.

(2) Extensions of leases beyond five years by mutual agreement, are authorized; however, each extension will require the cognizant DOD component to submit a separate Determination to DSAA for staffing and signature, along with the revised lease to identify the terms and conditions of the extension. For those extensions which meet

the one year Congressional reporting requirement the DOD component will also provide to DSAA the required reporting data in the format at Figure P-4 at least 60 days prior to the projected date for providing the lease renewal to the foreign country or international organization.

(3) Existing leases under 10 USC 2667 may continue until expiration or termination. Extensions based on the provisions of 10 USC 2667 are not authorized. Where extensions or renewals are determined to be in the US public interest, the leasing provisions of Chapter 6 of the AECA will apply.

d. Loss, Destruction, or Damage.

Lease terms will make provision for payment for the loss or destruction of leased articles during the lease period in accordance with chapter 6, AECA. The lease terms will also require the lessee to pay the cost of restoration or replacement if the articles are damaged, lost, or destroyed while leased.

e. Rental Payment.

The country or international organization must pay in US dollars all costs incurred by the US Government in leasing such articles, including reimbursement for depreciation of such articles while leased (the rental payment). The charge for depreciation will be based on the current procurement value, actual acquisition cost (if known)/last procurement cost. If there is a current procurement contract in effect for the Military Department for an item which is identical to the property to be leased the current procurement price applies, adjusted as appropriate for condition; otherwise the actual or last procurement cost applies, adjusted as appropriate for condition and market value.

f. Exceptions.

The provisions of paragraphs 2d and 2e above shall not necessarily apply to leases entered into for purposes of cooperative research or development, military exercises, or

communications or electronics interface projects, or to any defense article which has passed three quarters of its normal service life. Where a DOD component recommends an application of authorized exceptions, authority will be requested from DSAA.

3. Coordination

a. Each proposed lease of defense materiel to a foreign government or international organization requires DOD authorization. The cognizant DOD component will prepare the proposed lease, and will forward it together with the proposed determination using the cover memorandum format at Figure P-2 for DSAA signature and State coordination. DSAA, Operations Directorate will assure appropriate coordination within OSD, including the DSAA Comptroller, Plans Directorate, and General Counsel, and with the Department of State. After completion of coordination, DSAA Comptroller will provide certification to the Congress as required by Section 62(a) of the AECA.

b. USG termination of a lease also requires the coordination process detailed in paragraph 3a above.

4. Congressional Reports

a. Certification Requirements.

(1) Under the provisions of Section 62(a) AECA all leases of defense articles to foreign countries or international organizations for a period of one year or longer must be reported to the Congress not less than 30 days before being entered into. In addition, Section 63(a) (1) provides that certain leases may not be entered into or renewed if the Congress within 30 calendar days after receiving the report required by Section 62(a) adopts a concurrent resolution stating that it objects to the proposed lease. Section 63, AECA, applies to certified leases of Major Defense Equipment (MDE) valued at \$14,000,000 or more, or defense articles valued at \$50,000,000 or more, except those for NATO, Japan, Australia or New Zealand.

(2) If a lease for less than one year is renewed one or more times so that the total period of the original lease and the renewal or renewals exceeds one year, the renewal which would cause the one year period to be exceeded must be reported to the Congress 30 days before being entered into. Renewals of a lease subsequent to a Congressional certification do not require new certifications, unless such renewals singly or cumulatively result in an extension of more than one year beyond the lease period previously reported and the original lease does not expressly provide for such renewals.

b. Certification Procedure.

Section 62(a) requires certification to the Speaker of the House of Representatives, the Chairman of the Committee on Foreign Relations of the Senate, and Chairman of the Committee on Armed Services of the Senate. Such certification must occur not less than 30 days before the lease agreement is entered into or renewed. To ensure submission of a timely certification, the cognizant DOD component will forward to the DSAA Operations Directorate the information in the format at Figure P-4 at least 60 days prior to the projected date for providing the lease, lease renewal, or amendment to the foreign country or international organization for acceptance. The DSAA Operations Directorate will coordinate the lease within OSD, including the DSAA Comptroller, DSAA Plans Directorate, DSAA General Counsel, and obtain Department of State approval. The DSAA Comptroller will inform the cognizant DOD component of approval by the Department of State. Within five days after being so informed, the DOD component will submit to the DSAA Operations Directorate the original lease or amendment and three copies, along with the original copy of the determination in the format at Figure P-1. The DSAA Operations Directorate will then provide the approved package to the DSAA Comptroller for submission of the Section 62(a) report to Congress using the format in Figure P-5 and the cover letters in Figures

P-6 thru P-8. At this time, the Military Department may, with coordination from the DSAA Operations Directorate, furnish the prospective lessee an unsigned copy of the lease under a cover letter in the format at Figure P-9 for leases which do not meet the Section 63 criteria, and Figure P-10 for leases which meet the criteria. Thirty days after the Congressional notification, the DSAA Comptroller will authorize the Military Department to enter into the lease. Immediately on signature of the lease by the parties, the Military Department will forward three copies of the signed lease to the DSAA Operations Directorate which will provide a copy to the DSAA Comptroller and SAAC.

5. Financial Arrangements

a. The tri-alpha lease designator will be used to track the lease in existing automated systems. Each lease will provide a schedule of payments where applicable for amounts due to the USGS on a quarterly basis beginning the end of the first month in which the foreign country receives the leased defense article(s). Billings to the foreign lessee will be based on this schedule of payments and included on a separate DD Form 645 with the country's quarterly FMS billing statement. The DOD component will assure that payment schedules are updated for any extensions, delivery schedule changes, or other amendments which may result in a change to the lease value or schedule of payments. Receipts from lease payments of costs under paragraph 2e will be deposited in the Miscellaneous Receipts Accounts by SAAC.

b. Use of FMS credits are not authorized for payments of lease costs specified in paragraph 2e. An administrative charge will not be applied to such leasing costs. When authorized by DSAA, FMS credit funds may be authorized for FMS cases prepared in support of a lease.

c. All costs incurred by the USG incident to the leasing arrangement, including the costs referred to in 2d, must be reimbursed

to the USG under a DD Form 1513. Such costs may cover but are not limited to: packing, crating, handling, transportation, and refurbishment of the leased articles prior to and/or upon termination of the lease.

6. Emergency Waiver of Congressional Reporting Requirement

Section 62(b) AECA authorizes waiver of the Congressional certification requirement described in paragraph 4 above, if the President determines and immediately reports to Congress that an emergency exists which requires that the lease be entered into immediately in the national security interests of the United States. In the event of such an emergency, DSAA will provide instructions to the cognizant DOD component as appropriate to the particular circumstances.

7. Reporting

a. A report in the format at Figure P-11 will be submitted, not later than 30 days after the end of each quarter, to the DSAA Operations Directorate by each DOD component which has unexpired leases under its cognizance. This report will identify leases entered into previously under the authority of 10 USC 2667 and Chapter 6 AECA; the report will identify statutory authority for the lease.

b. The SAAC will be able to provide on an as-required basis the financial status of each lease which indicates: country, lessee, defense article(s) leased, value of the leased property, funds collected and deposited or to be deposited to miscellaneous receipts, and amounts due.

8. US Navy Ships

For leases of US Navy ships, the guidance in Part I, Chapter E also applies. These leases will be provided to the DSAA Operations Directorate for coordination. All other ship transfer transactions will be provided to the DSAA Plans Directorate for

coordination. Chapter 6 of the AECA does not apply to leases of ships authorized in separate, specific legislation unless such legislation expressly so provides.

9. Loans

Loans of defense articles to foreign gov-

ernments or international organizations may be arranged under authority of Section 503 of the Foreign Assistance Act of 1961, in accordance with Part II, Chapter C, paragraph 4c. The reporting requirements in paragraphs 4 and 6 are applicable to such loans.

**DETERMINATION REGARDING THE LEASE OF (ARTICLE (S))
TO (COUNTRY OR INTERNATIONAL ORGANIZATION)
PURSUANT TO CHAPTER 6 OF THE ARMS EXPORT CONTROL ACT**

I hereby determine that _____ (and if applicable—
all associated nonexpandable support equipment, including, but not limited to, tools, ground
support equipment, test equipment and publications) are not for the time needed for public
use.

I further determine that there are compelling foreign policy and national security reasons for
providing such Defense Articles to the *(Country or International Organization)* on a lease
basis rather than on a sales basis under the Arms Export Control Act.

(Date)

(Signature)

Attachment
As stated

Concur: _____
State (PM)

Figure P-1

MEMORANDUM FOR THE DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

SUBJECT: Lease to (*Country or International Organization*) Under the Authority of Chapter 6, AECA

Attached is a draft lease (Encl 1) for your approval and countersignature, and a Determination (Encl 2) for your signature, which provide for the lease of (*identify article(s)*) to the (*identify country or International Organization*).

The (*DOD Component*) considers these defense articles are for the duration of the lease not needed for public use.

Recommend you approve the draft lease, and sign the Determination.

2 Attachments

as

Figure P-2

LEASE OF
BETWEEN
THE UNITED STATES GOVERNMENT
AND

This LEASE, made as of the (Date) between the United States Government (hereinafter called the "Lessor Government") represented by its Department of the and the GOVERNMENT OF (hereinafter called the "Lessee Government") represented by its (Ministry of Defense or applicable organization).

WITNESSETH:

WHEREAS, The Lessor Government has determined that (*article(s)*) and all associated nonexpendable support equipment (including but not limited to tools, ground support equipment, test equipment, and publications) (hereinafter referred to as the "Defense Articles") are not for the time needed for public use, and

WHEREAS, The Lessor Government has determined that there are compelling foreign policy and national security reasons for providing such Defense Articles on a lease basis rather than on a sales basis under the Arms Export Control Act, and

WHEREAS, This lease is made under the authority of Chapter 6 of the Arms Export Control Act.

NOW THEREFORE, The parties do mutually agree as follows:

1. In consideration of a rental charge as indicated in Schedule A, and the maintenance and other obligations assumed by the Lessee Government, the Lessor Government hereby leases to the Lessee Government and the Lessee Government hereby leases from the Lessor Government the Defense Articles for the period of _____ commencing on the date first above written and under the terms and conditions set forth in the General Provisions hereto annexed.

2. The Lessor Government shall deliver the Defense Articles to the Lessee Government at such time and place as may be mutually agreed upon. Such delivery shall be evidenced by a certification of delivery.

Figure P-3

MILITARY ASSISTANCE AND SALES MANUAL—PART III

IN WITNESS WHEREOF, Each of the parties hereto has executed this lease as of the day and year first above written.

THE UNITED STATES GOVERNMENT

COUNTRY OR INTERNATIONAL
ORGANIZATION

By _____

By _____

(Typed Name)

(Typed Name)

(Title)

(Title)

(Date)

(Date)

COUNTERSIGNATURE:

By _____

(Typed Name)

Director, Defense Security
Assistance Agency

(Title)

(Date)

**Figure P-3
(Continued)**

GENERAL PROVISIONS**(Intergovernmental Lease of Defense Articles)****1. Operations and Use**

a. Except as may be otherwise authorized by the Lessor Government and except for the purposes of transfer from and return to the Lessor, the Lessee Government shall keep the Defense Articles in its own possession, custody, and control and shall not transfer title to, or possession of, the Defense Articles to anyone not an officer, employee, or agent of the Lessee Government, and shall not permit any encumbrance or other third party interest in the defense articles.

b. The Lessee Government shall, except as may be otherwise mutually agreed in writing, use the items leased hereunder only:

(1) For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the Lessor Government and the Lessee Government;

(2) For the purposes specified in any bilateral or regional defense treaty to which the Lessor Government and Lessee Government are both parties, if subparagraph (1) of this paragraph is inapplicable.

(3) For internal security, individual self-defense, and/or civic action, if subparagraphs (1) and (2) of this paragraph are inapplicable.

c. To the extent that any Defense Articles may be classified by the Lessor Government for security purposes, the Lessee Government shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the Lessor Government, throughout the period during which the Lessor Government may maintain such classification. The Lessor Government will use its best efforts to notify the Lessee Government if the classification is changed.

2. Initial Condition. The Defense Articles are leased to the Lessee Government on an "as is, where is" basis without warranty or representation concerning the condition or state of repair of the Defense Articles or any part thereof or concerning other matters, and without any agreement by the Lessor Government to alter, improve, adapt, or repair the Defense Articles or any part thereof.

3. Conditioning and Transfer Costs. The Lessee Government shall bear the cost of rendering the Defense Articles operable and transferable, and of transferring the Defense Articles from the United States or other point of origin and back to the place of redelivery. In the event the Defense Articles are transported by vessel, only US flag vessels may be used, unless waived by the Lessor Government.

4. Inspection and Inventory. Immediately prior to the delivery of the Defense Articles to the Lessee Government, an inspection of the physical condition of the Defense Articles and an inventory of all related items may be made by the Lessor Government and the Lessee Government. A report of the findings shall be made which shall be conclusive evidence as to the physical condition of said Defense Articles and as to such items as of the time of delivery.

**Figure P-3
(Continued)**

A similar inspection, inventory and a report may be made upon the termination or expiration of this Lease. The findings of that report shall be conclusive evidence as to the physical condition of the Defense Articles and as to such items as of the date of termination or expiration of this Lease. At the election of the Lessor Government, the Lessee Government at its own cost shall either promptly correct any deficiency or rebuild, replace or repair any loss of or damage to the Defense Articles or compensate the Lessor Government for the restoration or replacement value, as determined by the Lessor Government, of such correction, rebuilding, replacement or repair. At the Lessor Government's option, the Lessee Government at its own cost will remove any alterations or additions to the Defense Articles or pay the Lessor Government the cost of such removal, as determined by the Lessor. In the absence of removal by the Lessee Government, title to any such alterations or additions shall vest in the Lessor Government.

5. Maintenance. The Lessee Government shall maintain the Defense Articles in good order, repair and operable condition and except as provided in paragraph four, shall upon expiration, or termination of this Lease return the Defense Articles in operable condition and in as good condition as when received, normal wear and tear excepted.

6. Risk or Loss. All risk or loss of or damage to the Defense Articles during the term of this Lease and until their return to the place of redelivery shall be borne by the Lessee Government.

7. Indemnification. The Lessee Government renounces all claims against the Lessor Government, its officers, agents, and employees arising out of or incidental to transfer, possession, maintenance, use or operation of the Defense Articles or facilities and will indemnify and hold harmless the Lessor Government, its officers, agents, and employees for any such claims of third parties.

8. Alterations. The Lessee Government shall not make any alterations or additions to the Defense Articles without prior consent of the Lessor Government. All such alterations or additions shall become the property of the Lessor Government except items which can be readily removed without injury to the Defense Articles and are removed by the Lessee Government prior to redelivery of the Defense Articles. As a condition of its approval of any alteration or addition, the Lessor Government may require the Lessee Government to restore the Defense Articles to their prior condition.

9. Termination. This Lease may be terminated without cost to the Lessor Government:

- a. By mutual agreement of the parties;
- b. By the Lessee Government on 30-day's written notice; or
- c. By the Lessor Government at any time. The Lessee Government shall immediately return the leased Defense Articles at the direction of the Lessor Government.

10. Place of Redelivery. Upon expiration termination of this Lease, the Defense Articles shall be returned to the Lessor Government (at _____, or as mutually agreed).

Figure P-3
(Continued)

11. Title. Title to the Defense Articles shall remain in the Lessor Government. The Lessee Government may, however, place the Defense Articles under its Flag, or display its national insignia when appropriate.

12. Reimbursement for Support. The Lessee Government will pay the Lessor Government for any services, spare parts, materials, or other support furnished for the Defense Articles by the Lessor Government at the Lessee Government's request pursuant to foreign military sales procedures under the Arms Export Control Act.

13. Covenant Against Contingent Fees. The Lessee Government warrants that no person or selling agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage or contingent fee.

14. Officials Not to Benefit. No Members of or Delegate to Congress of the United States, or Resident Commissioner of the United States, shall be admitted to any share or part of this Lease or to any benefit that may arise therefrom.

15. Proprietary Rights. The Lessee Government will insure, by all means available to it, protection of proprietary rights in any Defense Article and any plans, specifications, or information furnished, whether patented or not.

16. Costs of Lessor Government. The Lessee Government agrees to pay in United States dollars all costs incurred by the Lessor Government in leasing the Defense Articles covered by this Lease, including without limitation reimbursement for depreciation of such Defense Articles while leased, the costs of restoration or replacement if the Defense Articles are damaged while leased, and the replacement costs (less any depreciation in the value) of the Defense Articles if the Defense Articles are lost or destroyed while leased, as identified in Schedule A.

Figure P-3
(Continued)

SCHEDULE A
TO
LEASE AGREEMENT

BETWEEN

THE UNITED STATES GOVERNMENT, DEPARTMENT OF THE (LESSOR)

AND

THE GOVERNMENT OF (LESSEE)

This Lease Agreement authorizes the use of U.S. Government property identified herein:

QTY	NSN	REPLACEMENT COSTS		RENTAL CHARGE (INCLUDING DEPRECIATION) PER (MONTH, QUARTER OR YEAR)
		UNIT VALUE	TOTAL VALUE	
A.				
B.				
C.				
D.				
E.				

TOTAL VALUE

QUARTERLY RENTAL PAYMENTS:

QUARTER/FY DUE _____ AMOUNT

Figure P-3
(Continued)

MEMORANDUM FOR THE DIRECTOR FOR OPERATIONS, DSAA

SUBJECT: Certification to Congress of a Lease Under the Authority of Chapter 6, AECA

The following information is provided in connection with the reporting requirement of Section 62(a) of the Arms Export Control Act.

- a. Country or International Organization:
- b. DOD Component:
- c. Total Value (in terms of replacement cost or other methodology used):
- d. Type and Quantity of Equipment (segregate the MDE, indicating value):
- e. Security Classification:
- f. Duration of Lease:
- g. Summary of Lease Terms:
- h. Total Rental/Depreciation:
- i. DOD Component Responsible for Administering Lease:
- j. Estimated Date Lease and Determination Will Be Provided to DSAA:
- k. Justification and Reason Why Defense Article(s) are Being Leased Rather Than Sold Under FMS:

Figure P-4

Change No. 7, 15 July 1982

P-14

TRANSMITTAL NO. (NUMBER) — (YEAR)
NOTICE OF PROPOSED LEASE PURSUANT TO SECTION
62 OF THE ARMS EXPORT CONTROL ACT

- (i) *Prospective Lessee:*
- (ii) *Description of Articles Provided:* (Type and Quantity)
- (iii) *Total Estimated Value:* (In terms of replacement cost)
- (iv) *Terms and Duration of Lease:*
- (v) *Justification:* (Including explanation of why defense article is being leased rather than sold)
- (vi) *Date Delivered to the Congress:* (To be inserted by DSAA)

Figure P-5

In reply refer to:
I- ct

Honorable
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 62(a) of the Arms Export Control Act, we are forwarding herewith Transmittal No. (#-Yr).

This transmittal concerns the Department of (*MilDept or DOD activity*) proposed lease of defense articles to (*country*).

Sincerely,

Attachments
as

Figure P-6

In reply refer to:
I- ct

Honorable
Chairman, Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to the reporting requirements of Section 62(a) of the Arms Export Control Act, we are forwarding herewith Transmittal No. (#-Yr).

This transmittal concerns the Department of (*MilDept or DOD activity*) proposed lease of defense articles to (*country*).

Sincerely,

Attachments

as

Figure P-7

Change No. 7, 15 July 1982

P-17

In reply refer to:
I- ct

Honorable
Chairman, Committee on Armed Services
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to the reporting requirements of Section 62(a) of the Arms Export Control Act, we are forwarding herewith Transmittal No. (#-Yr).

This transmittal concerns the Department of (*MilDept or DOD activity*) proposed lease of defense articles to (*country*).

Sincerely,

Attachments
as

Figure P-8

Change No. 7, 15 July 1982

P-18

Dear

Enclosed for consideration and analysis by your (*Government/Organization*) is an unsigned advance copy of a lease.

Section 62 of the Arms Export Control Act requires certification be given to the Congress of the United States at least 30 days prior to entering into a lease of one year or longer.

The Department of Defense is this date transmitting to the Congress the required certification. You will be advised if any delays arise which would prevent us from providing the signed lease to your (*Government/Organization*) on (*date.*)

Should your (*Government/Organization*) wish to accept this lease, it should await receipt of the signed lease.

Sincerely,

Enclosure

as

Figure P-9

Change No. 7, 15 July 1982

P-19