



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D.C. 20301

1 May 1980

In reply refer to:
Transmittal No. 4
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

Attached are revisions to the MASM which incorporates previously issued guidance.

Highlights of this transmittal include chapters on Glossary of Terms and Abbreviations, Security Classification and Release of Information, Military Articles and Services List (MASL) Guidance, Machine Readable Codes, Eligibility for FMS, FMS Policies Guidelines and Restrictions, General Procedures, Preparation & Processing of FMS Transactions, Implementation of FMS, Management of the Ceiling on Weapons & Weapons Related Items, Major Defense Equipment List, and Procedures for Processing FMS LOAs Which Must be Reported to Congress.

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 the following correspondence/messages:

Correspondence:

- DSAA Memorandum I-3255/79, 30 August 1979, Subject: Part I, Glossary of Terms and Abbreviations, Part III, Chapter C - General Procedures, Chapter D - Preparation & Processing of FMS Transactions (Memorandum Change No. 15)
- DSAA Memorandum I-10240/79, 14 November 1979, Subject: Part III, Chapter C - General Procedures, Chapter D - Preparation & Processing of FMS Transactions (Memorandum Change No. 12)
- DSAA Memorandum I-10384/79, 4 December 1979, Subject: Part III, Appendix A - Major Defense Equipment List (Memorandum Change No. 14)
- DSAA Memorandum I-10366/79, 5 December 1979, Subject: Part III, Chapter D - Preparation & Processing of FMS Transactions, Chapter F - Implementation of Foreign Military Sales (Memorandum Change No. 13)
- DSAA Memorandum I-10610/79, 17 December 1979, Subject: Part III, Appendix B - Procedures for Processing FMS LOAs Which Must be Reported to Congress
- DSAA Memorandum I-102/80, 31 January 1980, Subject: Part I, Chapter G - Security Classification & Release of Information, Part III, Chapter C - General Procedures (Memorandum Change No. 17)
- DSAA Memorandum I-12806/79, 2 February 1980, Subject: Part III, Chapter B - FMS Policies, Guidelines and Restrictions, Chapter C - General Procedures, Chapter D -

Preparation & Processing of FMS Transactions, Chapter M - Management of the Ceiling on Weapons & Weapons Related Items, Appendix B - Procedures for Processing FMS LOAs Which Must be Reported to Congress (Memorandum Change No. 16)

DSAA Memorandum I-172/80, 13 February 1980, Subject: Part III, Chapter B - FMS Policies, Guidelines & Restrictions, Chapter C - General Procedures, Chapter D - Preparation & Processing of FMS Transactions (Memorandum Change No. 18)

Messages:

SECDEF 8039/DTG 270025Z NOV 79, Subject: Part III, Chapter C - General Procedures, Chapter D - Preparation & Processing of FMS Transactions (Transmitted Memorandum Change No. 12)

SECDEF 5146/DTG 122116Z DEC 79, Subject: Part III, Chapter D - Preparation & Processing of FMS Transactions, Chapter F - Implementation of Foreign Military Sales (Transmitted Memorandum Change No. 13)

SECDEF 4052/DTG 131544Z MAR 80, Subject: Part III, Chapter A - General Procedures

SECDEF 4530/DTG 191302Z MAR 80, Subject: Part III, Chapter A - General Procedures

Ernest Graves

ERNEST GRAVES

Lieutenant General, USA

Director,

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Attachments

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

LIST OF CHANGES

Remove and insert the following portions of your current MASM:

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

PART II -

(1) Chapter E - Page E-8a - para 9.e.(3)(j) - delete "(NIH)" from 1st line.

(2) Chapter F - Page F-17 - para 5.a. - 12th line from top of para - change "\$150" to "\$250." Page F-19 - para 6.a.(1)(a) - 2nd and 4th lines - change "\$150" to "\$250." Para 6.a.(2)(a) - 2nd line - change "\$150" to "\$250." 2nd column - 4th line from top of column - change "\$150" to "\$250." Para 6.a.(4)(a) - 4th line from bottom of para - change "\$150" to "\$250."

PART III -

(1) Chapter D - Page D-27 - Figure D-5 - add the following matrix entry - "Administrative Charge in Event of Cancellation" - "X" all boxes under the heading "Type of Materiel/Services Sold."

Transmittal No. 4

NOTE: Correction to List of Changes:

PART III - add "F-3 - F-6" under both columns.

MILITARY ASSISTANCE AND SALES MANUAL

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services that do not constitute investment costs, and administrative costs associated with overall program management and administration.

Orientation Tours

Tours arranged for key foreign personnel for the purpose of orientation and indoctrination.

Paramilitary Forces

Forces or groups which are distinct from the regular armed forces of any country, but resembling them in organization, equipment, training, or mission.

Personal Property

Property of any kind or any interest therein, except real property, records of the U.S. Federal Government, and Naval vessels of the following categories: battleships, cruisers, aircraft carriers, destroyers and submarines.

Pipeline

That portion of (a) approved and funded MAP articles and services, and (b) accepted FMS orders for defense articles and services, for which delivery, either constructive or actual, has not occurred, or services have not been rendered.

Planning, Programming, Budget System (PPBS)

An integrated system for the establishment, maintenance, and revision of the Five Year Defense Plan (FYDP) and the DOD budget.

Program Decision Memorandum (PDM)

A document which provides Secretary of Defense decisions on the Program Objectives Memorandum (POM) and the Joint Forces

Memorandum (JFM).

Program Line

A single line of data representing a requirement for articles or services in a military assistance program.

Program Objectives Memorandum (POM)

Memorandum prepared annually by the DASD (ISA) SA which recommends total resource requirements within the fiscal guidance established by the Secretary of Defense.

Progress Payments

Those payments made to contractors or DOD industrial fund activities as work progresses under a contract, on the basis of cost incurred or percentage of completion, or of a particular stage of completion, accomplished prior to actual delivery and acceptance of contract items.

Public Law 480 (PL 480) Funds (Sec. 104(c))

Foreign currencies derived from sale of surplus agricultural commodities under Title I, P.L. 480, Agricultural Trade and Development Act of 1954, as amended. Sec. 104(c) authorizes these foreign currencies to be used for procuring equipment, materials, facilities, and services for the common defense including internal security.

Purchase Approval

Approval issued by DSAA for DOD which permits the country to utilize the credits extended under the Credit Agreement to finance the purchase of agreed to defense articles and defense services.

Reappropriation

MAP or IMETP funds which at the end of the fiscal year are not reserved or obligated and are customarily made available by the Congress for use in the subsequent fiscal year.

Recoupments

Adjustments or cancellations of outstanding MAP orders in prior year program accounts which generate additional funds for the current year operations.

Redistributable MAP Property

All MAP personal property which has been declared, by the recipient government to the United States, as no longer needed for the purposes for which furnished and which meets the criteria for utilization screening as prescribed in Chapter B Part II.

Rehabilitation Cost

See Value.

Reimbursements

Funds realized from the sale of MAP owned property, such funds being deposited to MAP accounts and available for programming.

Routing Identifier (RI)

Machine Readable Code—See MILSTRIP Routing Identifier Code, Appendix A Part I.

Secondary Item Line

A dollar value line encompassing items of equipment (e.g., "Other Support Equipment"), as distinct from a dollar value line encompassing commodities or components, parts and accessories.

Security Assistance

For the purpose of this manual, the term Security Assistance includes all DOD activities carried out under the authority of the AECA, or FAA, or related appropriation acts and other related statutory authorities.

Security Supporting Assistance

Funds used to finance imports of commodities, capital, or technical assistance, provided either as a grant or loan in accordance with terms of a bilateral agreement; counterpart funds thereby generated may be used as budgetary support. Most such funds are used to enable a recipient to devote more of its own resources to defense and security purposes than it otherwise could do without serious economic or political consequences. Replaces term "Economic Supporting Assistance."

Services

Services include any service, repair, training of personnel, or technical or other assistance or information used for the purpose of furnishing non-military assistance. (Sec. 644(k), FAA)

Supply Operation Costs

Refers to the categorization of those costs which are related to the procurement and issue of materiel and excess articles delivered to MAP and FMS recipients but not included in the standard prices of the materiel. These costs include packing, crating, handling and transportation expenses incurred in the issue and transfer of materiel; and logistics management expenses (exclusive of military pay and allowances) incurred by activities in the areas of procurement operations, supply management, requisition control and processing, and related services.

Termination Liability Reserve

Termination liability reserve is that amount collected from a purchaser and held in escrow in anticipation of any liability that would accrue to the US Government should a partic-

ular case or program be terminated prior to the normal completion of the contract. The reserve is not always a constant amount but must be adjusted regularly as contracts are awarded, work progresses, payments are received, and deliveries are made.

Third Country Training

Training provided under U.S. supervision outside the CONUS in a country other than the country of program. Training may include U.S. assistance for costs of normal student travel and living allowances.

TLA

Travel and Living Allowance.

Total Obligation Authority (TOA)

The total financial requirements of the Five Year Defense Program, or any component thereof, required to support the approved program of a given fiscal year.

Training (FMS)

Formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces. (Sec. 47(5), AECA)

Training (Grant Aid)

International Military Education and

Training (IMET) includes formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aids, orientation, and military advice to foreign military units and forces. (Sec. 644(n), FAA)

Value

A. Excess Defense Articles

(1) With respect to an excess defense article, the actual value of the article plus the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying the article, except that for purposes of Section 632(d) such actual value shall not be taken into account:

(a) For major items the pricing guidance contained in DOD Instruction 2140.1 may be used to determine the value of EDA.

(b) For secondary items the inventory standard stock price is to be used.

(2) With respect to a non-excess defense article delivered from inventory to foreign countries or international organizations under this Act, the acquisition cost to the United States Government, adjusted as appropriate for condition and market value;

(3) With respect to a non-excess defense article delivered from new procurement to foreign countries or international organizations under this Act, the contract or production costs of such article, and;

(4) With respect to a defense service, the cost to the United States Government of such service.

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b. 1100 System

A single digit alpha code which is entered in column 13 of FMS transaction cards by DSAA during weekly update processing of the master file. The action code contained in a card returned to the reporting element indicates whether the card data was posted to the master file, or whether the card was rejected and must be corrected and resubmitted. Cards may be rejected during manual and/or computer edit, MASL match, or the update process. The action code applied will indicate only the first error encountered in this sequence of machine processing, and does not mean that another error condition would not be revealed in the subsequent processing step. Action codes are as follows:

<i>Code</i>	<i>Meaning</i>
A -----	The card has satisfied all edit, MASL match and update criteria, and has been posted to the FMS master file.
B -----	Quantity purchased field is blank for an item which is not a dollar line (unit of issue XX) in the MASL.
C -----	D card contains both purchase and delivery data.
D -----	An add (1, 2, or 4) card which contains the same data in control fields as an entry already in the FMS master file. Control fields are: Country Code, Implementing Agency, Case Number and Record Serial Number.
E -----	Used when a 4 card is processed containing a "C" in completed line code and purchases and deliveries are not equal.
G -----	Used when an A card containing status code C is processed, and case value and deliveries are not equal. Cases cannot be closed until this imbalance is corrected.
H -----	Used when an A card containing status code C is processed and: (1) the case is not in status I or (2) no deliveries have been posted.
I -----	Used in any of the following situations: (1) B, 4, D or 6 card entered for a case which is closed (status C). (2) "A" card attempting to change something other than case status or description for a case which is closed (status C).
L -----	Duplicate cards (other than Card A or D) with the same control data in the same submission. The other card which

<i>Code</i>	<i>Meaning</i>
M -----	Generic Code and National Stock Number do not match the MASL.
N -----	Used in any of the following situations: (1) A change (A, B or D) or delete (5 or 6) card which does not match the control fields of a case or item detail record in the FMS master file. (2) An item detail add card (Card 4) which does not match the control fields of a case record.
O -----	This is not an error but a warning that the case has been changed to an earlier status (e.g., E to O, I to A, etc.).
P -----	Value reported delivered, with no quantity delivered, when unit of issue is not XX and partial shipment code is not punched in Card 4 or D reporting the delivery or previously entered in the file.
Q -----	Quantity reported as delivered exceeds the quantity purchased figure in the FMS master file record. This is a warning, the transaction is successfully processed.
T -----	Used in either of the following conditions: (1) Card 1 submitted without Card 2, or Card 2 was rejected. (2) Card 2 submitted without Card 1, or Card 1 was rejected.
X -----	Card rejected erroneously. Resubmit with no change.
Y -----	Input card contains an invalid code, or is blank or incomplete in a required field.
V -----	Value delivered exceeds purchases. This is a warning, the transaction is successfully processed.

4. Area Code—All Systems

The area code is a single digit numeric code assigned as supplemental data in the master file for use in selecting and sorting data by geographical area.

1 -----	East Asia and Pacific
2 -----	Near East and South Asia (NESAs)
3 -----	Europe and Canada
4 -----	Africa
5 -----	American Republics (Latin America)
7 -----	Non-Regional

5. Calendar Dates—1100 System

Calendar year and numerical dates, i.e., Julian dates, are internally converted to

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seven digit calendar dates for printing in output products of the system. Offer date, offer expiration date, acceptance date and implementation date are converted for output. For example, a converted date is displayed as 10 Apr 78.

6. Card Code

a. 1000 System

The card code identifies each card used in the system as follows:

Code	Explanation
3 -----	Program Addition Card (Materiel and Services—MAP)
4 -----	Program Addition Card (IMETP)
5 -----	Approval Card (Materiel and Services—MAP)
6 -----	Approval Card (IMETP)
8 -----	Performance Card (Delivery/Expenditure—Materiel and Services—MAP)
P -----	Increase/Decrease/Other Data Element Change Card (Materiel and Services Other Than Training)
Q -----	Increase/Decrease/Other Data Element Change Card (Training)
R -----	Program Deletion (All Articles and Services)

b. 1100 System

A series of single digit alpha and numeric codes used to identify the nine different cards used in the FMS reporting system. The numeric codes identify cards used to add or delete case records and item detail lines. Except for the Q card, the alpha codes identify cards used to make changes to existing case or item detail lines and to post delivery data. Card Codes are as follows:

Code	Explanation
1 -----	Card 1 is the first of a card pair used to add a new case to the master file. Submission must be in conjunction with Card 2. The 1-2 card submission is normally made immediately upon DSAA countersignature and forwarding of a formal offer on DD Form 1513 to the representative of a foreign government or international agency.

Code	Explanation
A -----	Card A is normally used to report changes of status in a case and to provide the dates of acceptance and implementation. It may be used to change any data previously entered by a Card 1 submission.
2 -----	Card 2 is the second in the card pair used to add a new case record to the master file. It contains case classification, the value of the case and ceiling management related codes.
B -----	Card B is used to report changes to data previously entered by the Card 2 submission.
4 -----	Card 4 is used to enter item detail information for a case when it is offered (Status Code O is reported). The item detail card provides the generic code and national stock number or pseudo NSN of the materiel or service sold. These codes must match corresponding codes in the MASL. In addition, the card indicates quantity purchased and total price of the item; and, when the sales agreement so specifies, the date by which the U.S. is committed to deliver the last item of the total quantities ordered. The card 4 also contains fields for reporting delivery status. In the normal circumstance, when item detail for a new case is being reported, the fields for delivery data are left blank.
D -----	Card D is used to effect changes to identification (generic code, NSN), quantity, value, or commitment date for item detail previously posted to the master file. It is also used for reporting delivery forecast date and delivery status. Deliveries are reported monthly if there has been a change in deliveries since the previous month. Cumulative deliveries are always reported.
5 -----	Card 5 is used to delete an entire case record. Processing of this card removes from the master file all data previously posted for the case and accompanying item detail records. This code is used principally to correct an error in the control fields (implementing agency, country code, and case number), since these fields cannot be corrected by submission of alpha coded change cards.
6 -----	Card 6 is used to delete a single line of item detail previously posted to a case. Control fields for an item detail record are those stated above for a case record, with the addition of the Record Serial Number (RSN) field.

Figure H-2 (continued)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
B					
3	Missile Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----			X	See list below for specific missiles.
The following codes will be used by the Military Departments when submitting MASL data for ground launched missiles or associated dollar lines:					
A.	Nike	G. Pershing	N. Lance		
B.	Redeye	H. Entac	P. Stinger		
C.	Hawk	J. Tow	R. Chaparral		
D.	Mauler	K. Dragon	S. Shillelagh		
E.	Jupiter	L. Lacrosse	V. Viper		
F.	Sergeant	M. Thor			
The following codes will be used by the Military Departments when submitting MASL data for air launched missiles or associated dollar lines:					
A.	Shrike	N. Falcon	W. Sparrow		
B.	Harm	R. Sidewinder	Y. Matador		
C.	Standard Arm	S. Bullpup			
D.	Standard	T. Phoenix			
F.	Aerial Target Missile	V. Corporal			
The following codes will be used by the Military Departments when submitting MASL data for sea launched missiles or associated dollar lines:					
	K. Polaris				
	P. Terrier				
	Q. Tartar				
	R. Harpoon				
	W. Seasparrow				
4	Q Drones -----	FSC 1520 & 1550 -----		X	
8	<i>Multipurpose Missile Equipment</i>				
A	Multipurpose Missile Equipment (includes FAAR) -----			X	X
B	Multipurpose Missile Equipment Parts (includes FAAR) -----				X
9	<i>Missile Spares and Spare Parts</i>				
A	Guided missile parts -----	FSG 14 & FSC 1190, 1195, 4935 -----			X
B	Guided missile warhead components -----	FSC 1336, 1337, 1338 -----			X
C	Free missile parts -----	FSC 1055, 1190, 1195, 1340 -----			X

Figure H-2 (continued)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
C SHIPS					
1	<i>Warships</i>				
A	Destroyer (DD) -----	FSC 1905 -----	X		
B	Submarine (SS) -----	FSC 1905 -----	X		
C	Ocean Escort (DE) -----	FSC 1905 -----	X		
D	Light Aircraft Carrier (CVL) -----	FSC 1905 -----	X		
E	Light Cruiser (CL) -----	FSC 1905 -----	X		
F	Guided Missile Frigate -----	FSC 1905 -----	X		
2	<i>Amphibious Ships</i>				
A	Tank landing ship (LST) -----	FSC 1905 -----	X		
B	Medium landing ship (LSM/LSSL) -----	FSC 1905 -----	X		
C	Medium landing ship, rocket (LSMR) -----	FSC 1905 -----	X		
D	Utility landing craft (LCU) -----	FSC 1905 -----	X		
E	Transport (AKA/AP/APA/APC/APD) -----	FSC 1910 -----	X		
3	<i>Mine Warfare Ships</i>				
A	Coastal minelayer (MMC) -----	FSC 1905 -----	X		
B	Ocean minesweeper (MSO) -----	FSC 1905 -----	X		
C	Coastal minesweeper (MCS) -----	FSC 1905 -----	X		
D	Inshore minesweeper (MSI/MSB) -----	FSC 1905 -----	X		
E	Fleet minesweeper (MSF) -----	FSC 1905 -----	X		
G	Mine countermeasure support (MCS) -----	FSC 1905 -----	X		
H	Auxiliary mineplanter (YMP) -----	FSC 1905 -----	X		
4	<i>Patrol Ships</i>				
A	Patrol frigate (PF) -----	FSC 1905 -----	X		
B	Patrol craft (PC) -----	FSC 1905 -----	X		
C	Patrol craft escort (PCE) -----	FSC 1905 -----	X		
D	Patrol gunboat (PGM) -----	FSC 1905 -----	X		
E	Seaward defense craft (SDC) -----	FSC 1905 -----	X		
F	Fast patrol boat (FPB) -----	FSC 1905 -----	X		
G	Patrol torpedo boat (PT) -----	FSC 1905 -----	X		

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 11652 (Classification and Declassification of National Security Information and Material), and provided by the Department of State, for classification and release of Security Assistance information for the purpose of protecting the United States foreign relations. Security Assistance information will be classified for national security purposes in accordance with the criteria of this chapter and of DOD 5200.1-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 5105.38-M), DECLASSIFY ON
DELIVERY OF CONGRESSIONAL PRESENTATION
DOCUMENT TO CONGRESS."

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(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, paragraph (1).

(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)."**

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- Q. Vehicle/Personnel landing craft (LCVP)
- R. Surveying ship (AGS)
- S. Land craft repair ship (ARL)
- T. Large harbor tug (YTB)
- V. Repair ship (ARB)
- W. Submarine tender (AS)
- X. Floating drydocks (AFDL/ARD)
- Z. Miscellaneous boats and craft
- 6. Ships Support Equipment
 - A. Ship Overhaul/Modernization/Construction in Country
 - B. Shipbuilding Cost Share
 - C. Alarm Signal System
 - D. Power Transmission equipment
- 9. Ships Spares and Spare Parts
 - A. Ship Spare Parts, Components and Accessories
- D. COMBAT VEHICLES
 - 1. Armored Carriers
 - A. Personnel Carrier, full track
 - B. Personnel Carrier, half track
 - C. Armored Car
 - D. Cargo Carriers
 - E. Weapon Carriers
 - 2. Self-Propelled Artillery
 - A. Anti-aircraft
 - B. Anti-tank
 - C. 105 mm howitzer
 - D. 155 mm howitzer
 - E. 4.2 inch mortar
 - F. 8 inch howitzer
 - G. 175 mm gun
 - Z. Other self propelled artillery
 - 3. Tanks
 - A. Light tank
 - B. Medium tank
 - 4. Tank Recovery Vehicles
 - A. Tank Recovery Vehicle
 - 5. Other Combat Vehicles
 - A. High Speed Tractors
 - B. Amphibious Landing Vehicles
 - C. Tank Mounted Bulldozers
- E. TACTICAL AND SUPPORT VEHICLES
 - 1. Semi-trailers
 - A. Tank
 - B. Stake
 - C. Van
 - D. Low bed
 - E. Transporter
 - Z. Other semi-trailers
 - 2. Trailers
 - A. Cargo
 - B. Tank
 - C. Ammunition
 - D. Fuel Service
 - E. Low bed
 - F. Fat bed
 - G. Bolster
 - H. Dolly
- Z. Other trailers
- 3. Trucks
 - A. ¼ ton cargo
 - B. ¼ ton ambulance
 - D. ¾ ton cargo
 - E. ¾ ton ambulance
 - G. 1 ton cargo
 - K. 2½ ton cargo
 - L. 2½ ton dump
 - M. 2½ ton special purpose
 - N. 2½ ton tank
 - Q. 2½ ton truck-tractor
 - R. 2½ ton wrecker
 - T. 5 ton cargo
 - U. 5 ton dump
 - W. 5 ton truck-tractor
 - X. 5 ton wrecker
 - Z. Other trucks
- 4. Support Vehicles
 - A. Station Wagon
 - B. Sedans
 - C. Buses
 - D. Motorcycles/motor scooters
 - E. Ambulance
 - F. Commercial trucks
 - Z. Other support vehicles
- F. WEAPONS
 - 1. Weapons, up to 75 mm
 - A. Pistols
 - B. Carbines
 - C. Rifles
 - E. Sub-Machine Guns
 - F. Machine Guns
 - G. Mounts
 - H. Shotguns
 - J. Sub-caliber weapons
 - K. Anti-aircraft guns
 - L. Launchers
 - M. Mortars
 - Z. Other weapons, up to 75 mm
 - 2. Artillery, 75 mm and over
 - A. 75 mm guns
 - B. 76 mm guns
 - C. 90 mm guns
 - D. 105 mm guns
 - E. 155 mm guns
 - F. 175 mm guns
 - G. 75 mm howitzer
 - H. 105 mm howitzer
 - J. 155 mm howitzer
 - K. 8 inch howitzer
 - L. 75 mm recoilless rifles
 - M. 90 mm recoilless rifles
 - N. 105 mm recoilless rifles
 - P. 106 mm recoilless rifles
 - Q. 120 mm recoilless rifles
 - R. 155 mm recoilless rifles
 - S. 81 mm mortars
 - T. 107 mm/4.2 inch mortars

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- U. 120 mm mortars
- Z. Other weapons, 75 mm and over
- 3. Naval Ordnance Weapons
 - A. 20 mm mounts
 - B. 40 mm mounts
 - C. 3 inch/50 mounts
 - D. 5 inch/25 mounts
 - E. 5 inch/38 mounts
 - F. 5 inch/54 mounts
 - G. Loading machines, all calibers
 - H. Torpedo launchers
 - J. Depth Charge launchers
 - K. ASW rocket launchers
 - L. Harbor nets, booms, and buoys
 - M. Degaussing and minesweeping equipment
 - N. Naval fire control directors
 - P. Naval fire control computing sights
 - Q. ASW fire control systems
 - R. Gun fire control systems
 - S. Torpedo fire control systems
 - T. Submarine fire control systems
 - U. Target designating systems
 - V. Fire control radar
 - Z. Other naval ordnance weapons
- 4. Other Weapons
 - A. Chemical weapons and equipment
 - B. Camouflage and deception equipment
 - D. Fire control equipment other than aircraft and naval ordnance
 - Z. Miscellaneous other weapons and interchangeable assemblies
- 9. Weapon Spare Parts, Components and Accessories
 - A. Weapons
 - B. Naval Ordnance weapons
- G. AMMUNITION
 - 1. Ammunition up to 75 mm and Grenades
 - A. 22 caliber
 - B. 30 caliber
 - C. 7.62 mm
 - D. 38 caliber
 - E. 45 caliber
 - F. 50 caliber
 - G. 60 caliber
 - H. 20 mm
 - J. 37 mm
 - K. 40 mm
 - L. 57 mm
 - M. 60 mm mortar
 - N. Shotguns
 - P. Grenades
 - Z. Other ammunition, up to 75 mm
 - 2. Ammunition, 75 mm and over
 - A. 75 mm
 - B. 76 mm
 - C. 81 mm mortar
 - D. 90 mm
 - E. 105 mm
 - F. 106 mm
 - G. 4.2 inch mortar
 - H. 3 inch/50
 - J. 5 inch/25
 - K. 5 inch/38
 - L. 5 inch/54
 - M. 155 mm
 - N. 8 inch
 - P. 175 mm
 - Z. Other ammunition, 75 mm and over
 - 3. Land Mines and Explosives
 - A. Anti-personnel mines
 - B. Anti-tank mines
 - C. Demolition kits
 - D. Charges
 - Z. Other explosives and land mine components
 - 4. Naval Ordnance Ammunition
 - A. Service mines, complete
 - B. Drill mines, complete
 - C. Mine components
 - D. Torpedo exercise heads
 - E. Anti-surface torpedos
 - F. ASW torpedos
 - G. Torpedo components
 - H. Depth charges
 - J. Depth charge components
 - 5. Bombs and Rockets
 - A. Practice bombs and shapes
 - B. Armor piercing bombs
 - C. Depth bombs
 - D. Fire and incendiary bombs
 - E. Fragmentation bombs
 - F. General purpose bombs
 - G. Electronic operated guided bombs
 - M. Bomb components
 - N. Other bombs
 - P. 2.25 inch rockets
 - Q. 2.36 inch rockets
 - R. 2.75 inch rockets
 - S. 3.5 inch rockets
 - T. 5 inch rockets
 - U. 7.2 inch rockets
 - W. Honest John Rockets
 - Y. Rocket Components
 - Z. Other Rockets
 - 6. Pyrotechnic and Chemical Munitions
 - A. Chemical munitions
 - B. Pyrotechnics
 - 7. Other Ammunition
 - A. Ammunition raw materials
 - B. Fuses and primers
 - C. Ammunition containers
 - D. Miscellaneous ammunition, tools and specialized equipment
 - Z. Other Ammunition and Components
- H. COMMUNICATIONS EQUIPMENT
 - 1. Telephone and Telegraph Equipment (see note for assignment of generic code)

Figure H-2

DEFINITION GUIDE—MATERIEL
(Generic Codes A through K)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
A	AIRCRAFT				
1	<i>Combat Aircraft</i>				
A	Attack -----	FSC 1510 -----	X		
B	Bomber -----	FSC 1510 -----	X		
F	Fighter -----	FSC 1510 -----	X		
S	Anti-Submarine -----	FSC 1510 -----	X		
V	VTOL & VSTOL -----	FSC 1510 -----	X		
2	<i>Airlift Aircraft</i>				
C	Cargo Transport -----	FSC 1510 -----	X		
3	<i>Trainer Aircraft</i>				
T	Trainer -----	FSC 1510 -----	X		
4	<i>Helicopters</i>				
<u>A</u>	<u>Attack</u> -----	FSC 1520 -----	<u>X</u>		
<u>C</u>	<u>Cargo Transport</u> -----	FSC 1520 -----	<u>X</u>		
H	General Purpose -----	FSC 1520 -----	X		
L	Observation -----	FSC 1520 -----	X		
S	Anti-Submarine -----	FSC 1520 -----	X		
T	Trainer -----	FSC 1520 -----	X		
U	Utility -----	FSC 1520 -----	X		
5	<i>Other Aircraft</i>				
E	Special Electronic Installation -----	FSC 1515 -----	X		
G	Glider -----	FSC 1540 -----	X		
K	Tanker -----	FSC 1510 -----	X		
L	Observation -----	FSC 1510 -----	X		
P	Patrol -----	FSC 1510 -----	X		
U	Utility -----	FSC 1510 -----	X		
X	Research -----	FSC 1510 -----	X		
Z	Airship -----	FSC 1530 -----	X		
6	<i>Modification of Aircraft</i>				
A	Class IV -----		X		
B	Class V -----		X		

Change 4, 1 May 1980

H-10

Figure H-2 (continued)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
A					
7	<i>Aircraft Support Equipment</i>				
A*	Ground handling equipment -----	FSC 1730, 4920 -----		X	
B*	Arresting, barrier and barricade equipment ---	FSC 1710 -----		X	
C*	Launching equipment -----	FSC 1720 -----	X		
D*	Specialized Trucks and Trailers -----	FSC 1740 -----		X	
* One dollar line provided for initial stockage, one for follow on.					
9	<i>Aircraft Spares and Spare Parts</i>				
A	Gasoline Reciprocating Engines, Complete ----	FSC 2810 -----		X	
B	Gas Turbines & Jet Engines, Complete -----	FSC 2840 -----		X	
C	Aircraft Components, Parts & Accessories ----	FSG 16 (except 1670) and FSC ----- 1270, 1280, 1290, 1377, 1560, 2620, 2810 (Components), 2840 (Components), 2915, 2925, 2935, 2945, 2950, 2995, 6340, 6605, 6610, 6615, 6620 and CSP for all FSG 15		X	May include other FSG when supplied for aircraft.
B					
MISSILES					
1	<i>Ground Launched Missiles</i>				
	Missile Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----		X		See list below for specific missiles.
	Missile Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----			X	See list below for specific missiles.
2	<i>Air Launched Missiles</i>				
	Missile Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----		X		See list below for specific missiles.
	Missile Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----			X	See list below for specific missiles.
3	<i>Sea Launched Missiles</i>				
	Missile Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----		X		See list below for specific missiles.

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sequence is segregated by area and is listed by alphabetic name.

Footnote: Certain country activity codes listed below and prescribed for use are at variance with the DOD/FIPS standard for Countries of the World (CO-XV) contained in DOD 5000.12M.

Country	Code	Unified Command Cognizance	Area/Congressional Grouping
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Country	Code	Unified Command Cognizance	Area/Congressional Grouping
Cuba	CU	SO	AR
Cyprus	CY	EU	EUR
Denmark	DE	EU	AFR
Djibouti	DJ	EU	EUR
Dominica	DO	SO	AR
Dominican Republic	DR	SO	AR
Ecuador	EC	SO	AR
Egypt	EG	EU	NESA
El Salvador	ES	SO	AR
Equatorial Guinea	EK	EU	AFR
Ethiopia	ET	EU	AFR
Falkland Islands (UK)	FA	SO	AR
Fiji	FJ	PA	EAP
Finland	FI	EU	EUR
France	FR	EU	EUR
French Guiana (FR)	FG	SO	AR
French Polynesia (FR)	FP	PA	EAP
Gabon	GB	EU	AFR
Gambia	GA	EU	AFR
Germany (Bonn)	GY	EU	EUR
Ghana	GH	EU	AFR
Gilbert Islands	GS	PA	EAP
Gibraltar (UK)	GI	EU	EUR
Greece	GR	EU	EUR
Greenland (DEN)	GL	SO	AR
Grenada	GJ	SO	AR
Guadeloupe (FR)	GP	SO	AR
Guatemala	GT	SO	AR
Guinea	GV	EU	AFR
Guinea—Bissau	PU	EU	AFR
Guyana	GU	SO	AR
Haiti	HA	SO	AR
Honduras	HO	SO	AR
Hong Kong	HK	PA	EAP
Iceland	IL	EU	EUR
India	IN	PA	NESA
Indochina	IC	PA	EAP
Indonesia	ID	PA	EAP
Iran	IR	EU	NESA
Iraq	IQ	EU	NESA
Ireland	EI	EU	EUR
Israel	IS	EU	NESA
Italy	IT	EU	EUR
Ivory Coast	IV	EU	AFR
Jamaica	JM	SO	AR
Japan	JA	PA	EAP
Jordan	JO	EU	NESA

I. Alphabetic

a. Countries

Afghanistan	AF	PA	NESA
Algeria	AG	EU	NESA
Andorra	AN	EU	EUR
Angola	AO	EU	AFR
Anguilla	AV	SO	AR
Antigua	AC	SO	AR
Argentina	AR	SO	AR
Australia	AT	PA	EAP
Austria	AU	EU	EUR
Bahamas	BF	SO	AR
Bahrain	BA	EU	NESA
Bangladesh	BG	PA	NESA
Barbados	BB	SO	AR
Belgium	BE	EU	EUR
Belize (UK)	BH	SO	AR
Benin	DA	EU	AFR
Bermuda (UK)	BD	SO	AR
Bhutan	BT	EU	NESA
Bolivia	BL	SO	AR
Botswana	BC	EU	AFR
Brazil	BR	SO	AR
British Virgin Islands (UK)	VI	SO	AR
Brunei	BX	PA	EAP
Bulgaria	BU	EU	EUR
Burma	BM	PA	EAP
Burundi	BY	EU	AFR
Cameroon	CM	EU	AFR
Canada	CN	NR	EUR
Cape Verde, Republic of	CV	EU	AFR
Caymen Islands (UK)	CJ	SO	AR
Central African Emp.	CT	EU	AFR
Chad	CD	EU	AFR
Chile	CI	SO	AR
China	CH	PA	EAP
Colombia	CO	SO	AR
Comoros	CR	EU	AFR
Congo	CF	EU	AFR
Costa Rica	CS	SO	AR

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<i>Country</i>	<i>Code</i>	<i>Unified Command Cognizance</i>	<i>Area/ Congres- sional Grouping</i>	<i>Country</i>	<i>Code</i>	<i>Unified Command Cognizance</i>	<i>Area/ Congres- sional Grouping</i>
Kampuchea (Cambodia)	CB	PA	EAP	Reunion (FR)	RE	EU	AFR
Kenya	KE	EU	AFR	Romania	RO	EU	EUR
Korea (Seoul)	KS	PA	EAP	Rwanda	RW	EU	AFR
Kuwait	KU	EU	NESA	San Marino	SM	EU	EUR
Laos	LA	PA	EAP	Sao Tome and Principe	TP	EU	AFR
Lebanon	LE	EU	NESA	Saudi Arabia	SR	EU	NESA
Lesotho	LT	EU	AFR	Senegal	SK	EU	AFR
Liberia	LI	EU	AFR	Seychelles	SE	EU	AFR
Libya	LY	EU	NESA	Sierra Leone	SL	EU	AFR
Liechtenstein	LS	EU	EUR	Solomon Islands	BP	PA	EAP
Luxembourg	LX	EU	EUR	Singapore	SN	PA	EAP
Macao (PORT)	MC	PA	EAP	Somalia	SO	EU	AFR
Madagascar	MA	EU	AFR	South Africa	UA	EU	AFR
Malawi	MI	EU	AFR	Spain	SP	EU	EUR
Malaysia	MF	PA	EAP	Sri Lanka	CE	PA	NESA
Maldives	MV	EU	NESA	St Christopher—Nevia (UK)	SC	SO	AR
Mali	RM	EU	AFR	St Helena (UK)	SH	EU	AFR
Malta	MT	EU	EUR	St Lucia	ST	SO	AR
Martinique (FR)	MB	SO	AR	St Pierre and Miquelon (UK)	SB	SO	AR
Mauritania	MR	EU	AFR	St Vincent	VC	SO	AR
Mauritius	MP	EU	AFR	Sudan	SU	EU	AFR
Mexico	MX	SO	AR	Suriname	NS	SO	AR
Monaco	MN	EU	EUR	Swaziland	WZ	EU	AFR
Mongolia	MG	PA	EAP	Sweden	SW	EU	EUR
Montserrat (UK)	MH	SO	AR	Switzerland	SZ	EU	EUR
Morocco	MO	EU	NESA	Syria	SY	EU	NESA
Mozambique	MZ	EU	AFR	Taiwan	TW	PA	EAP
Nambia	WA	EU	AFR	Tanzania	TZ	EU	AFR
Nauru	NR	PA	EAP	Thailand	TH	PA	EAP
Nepal	NP	PA	NESA	Togo	TO	EU	AFR
Netherlands	NE	EU	EUR	Tonga	TN	PA	EAP
Netherlands Antilles (NE)	NA	SO	AR	Trinidad-Tobago	TD	SO	AR
New Caledonia (FR)	NC	PA	EAP	Tunisia	TU	EU	NESA
New Hebrides (UK-FR)	NH	PA	EAP	Turkey	TK	EU	EUR
New Zealand	NZ	PA	EAP	Turks and Caicos (UK)	TS	SO	AR
Nicaragua	NU	SO	AR	Tuvala	TV	PA	EAP
Niger	NK	EU	AFR	Uganda	UG	EU	AFR
Nigeria	NI	EU	AFR	Union of Soviet Socialist Republics	UR	EU	EUR
Norfolk Islands (AUST)	NF	PA	EAP	United Arab Emirates	TC	EU	NESA
Norway	NO	EU	EUR	United Kingdom	UK	EU	EUR
Oman	MU	EU	NESA	Upper Volta	UV	EU	AFR
Pakistan	PK	PA	NESA	Uruguay	UY	SO	AR
Panama	PN	SO	AR	Venezuela	VE	SO	AR
Papua—New Guinea	PP	PA	EAP	Vietnam	VS	PA	EAP
Paraguay	PA	SO	AR	Western Somoa	WS	PA	EAP
Peru	PE	SO	AR	Yemen (Aden)	YS	EU	NESA
Philippines	PI	PA	EAP	Yemen (Sana)	YE	EU	NESA
Pitcairn (UK)	PC	PA	EAP	Yugoslavia	YU	EU	FUR
Portugal	PT	EU	EUR				
Qatar	QA	EU	NESA				

<i>Code</i>	<i>Explanation</i>
PP or P ----	For use by DSAA—Indicates a summary line.
RR or R ---	Prior authority to program must be obtained by separate correspondence between the MAAG and DSAA.
S -----	Program by component. This item is listed for program planning only. Refer to appropriate supply manual for determining MASL detail required.
TT -----	For use in processing records in the Republic of Korea Equipment Transfer Program.
W -----	Special Navy requisitioning procedures apply.
XX -----	Items available for sales only.
YY -----	Items used in the FMS system not authorized for current programming.

32. Funding Priority Code—1000 System

The funding priority code identifies the order in which items and services (or groups of interrelated items and services) are to be funded in the event limited funds are available. All program lines other than training and supply operations must contain this code. The code consists of two alphabets indicating the sequence of funding. For example:

<i>Funding Priority</i>	<i>Code</i>
1 -----	AA
2 -----	AB
3 -----	AC
26 -----	AZ
27 -----	BA

33. Generic Code—All Systems

A three digit alpha/numeric code, assigned in the MASL which represents the type of materiel or services according to budget activity/project account classification. The first digit of the generic code is an alpha-numeric identifying one of the following Budget Activities:

- A. Aircraft
- B. Missiles
- C. Ships
- D. Combat Vehicles
- E. Tactical and Support Vehicles
- F. Weapons

- G. Ammunition
- H. Communications Equipment
- J. Other Support Equipment
- K. Supplies
- L. Supply Operations
- M. Maintenance of Equipment
- N. Training
- P. Research and Development
- Q. Construction
- R. Special Activities
- T. Administration

The second digit is numeric and represents the budget project. The third digit is alphabetic and is assigned each generic grouping of articles and services with similar characteristics:

EXAMPLE

(A1A Attack Aircraft)

- First Digit—A—Budget Activity (Aircraft)
- First and Second digits—A1—Budget Project (Combat Aircraft)
- First, second and third digits—A1A—Generic Code (Attack Aircraft)

A complete listing of Generic Codes follows: (See MASL definitization guide in Chapter H, Part I to obtain federal stock groups and classes for each generic code A thru K).

A. AIRCRAFT

- 1. Combat Aircraft
 - A. Attack
 - B. Bomber
 - F. Fighter
 - S. Anti-Submarine
 - V. VTOL and STOL
- 2. Airlift Aircraft
 - C. Cargo/Transport
- 3. Trainer Aircraft
 - T. Trainer
- 4. Helicopters
 - A. Attack
 - C. Cargo/Transport
 - H. General Purpose
 - L. Observation
 - S. Anti-submarine
 - T. Trainer
 - U. Utility
- 5. Other Aircraft
 - E. Special Electronic Installation
 - G. Glider

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- K. Tanker
 - L. Observation
 - P. Patrol
 - U. Utility
 - X. Research
 - Z. Airship
6. Modification of Aircraft
 - A. Class IV
 - B. Class V
 7. Aircraft Support Equipment
 - A. Ground Handling Equipment
 - B. Arresting, Barrier and Barricade Equipment
 - C. Launching Equipment
 - D. Specialized Trucks and Trailers
 9. Aircraft Spares and Spare Parts
 - A. Gasoline Reciprocating Engines, Complete
 - B. Gas Turbines and Jet Engines, Complete
 - C. Aircraft Components, Parts and Accessories
- B. MISSILES**
1. Ground Launched Missiles and Support Equipment
 - A. Nike
 - B. Redeye
 - C. Hawk
 - D. Mauler
 - E. Jupiter
 - F. Sergeant
 - G. Pershing
 - H. Entac
 - J. Tow
 - K. Dragon
 - L. Lacrosse
 - M. Thor
 - N. Lance
 - P. Stinger
 - R. Chapperal
 - S. Shillelagh
 - V. Viper
 2. Air Launched Missiles and Support Equipment
 - A. Shrike AGM-45-3A
 - B. Harm
 - C. Standard Arm
 - D. Standard
 - F. Aerial Target Missile
 - G. Maverick
 - H. Falcon
 - R. Sidewinder
 - S. Bullpup
 - T. Phoenix
 - V. Corporal
 - W. Sparrow
 - Y. Matador
 3. Sea Launched Missiles and Support Equipment
 - K. Polaris
 - P. Terrier
- Q. Tartar
 - R. Harpoon
 - W. Seasparrow
4. Drones
 - A. Drones
 6. Modification of Missiles
 - A. Modification of Missiles
 8. Multi Purpose Missile Equipment (incl FAAR)
 - A. Multi Purpose Missile Equipment (incl FAAR)
 - B. Multi Purpose Missile Eqmt Parts (incl FAAR)
 9. Missile Spares and Spare Parts
 - A. Guided Missile Parts
 - B. Guided Missile Warhead Components
 - C. Free Missile Parts
- C. SHIPS**
1. Warships
 - A. Destroyer (DD)
 - B. Submarine (SS)
 - C. Ocean Escort (DE)
 - D. Light Aircraft Carrier (CVL)
 - E. Light Cruiser (CL)
 - F. Guided Missile Frigate
 2. Amphibious Ships
 - A. Tank Landing Ship (LST)
 - B. Medium Landing Ship (LSM/LSSL)
 - C. Medium Landing Ship, Rocket (LSMR)
 - D. Utility Landing Craft (LCU)
 - E. Transport (AKA/AP/APA/APC/APD)
 3. Mine Warfare Ships
 - A. Coastal minelayer (MMC)
 - B. Ocean minesweeper (MSO)
 - C. Coastal minesweeper (MSC)
 - D. Inshore minesweeper (MSI/MSB)
 - E. Fleet minesweeper (MSF)
 - G. Mine countermeasure support (MCS)
 - H. Auxiliary mineplanter (YMP)
 4. Patrol Ships
 - A. Patrol frigate (PF)
 - B. Patrol craft/boat (PC)
 - C. Patrol craft escort (PCE)
 - D. Patrol gunboat (PGM)
 - E. Seaward defense craft (SDC)
 - F. Fast patrol boat (FPB)
 - G. Patrol torpedo (PT)
 5. Auxiliaries and Crafts
 - A. Net laying ship (AN)
 - B. Oiler (AO)
 - C. Gasoline tanker (AOG)
 - D. Fuel oil barge (YO/YSR)
 - E. Gasoline barge (YOG)
 - F. Water barge (YW)
 - G. Light cargo ship (AKL)
 - H. Auxiliary ocean tug (ATA/ATR)
 - K. Submarine rescue ship (ASR)
 - L. Seaplane tender (AVP)
 - M. Small harbor tug (YTL)
 - N. Rescue boat (AVR)
 - P. Mechanized landing craft (LCM)

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Yugoslavia	YU	Argentina	AR
		Bahamas	BF
4. Africa (AFR)		Barbados	BB
Angola	AO	Belize	BH
Africa Region	R6	Bermuda	BD
Benin	DA	Bolivia	BL
Botswana	BC	Brazil	BR
Burundi	BY	British Virgin Islands (UK)	VI
Cameroon	CM	Cayman Islands (UK)	CJ
Cape Verde, Republic of	CV	Chile	CI
Central African Emp.	CT	Colombia	CO
Chad	CD	Costa Rica	CS
Comoros	CR	Cuba	CU
Congo	CF	Dominica	DO
Djibouti	DJ	Dominican Republic	DR
Equatorial Guinea	EK	Ecuador	EC
Ethiopia	ET	El Salvador	ES
Gabon	GB	Falkland Islands (UK)	FA
Gambia	GA	French Guinea (FR)	FG
Ghana	GH	Greenland (DEN)	GL
Guinea	GV	Grenada	GJ
Guinea-Bissau	PU	Guadeloupe (FR)	GP
Ivory Coast	IV	Guatemala	GT
Kenya	KE	Guyana	GU
Lesotho	LT	Haiti	HA
Liberia	LI	Honduras	HO
Madagascar	MA	Jamaica	JM
Malawi	MI	Martinique (FR)	MB
Mali	RM	Mexico	MX
Mauritania	MR	Montserrat (UK)	MH
Mauritius	MP	Netherlands Antilles (NE)	NA
Mozambique	MZ	Nicaragua	NU
Nambia	WA	Organization of American States (OAS)	A1
Niger	NK	Panama	PN
Nigeria	NI	Paraguay	PA
Reunion (FR)	RE	Peru	PE
Rwanda	RW	St Christopher-Nevia (UK)	SC
Sao and Principe	TP	St Lucia	ST
Senegal	SK	St Pierre and Miquelon (FR)	SB
Seychelles	SE	St Vincent	VC
Sierre Leone	SL	Suriname	NS
Somalia	SO	Trinidad-Tobago	TD
South Africa	UA	Turks and Caicos (UK)	TS
St Helena (UK)	SH	Uruguay	UY
Sudan	SU	Venezuela	VE
Swaziland	WZ		
Tanzania	TZ		
Togo	TO		
Uganda	UG		
Upper Volta	UV		
Zaire	CX		
Zambia	ZA		
5. American Republic/Latin America (AR)		7. Non-Regional (NR)	
American Republic Region	R5	Central Treaty Organization (CENTO)	T3
Anguilla	AV	Department of Defense (DoD)	00
Antigua (UK)	AC	International Civil Aviation Organization (ICAO Hq)	T7
		MAP ICP—U.S. Army Logistics Depot, Japan (USALDJ)	D4
		MAP Owned Materiel (MAPOM)	M3

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MAP Property Sales and Disposal (MAPSAD)	M2
NAMSA F-104 Procurement Center	K2
North Atlantic Treaty Organization (NATO)	N2
NATO Airborne Early Warning and Control Program Management Office (NAPMO)	N1
NATO Headquarters	N6
NATO Infrastructure	N5
NATO Integrated Communications System Management Agy (NIC SMA)	K4
NATO Maintenance and Supply Agency—General (NAMSA-GENERAL)	N4
NATO Maintenance and Supply Agency—Euro NATO Nike Training Center (NAMSA- ENTC)	K6
NATO Maintenance and Supply Agency—F104 (NAMSA—F104)	K2
NATO Maintenance and Supply Agency—HAWK (NAMSA-HAWK)	N7
NATO Missile Firing Installation (NAMFI)	N9
NATO Multi-Role Combat Aircraft (MRCA) Development & Prod. Agency (NAMMA)	K3
NATO—Mutual Weapons Development Program (MWDP)	N8
NATO Seasparrow	N3
NATO—Weapons Production Program (NATO-WPP)	K1
Supreme Allied Commander Atlantic (SCLANT)	K5
South East Asia Treaty Organization (SEATO)	T4
United Nations (UN)	T9

NOTE:

EU	European Command
PA	Pacific Command
SO	Southern Command
AFR	Africa Region
AR	American Republic Region
EAP	East Asia and Pacific Region
EUR	European Region
NESA	Near East and South Asia Region
NR	Non-Regional

22. CRA Code—1000 System

All program lines must contain a CRA code. The CRA codes listed below indicate that amount of "Continuing Resolution" funds required to preclude disruption of essential activities of a continuing nature.

These codes are in conjunction with Funding Priority codes to determine. (a) the Program Lines to be funded, and (b) the percentage of each line to be funded. Training "each" lines must contain the code 0 for program years prior to 78. For IMET PY 78 and subsequent years funding priority code will be entered in this field—See para 32.

<i>Code</i>	<i>Amount Required</i>
0	None
1	10%
2	20%
3	30%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
T	Total
M	Used for prior years
O	Used for prior years

23. Credit Arrangement Number—1100 System

A three digit number assigned by DSAA to each agreement with, or commitment to, a foreign government that the U.S. will advance or guarantee a stipulated amount of credit for the financing of Foreign Military Sales to that government; the first two digits represent the fiscal year of the agreement, and the third digit is a serial number identifying credit agreements made with the country for the indicated fiscal year.

24. Customer Within Country Code—1000 System

A one-digit alphabetic or numeric MILSTRIP code that identifies the final recipient and port of discharge within the country. The current listing contained in the following Military Department implementations of MILSTRIP will be used:

<i>Department</i>	<i>Directives</i>
Army	Army Regulations No. 725-50
Navy	NAVSUP Publication 437 "MILSTRIP/MILSTRAP"
Air Force	DOD 4140.17-M

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Code	Country/Activity Name	Unified Command Cognizance	Area/Congressional Grouping	Code	Country/Activity Name	Unified Command Cognizance	Area/Congressional Grouping
MP	Mauritius	EU	AFR	RE	Reunion (FR)	EU	AFR
MR	Mauritania	EU	AFR	RM	Mali	EU	AFR
MT	Malta	EU	EUR	RO	Romania	EU	EUR
MU	Oman	EU	NESA	RW	Rwanda	EU	AFR
MV	Maldives	EU	NESA				
MX	Mexico	SO	AR	SB	St Pierre and Miquelon (FR)	SO	AR
MZ	Mozambique	EU	AFR	SC	St Christopher—Nevis (UK)	SO	AR
N1	NATO Airborne Early Warning and Control Program Management Office (NAPMO)	NR	NR	SE	Seychelles	EU	AFR
N2	North Atlantic Treaty Organization (NATO)	NR	NR	SH	St Helena (UK)	EU	AFR
N3	NATO Seasparrow			SK	Senegal	EU	AFR
N4	NATO Maintenance and Supply Agency—General (NAMSA—General)	NR	NR	SL	Sierre Leone	EU	AFR
N5	NATO Infrastructure	NR	NR	SM	San Marino	EU	EUR
N6	NATO Headquarters	NR	NR	SN	Singapore	PA	EAP
N7	NATO Maintenance and Supply Agency—HAWK (NAMSA—HAWK)	NR	NR	SO	Somalia	EU	AFR
N8	NATO Mutual Weapons Development Program (MWDP)	NR	NR	SP	Spain	EU	EUR
N9	NATO Missile Firing Installation (NAMFI)	NR	NR	SR	Saudi Arabia	EU	NESA
NA	Netherlands Antilles (NE)	SO	AR	ST	St Lucia	SO	AR
NC	New Caledonia (FR)	PA	EAP	SU	Sudan	EU	AFR
NE	Netherlands	EU	EUR	SW	Sweden	EU	EUR
NF	Norfolk Islands (AUST)	PA	EAP	SY	Syria	EU	NESA
NH	New Hebrides (UK—FR)	PA	EAP	SZ	Switzerland	EU	EUR
NI	Nigeria	EU	AFR				
NK	Niger	EU	AFR	T3	Central Treaty Organization (CENTO)	NR	NR
NO	Norway	EU	EUR	T4	South East Asia Treaty Organization (SEATO)	NR	NR
NP	Nepal	PA	NESA	T7	International Civil Aviation Organization (ICAO Hq)	NR	NR
NR	Nauru	PA	EAP	T9	United Nations (UN)	NR	NR
NS	Suriname	SO	AR	TC	United Arab Emirates	EU	NESA
NU	Nicaragua	SO	AR	TD	Trinidad-Tobago	SO	AR
NZ	New Zealand	PA	EAP	TH	Thailand	PA	EAP
PA	Paraguay	SO	AR	TK	Turkey	EU	EUR
PC	Pitcairn (UK)	PA	EAP	TN	Tonga	PA	EAP
PE	Peru	SO	AR	TO	Togo	EU	AFR
PI	Philippines	PA	EAP	TP	Sao Tome and Principe	EU	AFR
PK	Pakistan	PA	NESA	TS	Turks and Caicos (UK)	SO	AR
PN	Panama	SO	AR	TU	Tunisia	EU	NESA
PP	Papua—New Guinea	PA	EAP	TV	Tuvalu	PA	EAP
PT	Portugal	EU	EUR	TW	Taiwan	PA	EAP
PU	Guinea—Bissau	EU	AFR	TZ	Tanzania	EU	AFR
QA	Qatar	EU	NESA	UA	South Africa	EU	AFR
R2	Europe Region	EU	EUR	UG	Uganda	EU	AFR
R3	Near East/South Asia Region	EU	NESA	UK	United Kingdom	EU	EUR
R4	East Asia/Pacific Region	PA	EAP	UR	Union of Soviet Socialist Republics	EU	EUR
R5	American Republic Region	SO	AR	UV	Upper Volta	EU	AFR
R6	Africa Region	EU	AFR	UY	Uruguay	SO	AR
				VC	St Vincent	SO	AR
				VE	Venezuela	SO	AR
				VI	British Virgin Islands (UK)	SO	AR
				VS	Vietnam	PA	EAP
				WA	Nambia	EU	AFR
				WS	Western Somoa	PA	EAP

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Code	Country/Activity Name	Unified Command Cognizance	Area/Congressional Grouping
WZ	Swaziland	EU	AFR
YE	Yemen (Sana)	EU	NESA
YS	Yemen (Aden)	EU	NESA
YU	Yugoslavia	EU	EUR
ZA	Zambia	EU	AFR

III. Area Listing

1. East Asia and Pacific (EAP)

Australia	AT
Burnei	BX
Burma	BM
China	CH
East Asia/Pacific Region	R4
Fiji	FJ
French Polynesia (FR)	FP
Gilbert Islands	GS
Hong Kong (UK)	HK
Indochina	IC
Indonesia	ID
Japan	JA
Kampuchea (Cambodia)	CB
Korea (Seoul)	KS
Laos	LA
Macao (PORT)	MC
Malaysia	MF
Mongolia	MG
Nauru	NR
New Caledonia (FR)	NC
New Hebrides (UK-FR)	NH
New Zealand	NZ
Norfolk Islands (AUST)	NF
Papua-New Guinea	PP
Philippines	PI
Pitcairn (UK)	PC
Singapore	SN
Solomon Islands	BP
Taiwan	TW
Thailand	TH
Tonga	TN
Tuvalu	TV
Vietnam	NS
Western Somoa	WS

2. Near East & South Asia (NESA)

Afganistan	AF
Algeria	AG
Bahrain	BA
Bengladesh	BG
Bhutan	BT

Egypt	EG
India	IN
Iran	IR
Iraq	IQ
Israel	IS
Jordan	JO
Kuwait	KU
Lebanon	LE
Libya	LY
Maldives	MV
Morocco	MO
Nepal	NP
Near East & South Asia Region	R3
Oman	MU
Pakistan	PK
Qatar	QA
Saudi Arabia	SR
Sri Lanka	CE
Syria	SY
Tunisia	TU
United Arab Emirates	TC
Yemen (Aden)	YS
Yemen (Sana)	YE

3. Europe (EUR)

Andora	AN
Austria	AU
Belgium	BE
Bulgaria	BU
Canada	CN
Cyprus	CY
Denmark	DE
European Region	R2
Finland	FI
France	FR
Germany (Bonn)	GY
Gibraltar	GI
Greece	GR
Iceland	IL
Ireland	EI
Italy	IT
Liechtenstein	LS
Luxembourg	LX
Malta	MT
Monaco	MN
Netherlands	NE
Norway	NO
Portugal	PT
Romania	RO
San Marino	SM
Spain	SP
Supreme Headquarters, Allied Powers, Europe (SHAPE)	A2
Sweden	SW
Switzerland	SZ
Turkey	TK
Union of Soviet Socialist Republics	UR
United Kingdom	UK

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Country	Code	Unified Command Cognizance	Area/Congressional Grouping
Zaire	CX	EU	AFR
Zambia	ZA	EU	AFR

b. Activities

Country	Code	Unified Command Cognizance	Area/Congressional Grouping
Africa Region	R6	EU	AFR
American Republic Region	R5	SO	AR
Central Treaty Organization (CENTO)	T3	NR	NR
Department of Defense (DoD)	00	NR	NR
East Asia/Pacific Region	R4	PA	EAP
European Region	R2	EU	EUR
International Civil Aviation Organization (ICAO Hq)	T7	NR	NR
MAP ICP—U.S. Army Logistics Depot, Japan (USALDJ)	D4	PA	NR
MAP Owned Materiel (MAPOM)	M3	NR	NR
MAP Property Sales and Disposal (MAPSAD)	M2	NR	NR
North Atlantic Treaty Organization (NATO)	N2	NR	NR
NATO Airborne Early Warning and Control Program Management Office (NAPMO)	N1	NR	NR
NATO Headquarters	N6	NR	NR
NATO Infrastructure	N5	NR	NR
NATO Integrated Communications System Management Agency (NICSMA)	K4	NR	NR
NATO Maintenance and Supply Agency—General (NAMSA—General)	N4	NR	NR
NATO Maintenance and Supply Agency—Euro	K6	NR	NR
NATO Nike Training Center (NAMSA— ENTC)			
NATO Maintenance and Supply Agency—F104 (NAMSA—F104)	K2	NR	NR
NATO Maintenance and Supply Agency—HAWK (NAMSA—HAWK)	N7	NR	NR
NATO Missile Fire Installation (NAMFI)	N9	NR	NR
NATO Multi-Role Combat Aircraft (MRCA) Development & Prod. Agency (NAMMA)	K3	NR	NR

Country	Code	Unified Command Cognizance	Area/Congressional Grouping
NATO Mutual Weapons Development Program (MWDP)	N8	NR	NR
NATO Seasparrow	N3	NR	NR
NATO—Weapons Production Program (NATO—WPP)	K1	NR	NR
Near East and South Asia Region (NESA)	R3	EU	NESA
Organization of American States (OAS Hq)	A1	NR	NR
South East Asia Treaty Organization (SEATO)	T4	NR	NR
Supreme Allied Commander Atlantic (SCLANT)	K5	NR	NR
Supreme Headquarters, Allied Powers, Europe (SHAPE)	A2	EU	EUR
United Nations (UN)	T9	NR	NR

II. Alphabetic by Country/Activity Code

Code	Country/Activity Name	Unified Command Cognizance	Area/Congressional Grouping
00	Department of Defense (DoD)	NR	NR
A1	Organization of American States (OAS)	NR	AR
A2	Supreme Hq, Allied Forces (SHAPE)	EU	EUR
AC	Antigua (UK)	SO	AR
AF	Afganistan	PA	NESA
AG	Algeria	EU	NESA
AN	Andorra	EU	EUR
AO	Angola	EU	AFR
AR	Argentina	SO	AR
AT	Australia	PA	EAP
AU	Austria	EU	EUR
AV	Anguilla	SO	AR
BA	Bahrain	EU	NESA
BB	Barbados	SO	AR
BC	Botswana	EU	AFR
BD	Bermuda (UK)	SO	AR
BE	Belgium	EU	EUR
BF	Bahamas	SO	AR
BG	Bangladesh	PA	NESA
BH	Belize (UK)	SO	AR
BL	Bolivia	SO	AR
BM	Burma	PA	EAP
BP	Solomon Islands	PA	EAP
BR	Brazil	SO	AR
BT	Bhutan	EU	NESA
BU	Bulgaria	EU	EUR
BX	Brunei	PA	EAP
BY	Burundi	EU	AFR

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Code	Country/Activity Name	Unified Command Cognizance	Area/Congressional Grouping	Code	Country/Activity Name	Unified Command Cognizance	Area/Congressional Grouping
CB	Kampuchea (Cambodia)	PA	EAP	IC	Indochina	PA	EAP
CD	Chad	EU	AFR	ID	Indonesia	PA	EAP
CE	Sri Lanka	PA	NESA	IL	Iceland	EU	EUR
CF	Congo	EU	AFR	IN	India	PA	NESA
CH	China	PA	EAP	IQ	Iraq	EU	NESA
CI	Chile	SO	AR	IR	Iran	EU	NESA
CJ	Cayman Islands (UK)	SO	AR	IS	Israel	EU	NESA
CM	Cameroon	EU	AFR	IT	Italy	EU	EUR
CN	Canada	NR	EUR	IV	Ivory Coast	EU	AFR
CO	Colombia	SO	AR	JA	Japan	PA	EAP
CR	Comoros	EU	AFR	JM	Jamaica	SO	AR
CS	Costa Rica	SO	AR	JO	Jordan	EU	NESA
CT	Central African Emp.	EU	AFR	K1	NATO—Weapons Production Program (NATO—WPP)	NR	NR
CU	Cuba	SO	AR	K2	NATO Maintenance and Supply Agency—F104 (NAMSA—F104)	NR	NR
CV	Cape Verde, Republic of	EU	AFR	K3	NATO Multi-Role Combat Aircraft (MRCA) & Prod. Agency (NAMMA)	NR	NR
CX	Zaire	EU	AFR	K4	NATO Integrated Communications Systems Management Agency (NICSMA)	NR	NR
CY	Cyprus	EU	EUR	K5	Supreme Allied Commander Atlantic (SCLANT)	NR	NR
D4	MAP ICP (USALDJ)	PA	NR	K6	NATO Maintenance and Supply Agency—Euro NATO Nike Training Center (NAMSA—ENTC)	NR	NR
DA	Benin	EU	AFR	KE	Kenya	EU	AFR
DE	Denmark	EU	EUR	KS	Korea	PA	EAP
DJ	Djibouti	EU	AFR	KU	Kuwait	EU	NESA
DO	Dominica	SO	AR	LA	Laos	PA	EAP
DR	Dominican Republic	SO	AR	LE	Lebanon	EU	NESA
EC	Ecuador	SO	AR	LI	Liberia	EU	AFR
EG	Egypt	EU	NESA	LS	Liechtenstein	EU	EUR
EI	Ireland	EU	EUR	LT	Lesotho	EU	AFR
EK	Equatorial Guinea	EU	AFR	LX	Luxembourg	EU	EUR
ES	El Salvador	SO	AR	LY	Libya	EU	NESA
ET	Ethiopia	EU	AFR	M2	MAP Property Sales & Disposal (MAPSAD)	NR	NR
FA	Falkland Islands (UK)	SO	AR	M3	MAP Owned Materiel (MAPOM)	NR	NR
FG	French Guiana (FR)	SO	AR	MA	Madagascar	EU	AFR
FI	Finland	EU	EUR	MB	Martinique (FR)	SO	AR
FJ	Fiji	PA	EAP	MC	Macao (PORT)	PA	EAP
FP	French Polynesia (FR)	PA	EAP	MF	Malaysia	PA	EAP
FR	France	EU	EUR	MG	Mongolia	PA	EAP
GA	Gambia	EU	AFR	MH	Montserrat (UK)	SO	AR
GB	Gabon	EU	AFR	MI	Malawi	EU	AFR
GH	Ghana	EU	AFR	MN	Monaco	EU	EUR
GI	Gibraltar (UK)	EU	EUR	MO	Morocco	EU	NESA
GJ	Grenada	SO	AR				
GL	Greenland (DEN)	SO	AR				
GP	Guadeloupe (FR)	SO	AR				
GR	Greece	EU	EUR				
GS	Gilbert Islands	PA	EAP				
GT	Guatemala	SO	AR				
GU	Guyana	SO	AR				
GV	Guinea	EU	AFR				
GY	Germany (Bonn)	EU	EUR				
HA	Haiti	SO	AR				
HK	Hong Kong	PA	EAP				
HO	Honduras	SO	AR				

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2. Radio Communication Equipment (see note for assignment of generic code)
3. Radio Navigation Equipment (see note for assignment of generic code)
4. Radar Equipment (see note for assignment of generic code)
5. Underwater Sound Equipment (see note for assignment of generic code)
6. Other Communications Equipment (see note for assignment of generic code)

NOTE: The following alphabetic identify the type of installation

- A. Airborne
- F. Fixed
- G. Ground, general ground use
- K. Amphibious
- P. Pack or Portable
- V. Ground, Vehicular
- W. Water, surface and underwater
- Z. Other Communications Equipment

9. Communications Equipment Spare Parts and Electronic Supplies

- A. Communications equipment spare parts and electronic supplies

J. SUPPORT EQUIPMENT

1. Chemical Equipment
 - A. Decontaminating and Impregnating equipment
2. Construction Equipment
 - A. Full track tractors
 - B. Wheeled tractors
 - C. Earthmoving and excavating equipment
 - D. Cranes and crane-shovels
 - E. Road clearing equipment
 - F. Military bridging
 - Z. Miscellaneous construction equipment
3. Materials Handling Equipment
 - A. Conveyors, cranes and derricks
 - Z. Other materials handling equipment
4. Photographic Equipment
 - A. Cameras
 - B. Projection equipment
 - C. Developing and finishing equipment
 - Z. Other photographic equipment supplies and spare parts
5. Training Aids and Devices (Use for PY 76 & prior; see N9 for other years.)
 - A. Training Aids
 - B. Armament training devices
 - C. Operational training devices
 - D. Communication training devices
 - V. Publications for Training
 - Z. Other training aids and devices, and spare parts
6. Other Equipment
 - A. Parachutes and aerial delivery equipment

- D. Power Transmission Equipment
- E. Woodworking machinery and equipment
- F. Metal working machinery
- G. Special industrial machines
- N. Safety and rescue equipment
- P. Steam plant and drying equipment
- Q. Maintenance and Repair Shop equipment
- R. Power and distribution equipment to include batteries
- T. Instruments and laboratory equipment, other than aircraft
- Z. Other support equipment

7. Other Support Equipment

- A. Medical/Surgical Equipment
- B. Dental Equipment
- C. X-Ray Equipment
- D. Hospital Equipment
- E. Chemistry/Laboratory Equipment
- F. Laundry & Dry Cleaning Equipment
- G. Shoe Repair Equipment
- H. Service & Trade Equipment
- J. General Purpose ADP Equipment
- K. Office Machines
- L. Pumps and Compressors
- M. Plumbing and Heating Equipment
- N. Engines
- P. Prefab and Portable Structures
- Q. Mine Drilling Equipment
- R. Refrigeration and Air-Conditioning Equipment
- S. Firefighting Equipment
- Z. Other Support Equipment

8. Books, Maps, and Publications

- A. Books, Maps, and Publications

K. SUPPLIES

1. Clothing and Textile Supplies
 - A. Clothing, textiles and individual equipment
2. Medical Supplies
 - A. Drugs, biologicals and surgical dressings
 - Z. Other dental and medical supplies
3. Subsistence
 - A. Human subsistence
4. General Supplies
 - A. Hand and measuring tools
 - Z. General Supplies
5. Industrial Supplies
 - A. Industrial Supplies
6. Fuels, Oils and Chemicals
 - A. Jet fuel
 - B. Aviation gasoline
 - C. Automotive gasoline
 - D. Diesel fuel
 - E. Navy special fuel oil
 - F. Chemicals
 - G. Solid fuel
 - H. Fuel gasses
 - Z. Other petroleum, oil and lubricants

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- 7. Construction Supplies
 - C. Lumber and related products
 - Z. Other construction supplies
- 8. Automotive Supplies
 - Z. Automotive supplies and equipment parts
- L. SUPPLY OPERATIONS
 - 1. Transportation Costs
 - A. Inland Transportation—CONUS
 - B. Ocean Transportation
 - C. Air Transportation
 - D. Parcel Post
 - E. Commercial Carrier
 - F. Inland Transportation—Overseas
 - 2. Packing, Crating, Handling, Port Loading and Unloading Costs (see note)
 - A. Packing, crating and handling
 - B. Port Loading
 - C. Port Unloading
 - 3. Operation and Maintenance of MAP Installations
 - A. Operation and maintenance costs
 - F. MAAG Housing
 - G. Maintenance and repair of real property, MAP installations
 - 4. Storage and Maintenance of Stockpiles
 - A. Storage and maintenance of stockpiles
 - 5. Offshore Procurement Expenses
 - A. Offshore procurement expenses
 - 6. Logistic Management Expenses
 - A. Logistic management expenses
 - 7. Travel Expenses
 - A. Travel Expenses
 - 8. Case Management
 - A. Case Management
- M. MAINTENANCE OF EQUIPMENT
 - 1. Technicians and Allied Services
 - A. Aircraft technical assistance
 - B. Missile technical assistance
 - C. Communications technical assistance
 - D. EAM services
 - E. Other technical assistance
 - F. Technical Data Package (TDP)
 - G. Engineering Technical Assistance
 - H. Technical Coordination Program (TCP)
 - J. Aircraft Structural Integrity Program (ASIP)
 - K. Non-Standard Item Support
 - L. PMEL Calibration
 - M. Engine CIP
 - N. Technical Data Publications
 - 2. Repair & Rehabilitation of MAP Equipment
 - A. Repair & rehabilitation of aircraft and aircraft engine overhauls (includes aircraft IRAN).
 - B. Overhaul of ships
 - C. Repair & rehabilitation, other
 - D. Combat Vehicles
 - E. Tactical/Support Vehicles
 - F. Weapons
 - G. Ammunition
 - H. Communication/Electronics Meteorological Equipment
 - J. Support Equipment
 - K. Missiles
 - 3. Repair & Rehabilitation of Excess Material (FY 63 & prior year only)
 - A. Repair & rehabilitation of aircraft and aircraft engine overhaul (includes aircraft IRAN).
 - B. Overhaul of ships
 - C. Repair & rehabilitation, other
- NØO—Training (FMS 1100 System Only)
- N7E—Medical Expenses (FMS 1100 System only)
- N. TRAINING (MAP 1000 System Only)
 - 1. Student Training
 - A. Flying Training, CONUS
 - B. Operations Training, CONUS
 - C. Communications/Electronics Training, CONUS
 - D. Maintenance Training, CONUS
 - E. Logistics Training, CONUS
 - F. Administrative Training, CONUS
 - G. Professional/Specialist Training, CONUS
 - H. Orientation Training, CONUS
 - J. Missile Training, CONUS
 - N. Flying Training, Overseas
 - P. Operations Training, Overseas
 - Q. Communications/Electronics Training, Overseas
 - R. Maintenance Training, Overseas
 - S. Logistics Training, Overseas
 - T. Administrative Training, Overseas
 - U. Professional/Specialist Training, Overseas
 - V. Orientation Training, Overseas
 - W. Missile Training, Overseas
 - Z. Special Training Program
 - 2. Mobile Training Teams
 - A. Aviation, CONUS
 - B. Combat Operations/Intelligence, CONUS
 - C. Communications/Electronics, CONUS
 - D. Supply Maintenance, CONUS
 - E. Personnel/Administration, CONUS
 - F. Counterinsurgency, CONUS
 - G. English Language, CONUS
 - H. Missiles, CONUS
 - J. Other, CONUS
 - M. Aviation, Overseas
 - N. Combat Operations/Intelligence, Overseas
 - P. Communications/Electronics, Overseas
 - Q. Supply/Maintenance, Overseas
 - R. Personnel/Administration, Overseas
 - S. Counterinsurgency, Overseas
 - T. English Language, Overseas
 - U. Missiles, Overseas
 - V. Other, Overseas

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- 6. Extraordinary Expenses
 - A. Extraordinary Expenses
- 7. Other Training Support
 - A. Training Exercises
 - B. Escort Officers
 - C. Supplies and Materials
 - D. Facilities/Rehabilitation
 - E. Services
 - F. Other
 - Z. ABBR TNG Plan Reqmt
- 9. Training Aids and Publications
 - A. Training Aids and Devices
 - B. Books, Maps, and Publications
 - X. Training Aids/Devices—PCH and T
- P. RESEARCH AND DEVELOPMENT
 - 1. Development of Advance Design Weapons
 - A. Development of Advance Design Weapons
 - 2. Other Development Costs
 - A. Non-Recurring R&D Costs
 - B. First Article Testing

Q. CONSTRUCTION

- 1. Infrastructure (MAP 1000 System Only)
 - A. Infrastructure
- 2. Other Construction
 - A. Contract Construction
 - B. A-E Services
 - C. U.S. Government Costs
 - D. Construction, A-E Services and Administrative Costs—MAAG Facilities
 - E. Other Construction

R. SPECIAL ACTIVITIES

- 1. International Military Headquarters
 - A. International Military Headquarters
 - B. Technical Assistance Field Teams
- 2. International Forces Support
 - A. UN Forces Support in Korea
 - C. IAF Support in Dominican Republic
 - D. OAS Peace Keeping Forces
- 3. Expenses, Inspector General Foreign Assistance, State (MAP 1000 System Only)
 - A. Expenses, Inspector General, Foreign Assistance, State
- 4. Studies and Surveys
 - A. Studies and Survey
- 5. Weapons Production Projects (MAP 1000 System Only)
 - A. Weapons Production
- 6. Extraordinary Expenses
 - A. Extraordinary Expenses
- 7. Ship Transfer Costs
 - A. Ship Transfer Costs
- 8. Special Insurance
 - A. Special Insurance
- 9. Other Special Activities
 - A. Special Activities
 - B. Nonspecific Requirements
 - C. Foreign Currency MAAG Support
 - D. Royalty Payments

- E. Loan Fees
- F. Contract Termination Costs
- G. Technical Assistance Field Team (TAFT)
- H. Asset Use Charges
- Z. Other Services

T. ADMINISTRATION (MAP 1000 System Only)

- 1. Administrative Expenses, Departmental and Headquarters
 - A. Administrative Expenses, Departmental and Headquarters
- 2. Military Mission Expenses
 - A. Military Mission Expenses
- 3. Contractor Expenses
 - A. Contractor Expenses
- 4. Administrative Surcharges—FMS
 - A. Administrative Surcharges—FMS

U. FOREIGN MILITARY SALES ORDER NO. 1 (FMSO) (FMS 1100 System Only)

34. Implementation Date—1100 System

The date when supply action on the FMS case is initiated. This date is most concurrent with or subsequent to the acceptance date if the DD Form 1513 does not contain, at the time of signing, sufficient authority for procurement of items therein. Example, a required cash payment does not accompany the DD Form 1513. The date is expressed by a five digit numeric code. The first two digits are the calendar year and the third through the fifth digits express the julian date.

35. Implementing Agency Code

a. 1000 System

The implementing agency code is assigned by DSAA and designates the agency to be the recipient of the MAP Order. It is shown in Card 5 furnished implementing agencies with MAP Orders.

<i>Code</i>	<i>Implementing Agency</i>
B _____	Department of the Army
D _____	Department of the Air Force
P _____	Department of the Navy
S _____	Office Secretary of Defense
X _____	Agency for International Development
Y _____	State Department

b. 1100 System

The implementing agency code is a single digit alpha code identifying the military department or agency which has made the sales on behalf of the U.S. Government. In addition, a code is provided for the Office of the Secretary of Defense to be used for docu-

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menting certain financial transactions which are performed at that level. Codes are as follows:

<i>Code</i>	<i>Implementing Agency</i>
B -----	Department of the Army
D -----	Department of the Air Force
M -----	Army Other
P -----	Department of the Navy
Q -----	DSAA (Defense Security Assistance Agency)
R -----	DLA (Defense Logistics Agency)
S -----	Commercial
U -----	DMA (Defense Mapping Agency)
V -----	DCAA (Defense Contract Audit Agency)
W -----	DARPA (Defense Advanced Research Projects Agency)
Z -----	DNA (Defense Nuclear Agency)

36. Issue Priority/Required Delivery Date Code—1000 System

Provision is made in the card format for programming materiel (cards 3 and P) for inclusion of Issue Priority (columns 60-61) and Required Delivery Date (columns 62-64). The purpose is to provide all necessary data for preparation of requisitions for definitized items by the Military Department upon receipt of MAP Order. Issue priority codes are those prescribed in MILSTRIP regulations; RDD is entered by punching the last digit of calendar year in first position and month of calendar year in second and third position. Military Departments can convert RDD to MILSTRIP system when requisition is prepared. These columns may also be used to identify MIMEX excess offer number. (See para 28.)

37. Lead Time Code—1000 System

A numeric code identifying the MAP lead time (see definition), in months, for MA articles and services as follows:

<i>Code</i>	<i>Lead Time</i>	<i>Explanation</i>
Ø	0 to 12 months	Delivery (articles) or expenditure of funds (services) during the same fiscal year as programmed.
1	13 to 24 months	Delivery (articles) or expenditure of funds (services) during the fiscal year

following the one in which programmed.

2	25 to 36 months	Delivery (articles) or expenditure of funds (services) during the second fiscal year following the one in which programmed.
3	37 to 48 months	Delivery (articles) or expenditure of funds (services) during the third fiscal year following the one in which programmed.
4	49 to 60 months	Delivery (articles) or expenditure of funds (services) during the fourth fiscal year following the one in which programmed.

38. Letter of Request—1100 System

A letter from a country requesting materials/or services which will lead to the preparation of a DD Form 1513. The LOR is the document used to initiate the entry of a Q card into the LOR/FMS system.

39. Major Defense Equipment Code—1100 System

A code entered in Card number 1 or A which classifies the case by category of major weapons or weapons-support items as listed in the MASM, Part III, Appendix A.

<i>Codes</i>	<i>Generic Category Description</i>
A -----	Aircraft
B -----	Missiles
C -----	Ships
D -----	Combat Vehicles
E -----	Tactical Support Vehicles
F -----	Weapons
G -----	Ammunition
H -----	Communications Equipment
K -----	Supplies

40. MAP Element Code—1000 System

The MAP element code is a four digit code identifying the force, unit and/or activities for which requirements are programmed. The first digit is a numeric identifying a MAP major program as follows:

CATEGORY P: Type I deviations reported by Implementing Agencies (see Chapter F). Program changes resulting from a change in MAP unit price of a major item will be submitted only against funded program lines; those against unfunded program lines will be effected through submission of appropriate MASL worksheets and resulting updating of MASL and master program files (see Category M).

- P1 ----- A Type I deviation requiring prior DSAA approval.
- P2 A Type I deviation not requiring DSAA approval but reported to DSAA prior to delivery reporting.
- P3 A Type I deviation to record the actual cost for which MAP was billed at time of delivery. If the data is submitted on Card 8 (delivery), this reason code is applied by DSAA in the processing of delivery cards and is not shown on input data from Implementing Agencies. If submitted on Card P or Q, this reason code signals the machine not to accomplish cost verification (multiplication of quantity times unit price). This is because the billed cost could possibly reflect a unit price expressed in dollars and cents. Since unit prices in program records are rounded to even dollars, the multiplication of quantity times a rounded unit price would produce an erroneous final cost figure for the line.

CATEGORY S: A change in status of a program line in the DSAA master file. Action to change status is initiated only by DSAA; therefore, this code is not used on input data submitted by MAAG or Implementing Agencies.

S1 ----- DSAA change in status.

b. Reason for Change—1100 System

A single character code used in 4/D cards to signify the purpose of the transaction as follows:

<i>Reason for Change</i>	<i>Card Code</i>	<i>Purpose</i>
A	4	Use when adding an item detail line to the data base when the delivery quantity/value fields in the transaction are blank.

- A D Use when changing any data with the exception of delivery quantity and dollars in an item detail record.
- B 4 Use when adding an item detail record to the data base when delivery data is included in the transaction.
- B D For updating delivery quantity and value fields in an existing item detail record.

49. Record Control Number (RCN) 1000 System

A four position alpha/numeric code assigned each program line. The RCN, combined with Country/Activity Code and Program Year, constitutes a unique identification number which is perpetuated on MAP transactions including MILSTRIP documentation. This number may be assigned by the MAAGs for all data entries which are in their programming responsibility. The first and second digits must be alpha characters and third and fourth must be numeric except where lines are split for partial funding under CRA. When this occurs, the unfunded portion is given the same RCN as the original line except for change of fourth digit to an alpha character; i.e., zero becomes alpha X, one becomes alpha A, two becomes alpha B, etc. DSAA does not fund these lines with alpha characters, but recombines them with the funded portion having the original RCN.

50. Record Serial Number—1100 System

A three digit alpha or numeric code which identifies an item record within a case.

51. Selected Item Description Number/Sequence Number and Quantity Control—All Systems

The Selected Item Description Number is a three digit numeric code assigned by DSAA and appearing in columns 62-64 of the MASL material card. This code does not appear in program listings or program cards, but is contained in the master file record to provide a means for identification and roll-up of detail records into standard groups or categories (summary level) as shown in the

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Summary MASL (Footnote code P lines). The Selected Item Sequence Code is a three position alpha/numeric code assigned by DSAA and is used to arrange summary data in sequences prescribed by DSAA. The sequence code appears only in the Summary MASL. The quantity control is also assigned by DSAA and appears in column 59 of the materiel MASL card. This code is used to determine the quantity count as follows:

1 = Quantity is counted and accumulated into the summary line.

Ø = Quantity is dropped when item is rolled to the summary line.

52. Source of Supply Code—1000 System

The following codes identify the source from which the supply of the article or service is anticipated.

A ----- Assigned to all records in the Republic of Korea Equipment Transfer program authorized by Public Law 95-384 at no charge to MAP. This code is also assigned to ammunition transferred to the Royal Thai Government from Army FMS Case UEB. Transfer at no cost to MAP was authorized by Section 24, Public Law 96-92, 29 October 1979.

B ----- Barter: From MAP-owned assets transferred to the U.S. as repayment in accordance with the provisions of Section 509 of the Foreign Assistance Act of 1961, as amended.

E ----- Excess: From stocks excess of Military Department/Defense Supply Agency supplied to meet MAP and FMS.

F ----- Foreign: For Grant Aid, from procurement offshore financed with foreign currencies made available under Sections 402 and 502 of PL 665, 83rd Congress, and Section 104(c) of PL 480, 83rd Congress. For Sales, from procurement offshore financed by direct citation of MAP-owned foreign currency received as repayment in accordance with the provisions of Section 508 of the Foreign Assistance Act of 1961, as amended.

I ----- Special: From special procurement solely for MAP, financed by direct citation of MAP funds. Also used to identify services to be financed by direct citation of MAP funds.

J ----- Army Depot, Japan: From MAP-owned assets at the U.S. Army Depot Command, Japan.

K ----- Procurement or Replacement: Items will be assigned this code: (1) When they are to be provided from Military Department procurement financed initially by Military Department appropriations. (2) When they are to be furnished from Military Department or DLA inventories, and procurement is required to replace such items. MAP items will be included in this category despite the fact that the items planned for procurement to replace the MAP delivery will be terms of the latest model (preferred item). Thus "Replacement in Kind" covers replacement of an item with the same model item, or a replacement of an acceptable substitute with a preferred item. Resources obtained from the sale of this material will be available to finance the Military Department or DLA reimbursable budget plan as it is classified for the budget document.

L ----- Replacement Not in Kind: This category will include those items which are to be provided to MAP on a reimbursable basis but when delivered to MAP are not planned to be replaced in inventories of the Military Department or DLA by the same model item or modern version. Funds received from the sale of such items will be available to finance the Military Department or DLA direct budget plan as it is classified for the budget document.

N ----- NAMSO/NHPLO: From the NATO Maintenance and Supply Organization or NATO Hawk Production and Logistics Organization. (Financed by direct citation of MAP funds.)

O ----- Offshore Procurement: From special procurement offshore (outside the United States, its possessions, and Puerto Rico) for the MAP. Accompany program change cards with narrative justification required by DOD Directive 2125.1.

R ----- Redistribution: From redistribution of MAP-supplied assets excess to holding country requirements.

S ----- F104G MAP Spares Depot: From MAP-owned assets of spares and spare parts peculiar to F104G aircraft located at Sacramento Air Materiel Area.

T ----- Transfer: From MAP-owned assets (other than those coded "B", "J" or "S") transferred from a MAP ownership account.

53. Spare Parts, AGE, and Equipment Attachment Codes—All Systems

The following codes are used when pro-

When the duration in the MASL card 2 is code "VA" (variable), it signifies that the training line item has a non-specific variable duration which should be determined separately.

62. Type of Assistance Code

a. 1000 System

This code is used in the MILSTRIP system to distinguish between various types of U.S. Military Assistance transactions. In MAP the code is used to distinguish the various types of Military Assistance, as well as to identify certain Military Assistance requirements programmed under special financing (e.g., Code "C" and "H") or supply (e.g., Codes "K", "L", and "N") arrangements.

- 1 ----- Grant Aid rendered under the authority of the Foreign Assistance Act of 1961, as amended, for which the United States receives no reimbursement.
- 2 ----- Grant Aid rendered under special Presidential Determination.
- 9 ----- Used to identify PCH&T for IMET Publications and Training Aids in Budget project N9.
- C ----- Presidential Determination to order defense articles from stock and performance of defense services to satisfy Grant Aid requirements with reimbursement from subsequent military assistance appropriations. (Section 506 FAA of 1961, as amended.)
- D ----- Military Assistance Service Funded. Grant Aid programs transferred to the Department of Defense budget, which were not controlled and implemented through the MAP documentation and ADP system.
- H ----- Grant Aid share of cost sharing agreements.
- K ----- Grant Aid of MAP-owned assets obtained through barter arrangements with Federal Republic of Germany (used in conjunction with Source of Supply Code "B" only).
- L ----- Grant Aid provided through the NATO Hawk Production and Logistics Organization (NHPLO) for maintenance support of Hawk Missile System (used

in conjunction with Source of Supply Code "N" only).

- N ----- Grant Aid of articles or services available as a result of liquidation of MAP's investment in the spare parts stock of the NATO Maintenance Supply Organization (NAMSO).
- P ----- Grant Aid Programs transferred to the Department of Defense budget which were controlled and implemented through the MAP documentation and ADP system.
- R ----- Grant Aid of U.S. recovered material resulting from liquidation of NAMSA excess stockage.
- S ----- Assigned to all records in the Republic of Korea Equipment Transfer program authorized by Public Law 95-384 at no charge to MAP. This code is also assigned to all PY 71 & 72 equipment transferred to the ROK under Public Law 91-652 at no cost to MAP. This code is also assigned to ammunition transferred to the Royal Thai Government from Army FMS Case UEB. Transfer at no cost to MAP was authorized by Section 24, Public Law 96-92, 29 October 1979.
- T ----- Used to identify EDA located overseas in the EDA actual value card.

Type of Assistance Codes used in other than Military Assistance transactions:

- F ----- Training provided as a part of an FMS case. This data is maintained in the DSAA Grant Aid data base purely as a service to assist the Military Departments in accounting for students/spaces provided under FMS. Not used in MILSTRIP.

b. 1100 System

This code distinguishes various types of Foreign Military Sales agreements for MILSTRIP requisitioning purposes. The Implementing Agency enters one or more of the following symbols as appropriate in the "Terms" block of the Letter of Offer, in accordance with the instructions in Part III, Chapter G. paragraph 3:

- 3 ----- Cash Sale for Stock with Payment in Advance
- 4 ----- Source of Supply not Predetermined
- 5 ----- Cash Sale from Procurement with Payment in Advance
- 6 ----- Cash Sale from Stock with Payment on Delivery

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7 ----- Cash Sale from Procurement with 120 Day Payment
8 ----- Cash Sale from Stock with 120 Day Payment
U ----- Foreign Military Sales Order (FMSO) No. 1
V ----- Foreign Military Sales Order (FMSO) No. 2
Z ----- DOD Direct or Guaranteed FMS Credit

63. Unified Command Code—All systems

Unified Command codes are not contained in cards but are assigned as supplemental data in DSAA records for use in selecting and sorting program data by Unified Command. This code identifies the Unified Command having responsibility for each recipient, except non-regional, and is the key for segregating ADP listings and feedback card data by Unified Commands. Unified Command Codes are:

E ----- European Command
P ----- Pacific Command
S ----- Southern Command
N ----- Non-Regional

64. Unit of Issue—All systems

The following unit of issue abbreviations in the Federal Supply catalog are applicable

to Military Assistance:

BT ----- Bottle
DR ----- Drum
CN ----- Can
EA ----- Each
PR ----- Pair
CY ----- Cubic Yard
FT ----- Foot
RE ----- Reel
DM ----- Dram
LB ----- Pound
SE ----- Set

In addition, the following (exception codes) are used:

MX ----- Thousands of Rounds (ammunition)
XX ----- Dollars

65. Worksheet Control Number (WSCN)—1000 System

The worksheet control number is a 5 position alpha numeric code in columns 61-65 of program cards 4, Q and R which designates a single item or sequence of training for the Military Departments. The unit position is used to identify cross training which is entered in alphabetical sequence, i.e., 1234Z, 1234A, etc. Where no cross training is programmed, the units position is blank.

CHAPTER A

ELIGIBILITY FOR FOREIGN MILITARY SALES

1. General Authority

No defense article or defense service may be sold to any country or international organization unless the President finds, in accordance with Section 3 of the Arms Export Control Act, as amended (hereafter referred to as the AECA), that

(1) the furnishing of defense articles and defense services to such country or international organization will strengthen the security of the United States and promote world peace;

(2) the country or international organization shall have agreed not to transfer title of, or possession of, any defense article or related training or other defense service so furnished to it to anyone not an officer, employee, or agent of that country or international organization and not to use or permit the use of such article or related training or other defense service for purposes other than those for which furnished unless the consent of the President has first been obtained;

(3) the country or international organization shall have agreed that it will maintain the security of such article and will provide substantially the same degree of security protection afforded to such article by the United States Government; and

(4) the country or international organization is otherwise eligible to purchase defense articles or defense services (see para 2, below).

2. Conditions of Eligibility

Countries or international organizations found eligible to purchase defense articles

and defense services under the Presidential finding are also subject to other provisions of the AECA. A summary of the major restraints on FMS and FMS Credits is included under MASM III, Chapter B, Foreign Military Sales Policies, Guidelines and Restrictions, para 3.

3. Eligible Countries and International Organizations

The current list of eligible countries and international organizations as determined by the President is appended as Table A-1.

4. Special Approval Requirements

The Department of State has primary responsibility for approving all requests for the purchase of defense articles and defense services. To aid in this approval process, all requests for defense articles and defense services have been divided into two kinds: "Significant Combat Equipment" (as listed in the International Traffic in Arms Regulation (ITAR)) and "All Other Defense Articles and Services". However, within these two categories, the Department of State has authorized certain types of requests to be forwarded directly to the Department of Defense for processing. For this purpose, Table A-2 indicates the Department of State approved channels for the submission of a request for the purchase of "Significant Combat Equipment" or "All Other Defense Articles and Services". Those approval channels designated as the Department of Defense shall be considered Category A requests and those approval channels designated as the Department of State shall be considered Category B requests. The procedures for the submission of such requests are covered in Chapter C, paragraph 6.

Table A-1

FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE TO PURCHASE DEFENSE ARTICLES AND DEFENSE SERVICES UNDER THE AUTHORITY OF THE ARMS EXPORT CONTROL ACT¹

COUNTRIES

Africa

Benin	Malagasy Republic
Botswana	Mali
Cameroon	Mauritius
Chad	Morocco
Ethiopia*	Niger
Gabon	Nigeria
Ghana	Senegal
Guinea	Sudan
Ivory Coast	Tunisia
Kenya	Upper Volta
Liberia	Zaire
Libya*	

Near East and South Asia

Afghanistan	Nepal
Bahrain	Oman
Egypt	Pakistan
Greece	Qatar
India	Saudi Arabia
Iran	Sri Lanka (Ceylon)
Israel	The United Arab Emirates
Jordan	Turkey
Kuwait	Yemen Arab Republic
Lebanon	

Western Hemisphere

	<i>Europe</i>	Argentina*	Haiti
	(Less Greece & Turkey)	Bahamas	Honduras
Austria	Malta	Barbados	Jamaica
Belgium	Netherlands	Bolivia	Mexico
Denmark	Norway	Brazil	Nicaragua
Finland	Portugal	Canada	Panama
France	Spain	Chile*	Paraguay
Germany	Sweden	Colombia	Peru
(Fed Rep of)	Switzerland	Costa Rica	St Lucia
Iceland	United Kingdom	Dominica	St Vincent
Ireland	(Incl Crown Agents)	Dominican Republic	Surinam
Italy	Yugoslavia	Ecuador	Trinidad and Tobago
Luxembourg		El Salvador	Uruguay
		Guatemala	Venezuela

Far East

Australia	Korea, Rep of
Brunei	Laos*
Burma	Malaysia
China, Rep of	New Zealand
Fiji	Philippines
Indonesia	Singapore
Japan	Thailand
Kampuchea	Vietnam, Rep of*
(Cambodia)*	

International Organizations

North Atlantic Treaty Organization (NATO) and its agencies
 Organization of American States (OAS)
 United Nations (UN) and its agencies to include International Civil Aviation Organization (ICAO)

1. As of 1 May 1980

* Sales to these countries have been suspended.

TABLE A-2

Channels of Submission and Approval ¹
for Requirements for the Purchase of Defense Articles and Defense Services

<i>Eligible Countries</i>	<i>Significant Combat² Equipment in ITAR</i>	<i>All Other Defense Articles and Services</i>	<i>Authorized Direct³ Arrangements for Dependable Undertaking</i>	<i>Authorized Receipt⁴ DLA Excess Property Listings</i>
<i>NATO Countries</i>				
Belgium -----	DOD ⁵	DOD	YES	YES
Canada -----	DOD	DOD	YES	YES
Denmark -----	DOD	DOD	YES	YES
France -----	DOD	DOD	YES	YES
Germany (Federal Republic of) ^{7 8} -----	DOD	DOD	YES	YES
Greece -----	STATE ⁶	DOD	YES	YES
Iceland -----	STATE	DOD	YES	YES
Italy -----	DOD	DOD	YES	YES
Luxembourg -----	DOD	DOD	YES	YES
Netherlands -----	DOD	DOD	YES	YES
Norway -----	DOD	DOD	YES	YES
Portugal -----	STATE	DOD	YES	YES
Turkey -----	STATE	DOD	YES	YES
United Kingdom -----	DOD	DOD	YES	YES
<i>Other European Countries</i>				
Austria -----	STATE	DOD	YES	YES
Finland -----	STATE	DOD	NO	NO
Ireland -----	STATE	DOD	YES	YES
Malta -----	STATE	DOD	YES	YES
Spain -----	STATE	DOD	YES	YES
Sweden -----	STATE	DOD	YES	YES
Switzerland -----	STATE	DOD	YES	YES
Yugoslavia -----	STATE	DOD	YES	YES
<i>Near East and South Asia Countries</i>				
Afghanistan -----	STATE	STATE	NO	NO
Bahrain -----	STATE	STATE	YES	YES
Egypt -----	STATE	STATE	YES	YES

TABLE A-2

<i>Eligible Countries</i>	<i>Significant Combat² Equipment in ITAR</i>	<i>All Other Defense Articles and Services</i>	<i>Authorized Direct³ Arrangements for Dependable Undertaking</i>	<i>Authorized Receipt⁴ DLA Excess Property Listings</i>
<i>Near East and South Asia Countries (continued)</i>				
India -----	STATE	STATE	YES	YES
Iran -----	STATE	DOD	YES	YES
Israel -----	STATE	DOD	YES	YES
Jordan -----	STATE	DOD	YES	YES
Kuwait -----	STATE	DOD	YES	YES
Lebanon -----	STATE	STATE	YES	YES
Nepal -----	STATE	DOD	YES	YES
Oman -----	STATE	DOD	NO	NO
Pakistan -----	STATE	STATE	YES	YES
Qatar -----	STATE	DOD	YES	YES
Saudi Arabia -----	STATE	DOD	YES	YES
Sri Lanka (Ceylon) -----	STATE	DOD	NO	YES
The United Arab Emirates -----	STATE	DOD	YES	YES
Yemen Arab Republic -----	STATE	DOD	YES	YES
<i>Far East Countries</i>				
Australia -----	DOD	DOD	YES	YES
Burma -----	STATE	DOD	NO	YES
Brunei -----	STATE	STATE	YES	YES
China, Republic of -----	STATE	DOD	YES	YES
Fiji -----	STATE	DOD	NO	NO
Indonesia -----	STATE	DOD	YES	YES
Japan -----	DOD	DOD	YES	YES
Kampuchea (Cambodia)* -----	STATE	STATE	NO	NO
Korea -----	STATE	DOD	YES	YES
Laos* -----	STATE	STATE	NO	NO
Malaysia -----	STATE	DOD	YES	YES
New Zealand -----	DOD	DOD	YES	YES
Philippines -----	STATE	DOD	YES	YES
Singapore -----	STATE	DOD	YES	YES
Thailand -----	STATE	DOD	YES	YES
Vietnam* -----	STATE	STATE	NO	NO

TABLE A-2

<i>Eligible Countries</i>	<i>Significant Combat Equipment in ITAR</i>	<i>All Other Defense Articles and Services</i>	<i>Authorized Direct Arrangements for Dependable Undertaking</i>	<i>Authorized Receipts DLA Excess Property Listings</i>
<i>African Countries</i>				
Botswana -----	STATE	DOD	YES	NO
Benin -----	STATE	STATE	NO	NO
Cameroon -----	STATE	DOD	NO	NO
Chad -----	STATE	DOD	NO	NO
Ethiopia* -----	STATE	STATE	NO	NO
Gabon -----	STATE	DOD	NO	NO
Ghana -----	STATE	DOD	NO	NO
Guinea -----	STATE	STATE	NO	NO
Ivory Coast -----	STATE	DOD	NO	NO
Kenya -----	STATE	DOD	YES	NO
Liberia -----	STATE	DOD	YES	YES
Libya* -----	STATE	STATE	NO	NO
Malagasy Republic -----	STATE	STATE	NO	NO
Mali -----	STATE	STATE	NO	NO
Mauritius -----	STATE	DOD	NO	NO
Morocco -----	STATE	DOD	YES	YES
Niger -----	STATE	DOD	NO	NO
Nigeria -----	STATE	DOD	YES	NO
Senegal -----	STATE	DOD	NO	NO
Sudan -----	STATE	DOD	YES	NO
Tunisia -----	STATE	DOD	YES	YES
Upper Volta -----	STATE	DOD	NO	NO
Zaire -----	STATE	DOD	NO	YES
<i>Latin American Countries</i>				
Argentina* -----	STATE	STATE	NO	NO
Bahamas -----	STATE	DOD	YES	YES
Barbados -----	STATE	DOD	YES	YES
Bolivia -----	STATE	DOD	YES	YES
Brazil -----	STATE	STATE	YES	YES
Chile* -----	STATE	STATE	NO	NO
Colombia -----	STATE	DOD	YES	YES
Costa Rica -----	STATE	DOD	YES	YES
Dominica -----	STATE	DOD	YES	YES
Dominican Republic -----	STATE	DOD	YES	YES
Ecuador -----	STATE	DOD	YES	YES

TABLE A-2

<i>Eligible Countries</i>	<i>Significant Combat² Equipment in ITAR</i>	<i>All Other Defense Articles and Services</i>	<i>Authorized Direct³ Arrangements for Dependable Undertaking</i>	<i>Authorized Receipt⁴ DLA Excess Property Listings</i>
<i>Latin American Countries (continued)</i>				
El Salvador -----	STATE	STATE	YES	YES
Guatemala -----	STATE	STATE	YES	YES
Haiti -----	STATE	STATE	YES	YES
Honduras -----	STATE	DOD	YES	YES
Jamaica -----	STATE	DOD	NO	NO
Mexico -----	STATE	DOD	YES	YES
Nicaragua -----	STATE	STATE	NO	YES
Panama -----	STATE	DOD	YES	YES
Paraguay -----	STATE	STATE	NO	YES
Peru -----	STATE	STATE	YES	YES
St Lucia -----	STATE	DOD	YES	YES
St Vincent -----	STATE	DOD	YES	YES
Surinam -----	STATE	DOD	NO	NO
Trinidad and Tobago -----	STATE	DOD	NO	NO
Uruguay -----	STATE	STATE	NO	YES
Venezuela -----	STATE	DOD	YES	YES
<i>International Organizations</i>				
NATO (North Atlantic Treaty Organizations and its agencies) -----	DOD	DOD	YES	YES
Organization of American States (OAS) -----	STATE	DOD	NO	NO
United Nations and its agencies to include International Civil Aviation Organization (ICAO) -----	STATE	STATE	NO	NO

*Sales to these countries have been suspended.

should be accomplished prior to the inclusion of such provision in the DD Form 1513 agreement.

3. Major Restraints and Significant Recurring Reports to the Congress

The following is a summary of the major restraints and requirements for reporting to the Congress which govern foreign military sales activities, and reflect major requisites which impact on military export sales. Unless otherwise noted, references are to the AECA, as amended.

a. Major Restraints

(1) Sales will be approved only when consistent with U.S. foreign policy interests, foreign aid purposes as embodied in the FAA, the extent and character of the military requirement, the economic and financial capability of the purchases, with particular regard being given, where appropriate, to proper balance among such sales, grant military assistance and economic assistance as well as to the impact of the sales on social and economic development programs and on existing or incipient arms races (Sec. 1).

(2) Sales and credit guaranties (Secs. 21, 22, 23 and 24) shall not be approved to arm military dictators who are denying the growth of fundamental rights or social progress to their people. The President may waive this limitation when he determines it would be important to the security of the United States (Sec. 1).

(3) The Secretary of State shall be responsible for determining whether there shall be a sale to a country and the amount thereof, and whether these shall be delivery or other performance under such sale or export to the end that sales and exports are integrated with other U.S. activities and the foreign policy of the U.S. is best served thereby. (Sec. 2(b)).

(4) The President must determine the eligibility of the prospective purchaser on the basis that sales will strengthen U.S. security and promote world peace (Sec. 3(a)(1)).

(5) The purchaser must agree not to transfer title to, or possession of, any defense article or related training or other defense service without prior U.S. consent; and the President must report to the Congress before such consent is given (Sec. 3(a)(2)). (See paragraph 3b(4) this chapter.)

(6) Any foreign country which hereafter uses defense articles or defense services furnished under the Arms Export Control Act, in substantial violation of any agreement entered into under that Act, shall be ineligible for further cash sales, credits or guaranties until such time as the President determines that such violation has ceased and the country has given satisfactory assurances that such violation will not recur. (Sec. 3c)

(7) Unless the President finds that the national security requires otherwise, he shall terminate all sales, credits and guaranties to any government which aids or abets, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism. Such termination shall be for one year, beginning on the date of such termination, except that if during the country's period of ineligibility another such sanctuary is granted, its period of ineligibility shall be extended for an additional year. If the President finds that the national security justifies a continuation of sales, credits or guaranties to any such government he shall report such finding to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate. (Sec. 3f)

(8) Sales may be made to countries only for purposes of internal security, legitimate self defense, civic action, or regional or collective arrangements consistent with the United Nations (U.N.) Charter, or requested by the U.N. (Sec. 4)

(9) No FMS credits or guarantees shall be extended to less developed countries—except Greece, Turkey, Iran, Israel, Republic of China, Philippines, and Korea—to buy sophisticated weapons, such as missile systems and jet aircraft for military purposes,

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unless the President determines that such financing is important to the U.S. national security. (Sec. 4)

(10) Sales may be made under FMS only if the eligible purchaser agrees to pay in U.S. dollars. (Secs. 21 and 22)

(11) FMS credits must be repaid in U.S. dollars within twelve years after the delivery of the defense articles or the rendering of the defense services. (Sec. 23)

(12) Financing of sales of defense articles and defense services by any individual, corporation, partnership or other judicial entity doing business in the United States (excluding U.S. Government agencies other than the Federal Financing Bank) may be guaranteed by the USG. Fees shall be charged for such guarantees. An amount equal to 10% of the principal amount of the contractual liability under guaranty shall be set aside as a reserve from funds appropriated under the Act. (Sec. 24)

(13) Export-Import Bank financing of sales to economically less developed countries is prohibited. (Sec. 32)

(14) A ceiling on grant aid and sales credits combined (excluding training) shall not exceed \$40,000,000 in each fiscal year for African countries. The President may waive this provision when he determines it to be important to the security of the United States. (Sec. 33)

(15) FMS credit and guaranty standards and criteria, e.g., interest rates, shall be established by the President in accordance with the foreign, national security and financial policies of the U.S. (Sec. 34)

(16) Further sales, credits, and guaranties shall be terminated to any economically less developed country which diverts economic aid, or its own resources to unnecessary military expenditures, to a degree which materially interferes with its development. (Sec. 35)

(17) Cash received from FMS and from repayments of FMS credits shall not be used for financing new credits or guaranties. (Sec. 37)

(18) The President is authorized to control the import and export of defense articles and services and to designate those items which shall be considered defense articles and services to promulgate regulations for the import and export of such articles and services. The items so designated shall constitute the United States Munitions List. (Sec. 38(a))

(19) No license may be issued under Section 38 of the Act for the export of any major defense equipment sold under a contract in the amount of \$35,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization (unless such major defense equipment had been sold under FMS). Additionally, this prohibition shall not apply to the issuance of licenses under this section for the export of major defense equipment to Australia, Japan, or New Zealand, or major defense equipment sold commercially in implementation of an agreement between the United States Government and the government of a foreign country for the production of the major defense equipment to which such licenses relate if the President has submitted a certificate with respect to such proposed agreement, prior to its signature, to the Speaker of the House of Representatives and to the Chairman of the Committee on Foreign Relations of the Senate in the same form as the certification required under Section 36(b) of this Act and subject to the requirements of such Section. (Sec. 38(b) (3))

(20) Arms control consequences must be taken into consideration when evaluating any FMS sale. (Sec. 42(a) (3))

(21) FMS funds may be used for procurement outside the U.S. only if the President determines that such procurement will not result in adverse effects upon the U.S. economy or the industrial mobilization base. (Sec. 42(c))

(22) Provisions of Atomic Energy Act and 10 USC 7307 (requiring separate legislation for major ship loans and sales) are unaffected by the AECA. (Sec. 44)

(23) Sale of defense articles, defense

services or training to foreign organizations or units, including foreign police forces, will not be made under the Arms Export Control Act unless such organizations or units are a part of the national defense forces under the direction and control of the Ministry responsible for defense matters. Prior approval of DSAA is required for the sale of defense articles, defense services or training to foreign organizations or units that are under the direction and control of the Ministry responsible for defense matters if they are engaged in on-going civilian police functions.

(24) Consistent with its resources and the situation prevailing in-country, the MAAG is responsible for supervising and reporting on the utilization by the foreign country of defense articles and services acquired through FMS.

b. Significant Reports to the Congress

(1) Quarterly reports of:

(a) all Letters of Offer to sell any major defense equipment for \$1,000,000 or more under this Act to each foreign country and international organization, by category, if such Letters of Offer have not been accepted or cancelled. (Sec. 36(a)(1)).

(b) all such Letters of Offer that have been accepted during the fiscal year in which such report is submitted, together with the total value of all defense articles and defense services sold to each foreign country and international organization during such fiscal year. (Sec. 36(a)(2)).

(c) the cumulative dollar amounts, by foreign country and international organization, of sales credit agreements under Section 23 and guaranty agreements under Section 24 made during the fiscal year in which such report is submitted. (Sec. 36(a)(3)).

(d) projections of the dollar amounts, by foreign country and international organizations, of cash sales expected to be made under Sections 21 and 22, credits to be extended under Section 23, and guaranty agreements to be made under Section 24 in the quarter of the fiscal year immediately following the quarter for which such report is submitted. (Sec. 36(a)(5)).

(e) a projection with respect to all cash sales expected to be made and credits expected to be extended to each country and organization for the remainder of the fiscal year in which such report is transmitted. (Sec. 36(a)(6)).

(f) an estimate of the number of officers and employees of the United States Government and of United States Civilian contract personnel present in each country at the end of that quarter for assignments in implementation of sales and commercial exports under this Act. (Sec. 36(a)(7)).

(g) Each price and availability (P&A) estimate provided to a foreign country/international organization with respect to a possible sale of major defense equipment (MDE) for \$7 million or more or of any other defense articles or services for \$25 million or more (i.e., any potential AECA Section 36(b) case). The report must also include a listing of each request from a foreign country/international organization for a LOA if the proposed sale was not previously reported under the P&A requirement above and the issuance of the LOA would be subject to the AECA Section 36(b) requirements (i.e., MDE for \$7 million or more and/or articles or services for \$25 million or more). Specific reporting requirements are found in Part III, Chapter C, para 16.b. (AECA Section 28).

(2) In the case of any Letter of Offer to sell any defense articles or services under this Act for \$25,000,000 or more, or any major defense equipment for \$7,000,000 or more, a numbered certification of (1) the foreign country or international organization to which the defense article or service is offered or was sold, (2) the dollar amount of the offer to sell or the sale and the number of defense articles offered or sold, (3) a description of the defense article or service offered or sold, and (4) the United States Armed Force or other agency of the United States which is making the offer to sell or the sale, as the case may be; and a description of any contribution, gift, commission, or fee paid or offered or agreed to be paid in order to solicit, promote, or otherwise to secure such Letter

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of Offer. See Appendix B, Figure App B-2 for a detailed listing of the information specified to be included in this report. (Sec. 36 (b)(1)).

(3) Notification to the Congress before issuance of Letters of Offer in the amount of \$25,000,000 or more or for the sale of major defense equipment in the amount of \$7,000,000 or more. Further, the Arms Export Control Act provides that the Letter of Offer shall not be issued if Congress, within 30 calendar days of receipt of such notification, adopts a concurrent resolution stating in effect that it objects to such proposed sale, unless the President in his notification to Congress states that an emergency exists which requires such sale in the national security interests of the United States (Sec. 36(b)(1)). See Chapter C, paragraph 16 for processing LOAs in the amount of \$25 million or more or for LOAs in the amount of \$7 million for major defense equipment.

(4) Third Country Transfer Certification.

(a) Under Section 3(d) AECA, the Congress must be notified 30 days in advance of the date the Department of State consents to the transfer of defense articles or defense services provided under MAP or sold under the AECA from the recipient to anyone not an officer, employee, or agent of that recipient. This reporting requirement does not apply to the following transfers:

1. temporary transfer of defense articles for the sole purpose of receiving maintenance, repair, or overhaul;

2. transfer of maintenance, repair, or overhaul defense services, or of repair

parts or other defense articles used in furnishing such services, if the transfer will not result in any increase, relative to the original specifications, in the military capability of the items to be maintained, repaired or overhauled;

3. transfers pursuant to arrangements among NATO members or between NATO and any of its member countries for cooperative cross servicing;

4. transfers pursuant to arrangements among NATO members or between NATO and any of its member countries for lead-nation procurement, (see paragraph b below).

(b) In the last-mentioned category of transfers exempted from the reporting requirement of section 3(d) AECA, if the defense article or defense service to be transferred was originally purchased from the USG and that purchase had been the subject of a notification to the Congress under Section 36(b) AECA, the proposed transfer is exempt from the reporting requirement of Section 3(d) AECA only if the Section 36(b) notification with respect to such lead-nation procurement had identified the transferee on whose behalf the lead-nation procurement was proposed. For Section 36(b) AECA proposed sales to NATO or to another NATO member country purchasing on behalf of a third NATO party, information as to possible subsequent transfers shall be provided to DSAA in accordance with Figure Appendix B-1, paragraph m., and Figure Appendix B-3, paragraph m.

major defense equipment sold under a contract in the amount of \$25,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under this act." For detailed procedures on commercial sales, see Chapter H.

The Defense Department preference, therefore, is to use commercial channels as much as possible. Nevertheless, some two-thirds to three-fourths of all U.S. military exports actually pass through government-to-government channels for one or more of the following reasons:

a. This GFE likewise cannot be sold directly to U.S. prime contractors for incorporation in weapons systems for sale to foreign buyers.

b. For some special situations, the U.S. Government wishes to exercise the control that is more easily achieved with the FMS channel.

c. Classified equipment, which must in any event be delivered through government channels, is often easier to sell through the government channel.

d. Sales made under supply support arrangements and similar logistics sales arrangements are handled through the FMS channel as the only practicable way of permitting the armed forces of friends and allies to "buy into" the procedure as do using U.S. units.

Direct contact between MAAGs and Military Departments is authorized to provide information to host countries concerning technical advice, data on item configuration and availability, cost factors, and other essential technical and supply data.

6. Basic Foreign Military Sales Procedures

a. Eligible countries and international organizations authorized to purchase defense articles and defense services under the authority of the Arms Export Control Act are

listed in Chapter A, Table A-1. Special approval requirements are prescribed for "Significant Combat Equipment" and "All Other Defense Articles and Services", Chapter A, Table A-2.

b. Following are the prescribed procedures and administrative channels for implementing requests for defense articles and defense services:

(1) Category A—*Requests for "significant combat equipment" (if the value of such would be \$7 million or more) or "all other defense articles and services" (if the value of such articles or services could be \$25 million or more) which originate in-country will be transmitted via the U.S. Embassy rather than by the MAAG or similar military elements to the cognizant DOD component for action, with the Department of State, DSAA, the appropriate Unified Command and ACDA as information addressees. All other FMS requests, at the discretion of the requesting country, should be transmitted either through the country's representatives in the U.S. (such as the Purchasing Missions, Embassies, or Military Attaches in Washington, D. C.) or through the U.S. country team located in the foreign country (such as the MAAG, U.S. Military Mission, Offices of Defense Cooperation (ODCs), or U.S. Defense Attache's Office) directly to the cognizant DOD component with an information copy to DSAA and (except for requests under the category "all other defense articles and services" if the value of such articles or services could be less than \$25 million) to the Department of State.

(2) Category B—All requests for "significant combat equipment" (if the value of such would be \$7 million or more) or "all other defense articles and services" (if the value of such articles or services could be

* Some countries are listed as Category A for maintenance support and Category B for major end-items.

Special Conditions: Sale of electronic warfare (EW) equipment to NATO countries will, for the most part, follow normal FMS channels. However, special coordination and review by USEUCOM will be required to assure that the equipment to be purchased by one NATO country is compatible with the overall NATO EW concept.

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\$25 million or more) which originate in-country will be transmitted via the U.S. Embassy rather than by the MAAG or similar military element to the Department of State, with an information copy to DSAA and the appropriate Unified Command. The preferred channel for all other FMS requests is through the purchasing country's representative in the U.S. (e.g., purchasing mission or military attache) via the Embassy of the foreign country to the Department of State, with an information copy to DSAA. Requests received by the U.S. in-country should be sent to the Secretary of State/Secretary of Defense.

(3) When a DOD Component receives a request for defense articles or services in a manner not specifically authorized as outlined above, or specified in Chapter A, Table A-2, the request should be forwarded to the DSAA. The DSAA will, in turn, seek State Department approval. With such approval, the DSAA will return the request to the appropriate DOD Component for implementation and will advise the originator of this action as well as the proper channel for similar future requests.

(4) Military Departments will submit all Letters of Offer for significant combat equipment and for those items or services of a critical or special nature to the Defense Security Assistance Agency (Attn: Director of Operations) for approval prior to submission to the requesting country. Additional LOA's which require DSAA approval are:

(a) all Letters of Offer to African countries and Iran;

(b) all Letters of Offer for \$1 million or more, and all amendments which increase the value of a case to \$1 million or more, for Bahrain, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the United Arab Emirates and the Yeman Arab Republic;

(c) all Letters of Offer for the sale of major defense equipment. Special instructions for Letters of Offer for the sale of end items in the amount of \$25 million or more or the sale of major defense equipment in the amount of \$7 million or more are contained in Section 16 of this chapter.

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

(e) all Letters of Offer for items containing a non-recurring surcharge as an element of cost of the items are prescribed in DOD Directive 2140.2;

(f) all Letters of Offer for items or services which are not standard in the DOD inventory and for which Research, Development, Test and Evaluation are included as an element to be procured;

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

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

7. Furnishing Information on Price, Availability and Condition of Military Equipment to Foreign Governments

a. Importance of Accurate Estimates

The terms and conditions of the DD Form 1513 stipulate that price and availability data shown on the DD Form 1513 are estimates and must not be considered fixed priced or firm commitments. This point is very important and should be continually stressed to foreign governments. Nevertheless unexpected and substantial price increases, delivery delays, or the receipt of equipment in poor condition can lead to a foreign government's disappointment or even dissatisfaction with the FMS system. It is essential that all DOD components strive for accuracy in the development of planning and review (P&R) and price and availability (P&A) data within the constraints imposed by applicable procedures; the process must include the identification of contingencies which might cause the "best estimate" of price and availability to fluctuate beyond acceptable bounds. The nature of any such contingency or qualification as to the accuracy of estimates should be brought to the attention of the FMS purchaser during the offer and acceptance process.

b. Discussions with Foreign Governments

Economic, production and budget uncertainties all contribute to DOD component difficulties in making accurate price and availability estimates. The large volume of P&R and P&A estimates which are processed also increase the likelihood of error. It is imperative that the utmost discretion be exercised by members of the country team or other US officials in discussion with foreign government officials of price and availability data. Only specific data provided by the DOD component or the Defense Security Assistance Agency (DSAA) should be used.

c. Foreign Government Requests for FMS Data

Depending upon the nature of a foreign government's requirements, there are two categories of data which a foreign government may request: planning and review (P&R) data or price and availability (P&A) data.

(1) Planning and Review (P&R) data should be used by a foreign government solely for preliminary review and planning for the possible purchase of a defense article or service. P&R data should not be considered valid for use in programming budget requests or for purposes of preparing a LOA. DOD components should ensure that the information provided is sufficiently accurate to serve the planning purposes of a foreign government. Contract expiration dates should be verified and the foreign country advised of limitations such dates place on the data provided.

(2) Price and Availability (P&A) data should be detailed to the degree that the information could be transferred to a Letter of Offer without further modification. In the event that the P&A information is being provided separately from a LOA, coordination with DSAA is required under the same guidelines as apply for the submission of actual Letters of Offer. An information copy of P&A data provided to all countries will be furnished DSAA.

(3) Requests for P&R data or P&A data should be submitted in accordance with the guidelines contained in paragraph 6, this Chapter. Should a DOD component receive

a Category B request for P&R or P&A data, that request should be promptly referred to DSAA. The Military Departments will provide P&R data within 45 days after receipt of the request. P&A data will be provided 60 days after receipt of request.

(4) In all cases, foreign country requests for P&R or P&A data should be as clear and complete as possible, so that they are understood and data can be properly estimated by the DOD components concerned. USG officials who initially accept such requests for transmittal to the DOD components concerned should review them to ensure that (1) they are sufficiently specific to be understood and provide a firm basis for preparing estimates, and (2) request states specifically whether it is for P&R or P&A data. When requests for estimates are received that do not specify whether they are for P&R or P&A data, the recipient initially receiving the request shall notify the requestor of this requirement and hold action on the request until the information is received.

d. Format for Response to Requests for P&R and P&A Data

(1) The following format must be used in responding to a request for Planning and Review (P&R) data:

—List the quantity, major item/service and estimated cost. (Cost must include an inflation factor. In the absence of clear inflation trends on a given system which can be used, the OSD/C standard inflation factor should be used.)

—List the ancillary support equipment which is necessary for the operability of the system requested and include the estimated cost.

—Indicate estimated dollar value of training, publications, etc.

—List the estimated accessorial charges.

—List the source of the data (e.g., last contract award, stock price, contractor quote).

—List the estimated availability of the item.

—List the key assumptions used in developing the data.

For example:

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(a) Standard Military Department factors were used in developing the ancillary equipment necessary to support the quantity of items requested.

(b) Training, publications and quality assurance cost estimates are based on criteria used by the Military Departments.

—List the key factors which will effect the above planning data.

For example:

(a) Current contract for this item expires on (indicate date) and LOA must be accepted by (indicate date) so that options can be added to the current contract. If LOA is not accepted by the indicated date, the price will rise substantially and new data should be requested.

(b) Production line is due to phase out by (indicate date). Start-up costs would have to be applied if an LOA is not accepted by (indicate date).

(c) Materiel has a shelf-life of (indicate time).

—Expiration date: _____ After this date, if the item/service is still under review, revised data should be requested.

—Validity: The above information is not valid for purposes of preparing a Letter of Offer and Acceptance nor should it be used for budget submissions. It is planning information for review purposes only, to assist in your government's determination of the feasibility of requesting a Letter of Offer and Acceptance.

(2) P&A data will be prepared along the same guidelines as a LOA. P&A data should include the following statement: Expiration date: _____ After this date, if the item/service is still under review, revised data should be requested.

e. Estimates are not Commitments

All responses for P&R or P&A data will include the following note: "The provision of the foregoing P&R (or P&A) data does not constitute an agreement between the US Government and the Government of (insert the appropriate foreign country), nor a US Government commitment to provide items or services for which these estimates are provided."

f. Requests for P&R Data, P&A data or LOA Which Involves a Less than Economic Order Quantity (EOQ)

When a request is received for P&R, P&A or a Letter of Offer which cannot be supplied from stock and cannot be immediately obtained from normal procurement because it represents less than an Economic Order Quantity (EOQ), the response to such requests should provide the following information to the country:

(1) Whether the contractor would be willing to provide the quantity requested under separate procurement, and if so at what price and availability date, and

(2) Whether a US Government procurement is planned for the near future, the anticipated price of such procurement and the anticipated delay in supplying the item if the requirement were held pending such procurement. All such responses to a foreign country must be coordinated with DSAA Operations.

g. Coordination of Requests for P&R Data, P&A Data, or a LOA

The Joint Chiefs of Staff and the USDR&E must be advised of all new FMS requests which meet the following criteria:

(1) All requests for major defense equipment as defined in Appendix A, Part III of the MASM, and

(2) All requests for coproduction or licensing agreements. All requests received directly by the Military Department, under Category A procedures which meet these above two criteria should be referred to DSAA for review with the JCS and USDR&E. This referral to DSAA can be done simultaneously with the implementation of action within the Military Departments to obtain the information requested. In no case should such requests be answered without the prior approval of DSAA having first been obtained.

NOTE: All requests for information falling in Category B, no matter how informal the request, e.g., oral, letter, message, etc., (other than P&A requests intended to lead to the preparation of a Letter of Offer) are considered to be P&R requests and require the same channels of submission as outlined in paragraph 7.c(3).

8. Pricing of FMS Transactions

Defense policy outlined in DOD Instruction 2140.1, 9 March 1977, calls for uniform DOD application of pricing and cost criteria for sales of Defense articles and services to eligible foreign governments and international organizations. In general terms, this means that DOD pricing and procedures will provide for the charging of all DOD direct and indirect costs, including those referred to as an "administrative charge" for the use of the DOD logistics system.

To assure that all such costs are covered in the DOD pricing, quotations on defense articles and services will be estimated and final adjustments will take place after delivery of the items or rendering of the services. DD 1513, Letter of Offer and Acceptance, provides for such estimated prices.

a. Items From Defense Stocks

Pricing of defense items from stock inventories will be handled according to DOD Instruction 2140.1. For example, standard prices will govern when nonexcess materiel is to be sold. This includes all items in the United States military supply system, except such major items as complete ships, aircraft and missiles, space vehicles, and plant and production equipment.

Standard prices will include the current market or procurement cost of the item at the time the price is established or re-established. As a general rule, standard prices for items currently procured are revised once a year and revised when significant changes occur. Reductions in inventory standard prices may be made for sale of nonexcess materiel:

- (1) when material is in long supply, or
- (2) when there is a determination by the inventory manager that there is an actual difference in utility or desirability of an item due to age, condition or model. Sales of excess materiel will be priced as prescribed in DOD Instruction 2140.1.

b. Items From New Procurement

Prices of defense articles and services procured for eligible foreign governments

or international organizations pursuant to Section 22 of the AEC Act will be cited to recover full DOD contract costs (including the cost of government materiel). In addition, the purchaser shall be required to obligate itself to pay any damages or costs that may accrue from the purchaser's cancellation of the contract. Authorized surcharges specified in Section 9 below will be added to the contract cost and included in the billing.

In general, defense articles shall be priced on the same basis as the cost principles used in pricing defense contracts for items of DOD use. However, recognition shall be given to reasonable and allocable contractor costs which are justified in connection with a particular sale (see ASPR 6-1304.3).

The cost of deviations from United States configuration and special technical data desired by a foreign government will be included as a charge to the foreign government additional to the average unit standard price or other U.S. normal charges.

9. Authorized Surcharges

Prices of defense articles and services sold to eligible foreign governments and international organizations will include the following charges:

a. Accessorial Costs

These represent certain expenses incident to issues, sales, and transfers of materiel which are not included in the standard price or contract cost of materiel, such as:

(1) Packing, handling and crating costs (known as PCH&T costs when transportation is included). These are costs incurred for labor, materials, or services in preparing the materiel for shipment from the storage or distribution points.

(2) Transportation costs. Inland and ocean transportation costs, representing shipments by land, sea, and air, inland and coastwise waterways, vessel or air, and including parcel post via surface or air.

(3) Port loading and unloading costs. These are costs for labor, materials or services at ports of embarkation or debarkation.

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(4) Prepositioning costs. Supply distribution costs incurred at locations outside the United States in anticipation of support to other authorized customers. These costs are applicable when shipments are made from overseas storage and distribution points, except that no positioning costs shall be assessed on "long supply" stocks.

b. Administrative Charges

(1) An administrative charge shall be added to all FMS cases to recover DOD expenses related to the administration of the FMS transactions. See DODI 2140.1, Section IX, for the appropriate administrative charges which must be included in FMS cases.

(2) In the event that the FMS purchaser cancels an entire FMS case (Letter of Offer and Acceptance and/or Amendment) any time prior to the delivery of all articles and services involved, the following guidance applies:

(a) On FMS cases involving standard procurement the administrative charge will be three percent of the actual value at case closure or one percent of the implemented program value, whichever is greater.

(b) On FMS cases involving non-standard procurement, the administrative charge will be five percent of the actual value at closure or one percent of the implemented program value, whichever is greater.

(c) On Blanket Order FMS Cases or FMSO II Cases, the administrative charge will be three percent of the actual value at case closure. This would not apply to FMSO I transactions.

(3) A note should be placed on LOAs and amendments which indicates to the FMS purchaser the appropriate administrative charges which would be assessed them should the FMS purchaser cancel the entire LOA or amendment. DSAA Comptroller must approve the assessment of the one percent cancellation charge on applicable FMS cases.

(4) All DOD components incurring

costs in support of FMS programs will prepare annual budgets for related administrative expenses. These budgets will be submitted to DSAA Comptroller for review and approval. Upon approval, the DSAA Comptroller will instruct the Security Assistance Accounting Center (SAAC) to issue quarterly orders to finance the approved funding plan. DSAA will assure that an appropriate share of the costs of Military Assistance Advisory Groups and military missions is being charged to administrative expense.

(5) Rates for accessorial and administrative costs are subject to review at least every two years. Requests for exceptions to the pricing policies prescribed herein, in the case of unresolved disputes, or deviations from any price or service charge when it can be shown that such deviation is in the best interests of the US Government shall be submitted through the Director, DSAA, to be forwarded to the Assistant Secretary of Defense (Comptroller) for resolution or approval. Such requests will contain the basis or justification and supporting data for the exceptions.

c. Nonrecurring Cost Recovery

(1) The recoupment of a pro rata share of nonrecurring development and production costs relating to product sales to non-U.S. Government customers is required as outlined in DOD Directive 2140.2, 5 January 1977. The objective of this requirement is to ensure that a purchasing customer pays a fair price for the value of DOD R&D investment costs. The charge is to be included in the FMS or direct commercial sales price of the product or technology unless reduced or waived as described in paragraph (8) below.

(2) In accordance with the provisions of DODD 2140.2, DOD military components are responsible for determining recoupment charges for all items of defense equipment having a total nonrecurring development and production cost of \$5 million or more. Nonrecurring development costs are those defined in para. III, F, DODD 2140.2. Nonrecurring production costs are defined in paragraph III, G, DODD 2140.2. DOD components should use actual, not program, cost data and

may use estimates where the development of more precise data is not possible; however, in the latter case, it must be demonstrated that a reasonable approach was used.

(3) Prior to applying pro rata recoupment charges to sales of items on the Major Defense Equipment List (MDEL), components will insure that the proposed charge has been approved by the Director, DSAA, in accordance with the revised policies and procedures set forth in DODD 2140.2, 5 January 1977. Approval will be requested only for those items which are (a) on the latest edition of the MDEL (see Appendix A, Part III), (b) for which there exists a current FMS or commercial sales demand, and (c) for which there has not been an approved nonrecurring costs pro rata charge established since 5 January 1977.

(4) Requests for approval of pro rata charges will be submitted on the format shown at Figure C-1. Total U.S. Government nonrecurring RDT&E and total U.S. Government nonrecurring production costs, as defined in (2) above, will be shown separately. The total of these two entries, i.e. the total U.S. Government nonrecurring investment in the item, will be prorated against the past and projected production quantities for U.S. Government, FMS, MAP and direct commercial sales. Actual past and projected production quantities will be depicted and a country breakout for FMS/MAP and direct commercial sales projections will be shown. Five year Defense Program (FYDP) forecasts will normally be used to indicate the U.S. military service production quantities; however, for those items for which Selected Acquisition Reports (SARs) are required, the latest SAR data will be used.

(5) If the pro rata charge was determined prior to 5 January 1977, it will be reviewed to identify any significant changes. Changes requiring approval by DSAA will be submitted to Director, DSAA, as outlined in paragraph (3) above.

(6) DOD Directive 2140.2, 5 January 1977 requires that, in the case of direct commercial sales of eligible defense items to foreign

customers, the U.S. contractor must collect and pay to the cognizant military component the appropriate nonrecurring cost recovery charge for the items being sold. Military Departments will insure that they have in place an operative system for monitoring and reporting the collection of these recoupments in order to insure that all appropriate payments are in fact made to the DOD. This system will provide for the following actions to be taken:

(a) The development of complete lists of all items under the cognizance of the Military Department which are eligible for assessment of a nonrecurring cost recovery charge in accordance with DODD 2140.2.

(b) The cross-referencing of all export license requests processed by the Military Department against these lists to determine whether the commercial sale is eligible for a nonrecurring cost recovery charge assessment.

(c) For each eligible item, the editing of the munitions license to indicate this eligibility, showing the amount of nonrecurring cost recovery charge which the contractor is required to collect, and the office within the Military Department to which the payment is to be made. It is emphasized that this process should in no way delay the expeditious handling of export licenses. In the event that appropriate nonrecurring cost recovery charges have not been determined for a particular item, the munitions license should be annotated only to show that a charge may be required, and the contractor directed to contact a designated Military Department office to ascertain the amount. Recommendation for approval of an export license request may not be conditioned upon an agreement by the license applicant to pay such a charge to the United States Government in a case in which the Military Department knows that the applicant does not have a current contractual obligation with the United States Government to make such payments.

(d) Reporting of payments made by

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contractors, together with information as to the disposition of the funds so collected.

(e) The monitoring of these collections, to include follow-up with contractors if payments are not forthcoming within an appropriate length of time.

(7) Collections received from both FMS and commercial transactions will be reported in the DSAA(Q)1112 report required by DODD 2140.2.

(8) Reduction or waiver of charges for nonrecurring development and production costs may be requested by the DOD components, customers or defense contractors. These waivers and reductions will normally be considered when it is clearly in the best interest of the United States, gaining advantage for DOD or other U.S. Government agencies, or when it is necessary to satisfy the demonstrable right of the customer or manufacturer. Items on the MDEL can only be waived or reduced as specified in Section 21(e)(2) of the Arms Export Control Act. Requests for waivers or reductions relating to product sales will be submitted to the Director, DSAA, in accordance with DODD 2140.2.

d. Asset Use Charge and Rental Charge for Government-owned Tooling

Sales of defense articles which involve the use of government-owned facilities, shall be priced to include a 4 percent asset use charge in accordance with DOD Instruction 2140.1, Section X. Sales of defense articles which involve the use of government-owned tooling shall be priced to include a rental charge for the use of the government-owned tooling and equipment in accordance with the provisions of ASPR 13-403. Waivers of these charges can be made only in accordance with the provisions of DOD Instruction 2140.1, Section X, for the asset use charge, and ASPR 13-406 for the rental of government-owned tooling and equipment.

e. Quality assurance, inspection, and contract audit defense services in connection with the placement or administration of any contract or subcontract for defense articles

or defense services entered into after October 29, 1979, either directly or indirectly by a foreign government which is a member of NATO, or pursuant to an FMS case with such NATO government, may be provided without charge if such government provides such services in accordance with an agreement on a reciprocal basis, without charge, to the United States Government.

These services may also be provided without charge in connection with the placement or administration of any contract or subcontract for defense articles or defense services pursuant to the NATO Infrastructure Program in accordance with an agreement under which the foreign governments participating in such program provide such services, without charge, in connection with similar contracts or subcontracts.

Agreements for the provision of such services without charge will be implemented by the Director, DSAA.

f. Termination Liability Reserve

Department of Defense components implementing foreign military sales agreements are responsible for the determination of termination costs and for ensuring that this amount is collected and held in reserve. These costs are the best estimate of the liability that would accrue to the US Government should a particular sales case or agreement be terminated prior to its normal completion. For many agreements, termination costs will change regularly as contracts are awarded, work progresses, purchaser payments are received, and deliveries are made, and reserves should be adjusted accordingly.

The Director, DSAA will be informed of actions taken to determine and collect termination reserves by the submission of termination liability worksheets as part of the required financial analysis for cases of seven million dollars or more when they are forwarded for countersignature. Further guidance on this requirement and a suggested worksheet format can be found in Part III, Chapter D, Paragraph 9.

10. Diversion of DOD Materiel

Defense policy calls for a determination to be made that sale of a defense item will not degrade U.S. defense efforts by taking needed equipment from U.S. stocks or by disrupting deliveries of critical items from production for U.S. forces, unless security or foreign policy requirements are such that sale of the item is in the overall U.S. national interest.

The Secretary of Defense on 20 September 1972 prescribed policies for allocating Defense materiel between U.S. forces and international security requirements to meet competing demands in a period of declining materiel acquisition programs. These include:

(1) To the maximum extent possible, allocations of materiel shall be made within the normal priorities structure—the Uniform Military Materiel Issue and Priority Systems (UMMIPS).

(2) Presidentially-directed, or Secretary of Defense-initiated materiel allocations shall be accorded sufficient priority through diversion of assets from other programs to assure accomplishment of the directed allocation within the time period specified.

(3) High priority international requirements (such as FMS requests) may be met by diverting or withdrawing equipment from U.S. active or reserve forces providing the operational readiness posture of these forces is not significantly lowered and payback can be accomplished in a reasonable period of time. Such determination may be made by the Military Departments.

(4) Materiel being procured or stocked specifically for FMS may be diverted to meet higher priority foreign requirements or urgent needs of U.S. Forces with the prior concurrence of the Director, DSAA, who will, as appropriate, obtain policy guidance from the ASD (ISA).

(5) All requests or recommendations for diversions of FMS equipment will be referred

to the Director, DSAA. In those instances where agreement cannot be reached with DSAA concerning the use of foreign program assets, or diversion of defense materiel, the matter will be referred to the Secretary of Defense for decision pursuant to the procedures established by Deputy Secretary of Defense Memorandum, 14 December 1976, subject: "Allocation of Defense Materiel and Services Between U.S. and International Requirements."

11. Insurance

Purchasers will self-insure FMS shipments or obtain commercial insurance without any right of subrogation of any claim against the United States. In extraordinary situations, and upon specific request by the purchaser and receipt of written authorization from the purchaser for the designated departmental procurement activity to act as the agent of the purchaser to obtain pricing quotes and, if necessary, procure the insurance required, insurance may be obtained by the military department concerned and billed as a separate line item on DD Form 1513. For FMS cases already implemented, authorized insurance coverage can be added by amendment. Whenever a Military Department does provide these services to a purchasing country or organization, it should point out that this is an exceptional arrangement, and should encourage and assist that purchaser to make its own arrangements for insurance for subsequent cases, as feasible.

12. Source Selection for Procurement for Foreign Governments

a. In keeping with the Department of Defense (DOD) policy, procurements made for FMS customers will be done under our U.S./DOD regulations and procedures. This affords the foreign customer the same benefits

and protection that apply to DOD procurement and is one of the principal reasons why nations want to procure through FMS channels.

b. With regard to the source selection process, the FMS customer may request that a defense article and defense service be obtained from a particular prime source. In such cases, Armed Services Procurement Regulation (ASPR) 3-210.2 (xviii) provides authority to negotiate on a sole source basis. Such requests may be honored when the sole source designated is based upon the objective needs of the FMS customer as stated by the customer. The request shall not be honored in any case of patently arbitrary, capricious or discriminatory exclusion of other sources. The FMS customer may also request that a sole source subcontract be placed with a particular firm. The Contracting Officer will honor such a request for subcontract placement on the same basis as indicated above for prime sources.

c. To avoid the additional delay and work load involved in revision of a Letter of Offer and Acceptance (LOA) (DD Form 1513), such requests by an FMS customer for prime or subcontract placement should be made no later than the time of the formal request for preparation of the LOA (DD Form 1513) for the defense articles or defense services is transmitted to the United States Government. However, if a request can be honored without excessive delay or undue disruption of the procurement/acquisition processes, it may be made and accepted any time prior to formal acceptance of the DD Form 1513 by the FMS customer.

d. It should be noted that the designation of subcontractors carries a risk which should be brought to the attention of the FMS customer. Clearly, the sole source designation of a component constitutes a warranty by the United States Government to the prime contractor that the designated item will be suitable for its intended purposes. In the event that problems in the performance or integration of the component are subsequently experienced and are attributable to its characteristics, the specification may be held to

the defective in that respect and any increased costs incurred by the customer in correcting or attempting to correct the problem may be recovered by the contractor. Since by law such additional costs must be borne by the FMS customer, it should be advised of this potential expense at the time the sole source designation is requested.

e. Subject to the above, Defense components' purchasing activities and prime contractors shall implement FMS requirements using normal procurement and contract management procedures as set forth in ASPR, other directives and pertinent contractual provisions. Representatives of the FMS customer shall not be permitted to review bidders mailing lists or slates of proposed architect engineer firms, nor shall they be permitted to direct the deletion of names of firms from such lists or slates. They may, however, suggest that certain firms be included. The Defense components should fully control the procurement and contracting process and contractual provisions. They shall not accept directions from the FMS customer as to source selection decisions or contract terms (other than the special contract provisions and warranties referred to in Condition A.2. of the DD Form 1513), nor shall the FMS customer be permitted to interfere with a prime contractor's placement of his subcontracts. However, to the extent permitted above, Defense components may honor an FMS customer's request for the designation of a particular prime or subcontract source for defense articles or defense services. Requests by the FMS customer for rejection of any bid or proposal shall not be honored unless such rejection is justified on the basis of reasons which would be sufficient in the case of a procurement made by DOD to meet its own needs.

13. U.S. Response to Requests for "Offset" Procurement

The Defense Department prefers that sales be negotiated without "offset" procurement arrangements wherever possible and that the

action on employment and production within the United States.”

16. Processing Letters of Offer for \$25 Million or More or for Major Defense Equipment of \$7 Million or More

a. In compliance with Section 36 of the Arms Export Control Act, Congress must be provided with notification of all Letters of Offer to sell any defense articles or services for \$25 million or more, or any major defense equipment of \$7 million or more, before such Letter of Offer is issued. OSD General Counsel has determined that the term “Letter of Offer” used in the AEC Act pertains to any proposed sale of defense articles or services to any foreign government, whether or not the initial document (or set of documents) to be used to consummate the sale is a DD Form 1513 or a document bearing another name. If a document other than a DD Form 1513 is used for this purpose, a DD Form 1513 shall be subsequently executed to conclude the final details of the agreement unless an exception is authorized by the Director, DSAA. The statutory requirement for reporting, as well as the requirement for advance notification to Congress, extends to any undertaking by the Department of Defense to establish an FMS transaction. This includes, but is not limited to FMS transactions embodied in the following:

- (1) Memorandum of Understanding for Coproduction of military items,
- (2) Cooperative Research and Development Agreements, and
- (3) Providing specific items or services under any existing general agreements, such as the Engineering Assistance Agreement entered between the Army Corps of Engineers and the Saudi Arabian Government in 1965.

In order to provide the Congress with sufficient time to review such cases, DSAA has agreed to provide the Congress with 20 days advance notification of such cases prior to the formal submission of the statutory notification. The Arms Export Control Act provides that the Letter of Offer shall not be

issued if Congress, within 30 calendar days after receiving the notification, adopts a concurrent resolution stating that it objects to the proposed sale, unless the President, in his notification to Congress, certifies that an emergency exists which requires such sale in the national security interests of the United States. DSAA is responsible for preparing and submitting the reports to the Congress. To minimize delays in processing such notifications, consistent with the legislative and other requirements, the procedures at Appendix B are placed in effect.

b. Price and Availability Report (RCS DSAA (Q) 1138)

(1) Section 28 of the Arms Export Control Act (AECA) requires the submission of a report to the Congress listing each price and availability (P&A) estimate provided during each calendar quarter to a foreign country/international organization with respect to a possible sale of major defense equipment (MDE) for \$7 million or more or of any other defense articles or services for \$25 million or more (i.e., any potential AECA, Section 36(b) case). The report must also include a listing of each request from a foreign country/international organization for a Letter of Offer and Acceptance (LOA) received during the quarter in question if the proposed sale was not previously reported under the P&A requirement above and the issuance of the LOA would be subject to the Section 36(b) requirements (i.e., MDE for \$7 million or more and articles or services for \$25 million or more). A P&A estimate is provided only in response to a P&A request received from a foreign country.

(2) For the purpose of this report the following definitions apply:

- (a) A P&A request is:
 1. any message or letter from a customer specifically requesting P&A,
 2. any DSAA directive to prepare P&A vice Section 36(b) notification,
 3. any customer source selection winner (See (b) (3) below).
- (b) A P&A request is not:
 1. A message or letter from a cus-

customer requesting planning and budgetary (P&B) data,

2. An oral request,

3. A request for data on several systems (i.e., customer is going through a source selection process); however, it becomes a reportable P&A request when source selection is complete,

4. A request for price/delivery data required to facilitate country decision making on overall equipment purchase plan or budget (e.g., a request by Israel for such information associated with a "MATMON" plan).

(3) Military Departments are requested to submit a quarterly report for potential Section 36(b) sales in two parts to include the information outlined below. Part II of the report applies only to those cases which are in response to a written letter of request which specifies that a LOA is requested. The format to be followed is at Figure C-2.

(4) Reports will be submitted to DSAA Attn: TC-CMD no later than the 25th day, or the last working day prior to the 25th, of the third calendar month of the applicable quarter. Reportable data that are completed after that date will be included in the following quarter's report. Classification of report is CONFIDENTIAL. The submission of this report does not negate the requirements of Part III, Chapter C, Paragraph 7f concerning the processing of requests for P&B estimates. Submissions of Section 36(b) notices (i.e., those submitted in accordance with Part III, Appendix B, MASM) must indicate whether or not the program involved previously has been included in a RCS DSAA (Q) 1138 submission and if so cite the date of the submission.

c. In compliance with Section 813 of the DOD Appropriation Authorization Act, 1976, as amended, all Letters of Offer to sell or any proposal to transfer defense articles valued at \$25 million or more from U.S. active forces' inventories (that is, excluding sales from the stocks of U.S. reserve forces) or from current production must be reported to the Congress. This additional report must be provided in the form prescribed in Appendix B at the time the formal notification is

made to the Congress under the Section 36(b) AECA procedures described above.

17. Sales Commissions and Fees

ASPR 1-505 sets forth the criteria to be used by the contracting officer or head of the procuring activity (HPA) in determining whether an agent(s) is *bona fide*. When an agent(s) has been determined to be *bona fide*, based on ASPR 1-505, the following procedures will be followed with regard to the inclusion of sales commissions and fees in FMS cases:

a. Prior Notification to Purchasing Government

Unless the purchasing government has indicated to the contrary, all sales commissions and fees anticipated to be included in FMS cases shall be made known to the purchaser prior to or in conjunction with the submission of the Letter of Offer and Acceptance (DD Form 1513) to the purchaser. Such advice will include: (a) the name and address of the agent(s); (b) the estimated amount of the proposed fee, and the percentage of the sale price; and (c) a statement indicating one of the following, whichever is applicable: (1) appropriate officials of the U.S. Department of Defense consider the fee to be fair and reasonable; (2) in the event that only a portion of the proposed fee is considered to be fair and reasonable, a statement to this effect together with the rationale therefor; or (3) the U.S. Government cannot determine the reasonableness of the proposed fee. This statement will normally be included as a "Note" to the Letter of Offer. Such a Note may also include the contractor's explanation 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 ASPR 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 ASPR 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 and the Royal Thailand Air Force (RTAF). These governments and the RTAF 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

Director
 Defense Security Assistance Agency
 Room 4E837, The Pentagon
 Washington, DC 20301

Dear Sir:

The Government of _____
 hereby appoints _____ whose
 address is _____
 as its Agent for the purpose of receiving
 deliveries of the following items:

Above items will be used for the (manufac-
 ture/assembly)*(repair/rehabilitation)* of the
 _____. Said Agent
 is hereby authorized to sign in the name of
 the Government of _____
 as its Agent for the receipt of these items
 as indicated by the shipping instructions
 contained in Blocks 33 and 34 of the DD
 Form 1513.

The Government of _____
 undertakes to instruct _____
 as its Agent to maintain possession of the
 above specified items in accordance with
 paragraph B.9 of Annex A (General Con-
 ditions) of the DD Form 1513 until trans-
 ferred by such Agent of the Government of
 _____.

Yours Very Truly,

*Insert the appropriate phrase describing
 the Agent's function.

23. Foreign Military Sales (FMS) Customer Procedures Guide

The Director, DLA, after appropriate co-
 ordination with interested DOD components,
 and approval from the Director, DSAA, shall
 develop, publish, revise as necessary and
 distribute the DOD Foreign Military Sales
 Standard Customer Procedures Guide. This
 responsibility includes the creation, mainte-
 nance, and disposition of the records of the
 publication.

24. Cooperative Projects

a. The term "cooperative project" means
 a project described in an agreement entered
 into after October 29, 1979, under which:

(1) NATO or one or more member
 countries agrees to share with the US the
 RDT&E of certain defense articles and the
 costs of any agreed joint production of those
 articles in order to further standardization
 and interoperability among NATO countries.

(2) NATO or one or more member
 countries other than the US agrees to bear
 the costs of RDT&E of certain defense
 articles and to have such articles produced
 for sale to and licensed for production within
 other participant member countries includ-
 ing the US, and the US agrees to bear the
 costs of RDT&E of other defense articles
 and to have such articles produced for sale
 to and licensed for production within other
 participant member countries in order to
 further rationalization of the industrial and
 technological resources within NATO.

b. A provision for the waiver or reduc-
 tion of certain charges associated with such
 cooperation projects is provided for in Sec-
 tion 27 of the AECA. Waiver or reduction
 of appropriate charges must be approved by
 the Director, DSAA, prior to the negotiation
 of the "Cooperative Project" Agreement.

c. In accordance with Section 27(c) of
 the AECA, all cooperative projects must be
 certified to the Congress, 30 days prior to
 signature of the agreement. Certification will
 include:

(1) a detailed description of the co-
 operative project with respect to which the
 certification is made;

(2) an estimate of the amount of sales
 and exports expected to be made or approved
 under this Act in furtherance of such co-
 operative project;

(3) an estimate of the dollar value of
 any charges expected to be reduced or waived
 under this section in connection with such
 cooperative project, such dollar value to
 consist of expenses that will be charged
 against Department of Defense funds with-

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out reimbursement and amounts not be recovered and deposited to the General Fund of the Treasury;

(4) an estimate of the dollar value of the costs to be borne by the North Atlantic Treaty Organization or by the member countries thereof in connection with such cooperative projects; and

(5) a statement of the foreign policy and national security benefits anticipated to be derived from such cooperative projects.

d. All proposals to certify to the Congress NATO Cooperative Projects must be furnished to the Director, DSAA in sufficient time to permit compliance with this requirement.

RECOUPMENT OF NONRECURRING COSTS ON SALES OF MAJOR DEFENSE EQUIPMENT

Change 2, 1 June 1979

Weapon System or Component	Nonrecurring Costs (\$ Thousands)			Production Quantity					Recommended Pro Rata Unit Charge (\$ Dollars)			Previous Unit Charge				
	RDT&E	Production	Total	Army	Navy	A/F	MAP/FMS/Di- rect Sale *	Total	RDT&E	Production	Total	(\$ Dollars)				
<p>* Breakout of quantities by country for FMS/MAP/Direct Commercial Sales:</p> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 60%;"><u>Country/Int'l Org</u></th> <th><u>Quantity</u></th> </tr> </thead> <tbody> <tr> <td style="height: 40px;"> </td> <td> </td> </tr> </tbody> </table>													<u>Country/Int'l Org</u>	<u>Quantity</u>		
<u>Country/Int'l Org</u>	<u>Quantity</u>															

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Figure C-1

PRICE AND AVAILABILITY REPORT (RCS: DSAA(Q) 1138)					
QUARTER ENDING _____				_____ (Agency)	
PART I—PRICE AND AVAILABILITY ESTIMATES PROVIDED					
COUNTRY	DESCRIPTION OF ARTICLES/SERVICES	QUANTITY	PRICE EST.	DATE INFORMATION PROVIDED LETTER/MSG. REF.	
PART II—REQUESTS FOR ISSUANCE OF A LETTER OF OFFER RECEIVED					
COUNTRY	DATE OF REQUEST	DATE REQUEST RECEIVED	DESCRIPTION OF ARTICLES/SERVICES	QUANTITY	P&A TERMS REQUESTED (IF ANY)

Figure C-2

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.

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, MASM III. Military Departments and Defense Agencies must formally acknowledge receipt of such requests, within five days of receipt. 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 and especially in those instances where urgency is indicated by the purchaser.

b. After completion of preparation of the LOA or after notification from DSAA that the Congressional review period is completed, DOD components should forward to DSAA-TC, Ceiling Management Division, the original plus two copies (three copies if a credit case) of the signed LOA (this also applies to 1513-1 Amendments and certain 1513-2 Notices) (see paragraph 10, this chapter) for the required countersignature preparatory to release to the purchasing country organization. DSAA-TC 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, in accordance with their agreed functions. (NOTE: Countersignature should not be considered as being coordination required by paragraph 1, above. The necessary coordination should have been undertaken by the DOD component prior to the submission of the LOA to DSAA, Ceiling Management Division.)

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 Ceiling Management Division (CMD), 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

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(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.

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 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 sched-

uling 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 subsequent 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.

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(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 surprised 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 CONUS, 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 guidelines which can be used.

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 to Offer

a. All Letters of Offer for sales of end items or services of value of \$7 million or greater and proposed amendments must be accompanied by a financial analysis. The purpose of the analysis is to permit all approval echelons a review for completeness and accuracy of financial data. The analysis will accompany the Letter of Offer throughout the coordination cycle but will not be submitted to the prospective purchaser.

b. The following information will be included:

- (1) Source of estimates. Examples are:
 - (a) Prime Contractor quote.
 - (b) Prime and GFE Contractor quotes.
 - (c) Standard Price.

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(d) Military Department estimate without contractor participation¹, based on recent sale or similar experience, or in accordance with DOD Instruction 2140.1.

(2) 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 Service certification of reasonableness in accordance with ASPR 1-505 and DPC 76-12 must be attached. If the fee cannot be or has not been certified as reasonable, the Service notification or proposed notification to the foreign government should also be attached for information or coordination. See Chapter C, paragraph 17, for further guidelines.

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

¹ In this connection, notice should be taken of Section 6-1303.1 of the Armed Services Procurement Regulation 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) Inclusion of adjustments for estimated inflation or other risk factors.

(d) Replacement cost in accordance with the provisions of paragraph VI.C.2.b. of DOD Instruction 2140.1.

(e) Asset use charge as described in DOD Instruction 2140.1.

(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.

(3) Sources of data used to make any of the above adjustments and their application to the case (i.e., inflation factor of 7% compounded over four (4) years. Source:

ASD(Comptroller) Price Escalation Indices, July 31, 1975).

(4) A comparison of Letter of Offer prices with budgeted or on-going service procurement price, e.g., the Selection Acquisition Report (SAR).

(5) Source for Schedule of Payments.

(6) 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 not be limited to sales within the same region.

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 the 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. 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 conditions, terms (payment) or a surcharge not already provided for.

(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, 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.

11. 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.

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.

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(SA) 1123 report should be submitted to DSAA on a semi-annual basis 45 days after the end of the 2nd and 4th quarter of each fiscal year, and should 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 10c(1) above, should be provided with this report.) This report will be submitted with the report on delivery schedule changes required by paragraph 4c(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.

12. 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 ASPR 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.

13. Financial Annexes

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

14. 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.

**INSTRUCTIONS FOR PREPARING THE UNITED STATES DEPARTMENT OF DEFENSE
OFFER AND ACCEPTANCE (DD FORM 1513)**

1. Block (1) PURCHASER

a. For a country, enter "Government of (name of country)" and show the office and address of the purchaser's activity designated to receive the LOA (e.g., Defense Attache, 1111 24th Street, N.W., Washington, D.C. 20301).

b. For an international organization, enter the title of the organization along with the appropriate office and address.

2. Block (2) PURCHASER'S REFERENCE

A reference will always be shown. The reference may be a letter, telegram, conference, meeting, oral request, etc. The reference will always include any pertinent data (e.g., letter serial, number, message date time group (DTG). In the event that the reference is from other than the purchaser, indicate the source of the request made on behalf of the purchaser.

3. Block (3) CASE IDENTIFIER

Enter the appropriate country code, implementing agency code and case designator (e.g., UK-P-DLG).

4. Block (4) SIGNATURE

This block should be filled in by an authorized U.S. Military Department or Defense Agency representative prior to forwarding the LOA to DSAA Comptroller for the required countersignature.

5. Block (5) TYPED NAME AND TITLE

Type or stamp the name and title of the U.S. representative who signed Block (4).

6. Block (6) ADDRESS

Enter the name of the issuing organization along with the address (e.g., DA, DACS-SA, Pentagon, Wash., D.C.).

7. Block (7) DATE

Enter the day, month and the year that the LOA is submitted to DSAA for countersignature.

8. Block (8) THIS OFFER EXPIRES

Enter the appropriate expiration date, normally 85 days from the date in Block (7). (See paragraph 4, Chapter D, for further guidance.)

9. Block (9) COUNTERSIGNATURE

The authorized representative within DSAA Comptroller for Countersignature of the LOA should sign in this block. Signature will not occur unless all the necessary information is contained on the DD Form 1513.

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10. Block (10) TYPED NAME AND TITLE

Type the name and title of the DSAA Comptroller authorized representative for counter-signature who signed Block (9).

11. Block (11) DSAA ACCOUNTING ACTIVITY

The following address should be placed in this block. AFAFC-SAAC, Lowry AFB, Denver, Colorado 80279.

12. Block (12) ITEM OR REFERENCE NO.

For programs which involve more than one item, enter a separate number for each item. Commence with number 1 and number consecutively to the last item; for reference to another description enter the exact reference number. In the case of weapons systems procurement, the reference identifier will relate to an attachment to DD Form 1513. This attachment will include descriptive information on the generic items procured.

13. Block (13) ITEM DESCRIPTION

Insert the Generic Code and MASL line data for each item. In addition the National Stock Number (NSN) and/or part number, as appropriate, and a complete description of the material/services should be entered. For cases involving major systems/end items all complementing/supporting material and services should be described.

14. Blocks (14 through 17)

Quantity, unit of issue, unit cost and total cost are self-explanatory. Enter information or N/A, as appropriate.

15. Block (18) AVAILABILITY AND REMARKS

Enter one or more codes from paragraph 3, 4, and 5 of the EXPLANATORY NOTES on page 3 of the DD Form 1513. Also enter specific delivery dates, as applicable.

16. Block (19) and (20)

Offer Release Code and Delivery Term Code—See instructions contained in Figure D-7, of this Chapter.

17. Block (21) ESTIMATED COST

Enter estimated material/services costs in whole dollars. These costs should not include any administrative or accessorial charges.

18. Block (22) ESTIMATED PACKING, CRATING AND HANDLING COST

Enter the value in whole dollars based on the prescribed percentages as set forth in DODI 2140.1, or actual costs if appropriate. If the charge is appropriate only to certain items, indicate the lines to which the charge was applied, or exclusion, in parenthesis. Do not show the percentage rate used in determining the cost contained in this block.

19. Block (23) ESTIMATED GENERAL ADMINISTRATIVE COSTS

Enter in whole dollars based on the percentage set forth in DOD Instruction 2140.1, or enter "actual" cost if appropriate. If the charge is shown as actual cost based on a management case(s), show the value and reference the case(s). Do not show the percentage rate used in determining the cost contained in this block.

20. Block (24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT

Enter the value in whole dollars based on the percentage set forth in DOD Instruction 2140.1. Do not show the percentage rate used in determining the cost contained in this block.

21. Block (25) OTHER ESTIMATED COSTS

Describe the charge and enter in whole dollars. If there are several specific costs, identify each in Block 13 as a NOTE. If a percentage is used, do not show the percentage rate used in determining the cost contained in this block.

22. Block (26) ESTIMATED TOTAL COSTS

Enter the costs in whole dollars (total of Blocks (21) through (25)).

23. Block (27) TERMS

Enter appropriate terms of sale in accordance with the guidance contained in Chapter G, Part III of the MASM. If an initial deposit is required, this fact should be so stated and the amount of the initial deposit entered in Block 28. In all cases where DOD direct or guaranteed credit are used insert the credit loan agreement number and its date.

24. Block (28) AMOUNT OF INITIAL DEPOSIT

If by the terms of this LOA an initial deposit is required and has been stated in Block (27), the dollar amount in whole dollars of this initial deposit should be entered.

25. Block (29) through (37)

Leave blank. These blocks should be filled in by the authorized representative of the purchasing government.

26. The name and telephone number of the action officer responsible for the preparation of the DD Form 1513 should appear at the bottom of all copies submitted to DSAA for countersignature, excluding the original.

Note the following information before submission of this notice for countersignature:

a. The Operations Directorate (DSAA-TS) is the point of entry in OSD for the Military Departments and Defense Agencies to use in coordinating FMS cases. The Operations Directorate is also responsible for obtaining the coordination of appropriate OSD staff elements. (See Chapter C, paragraph 6.b(4) for those LOAs and amendments which require DSAA coordination.)

b. Submit for countersignature to the Ceiling Management Division, DSAA Comptroller (DSAA-TC) all DD Forms 1513 in original and 2 copies (one extra copy for credit cases).

MILITARY ASSISTANCE AND SALES MANUAL—PART III

- c. Attach a Financial Annex to all DD Forms 1513 except FMSO I cases.
- d. Before notifying the customer of an extension of the expiration date or change to cost prior to acceptance, obtain approval from DSAA/TC, Ceiling Management Division.
- e. Attach a termination liability worksheet for each case over \$7 million.

**INSTRUCTIONS FOR PREPARING THE UNITED STATES DEPARTMENT OF DEFENSE
AMENDMENT TO OFFER AND ACCEPTANCE (DD Form 1513-1)**

1. Block (1) PURCHASER

a. For a country, enter "Government of (name of country)" and show the office and address of the purchaser's activity designated to receive the LOA (e.g., Defense Attache, 1111 24th Street, N.W., Washington, D.C. 20301).

b. For an international organization, enter the title of the organization along with the appropriate office and address.

2. Block (2) PURCHASER'S REFERENCE

A reference will always be shown. The reference may be a letter, telegram, conference, meeting, oral request, etc. The reference will always include any pertinent data (e.g., letter serial, number, message date time group (DTG)). In the event that the reference is from other than the purchaser, delete the word "Purchaser" and indicate the source of the request.

3. Block (3) AMENDMENT NO.

Enter a consecutive "numerical" amendment number. Do not reuse a number once it has been assigned to an Offer to Amend. When an offer is allowed to expire, and a subsequent amendment is issued, it will be annotated to show that the preceding amendment was not accepted by the purchaser.

4. Block (4) CASE IDENTIFIER

Enter the appropriate country code, implementing agency code and case designator (e.g., UK-P-DLG).

5. Block (5) SIGNATURE

This block should be filled in by an authorized U.S. Military Department or Defense Agency representative prior to forwarding the amendment to DSAA Comptroller for the required countersignature.

6. Block (6) TYPED NAME AND TITLE

Type or stamp the name and title of the U.S. representative who signed Block (5).

7. Block (7) ADDRESS

Enter the name of the issuing organization along with the address (e.g., DA, DCAS-SA, Pentagon, Wash., D.C.).

8. Block (8) DATE

Enter the day, month and the year that the Amendment is submitted to DSAA for countersignature.

9. Block (9) THIS OFFER EXPIRES

Enter the appropriate date, normally 85 days from the date in Block (8). (See paragraph 4, Chapter D, for further guidance.)

10. Block (10) COUNTERSIGNATURE

The authorized representative within DSAA Comptroller for countersignature of the amendment should sign in this block. Signature will not occur unless all the necessary information is contained on the DD Form 1513-1.

11. Block (11) TYPED NAME AND TITLE

Type the name and title of the DSAA Comptroller authorized representative for countersignature who signed Block (10).

12. Block (12) PURPOSE OF THE AMENDMENT

Describe the purpose of the amendment (e.g., to add a new line and adjust costs accordingly). Enter the acceptance date of the basic LOA being amended. Do not rely on this block for any required amendment action. Details must be entered in Blocks (13) through (21).

13. Block (13) ITEM OR REFERENCE NO.

Enter reference to a specific part of the basic case or previous amendment (e.g., Item 1, Atch 2, basic; Item 1, Block (19), Amendment 2).

14. Block (14) through (19)

Enter complete description of amendment action. Describe whether the action is an addition, modification, or deletion. If there is a cost change, also enter the amount of increase or decrease. If a previous offer to amend has expired, explain and indicate that an affect on cost does not apply to the amendment being processed. Do not make such entries for unaccepted (and unexpired) offers to amend.

15. Blocks (20) and (21) OFFER RELEASE CODE AND DELIVERY TERM CODE

Fill in as appropriate in accordance with the instructions contained in Figure D-7, this Chapter.

16. Blocks (22) through (27)

In column (a), enter complete information from the previous accepted document (DD Form 1513 or DD Form 1513-1). In column (b) enter new costs.

Care should be taken when computing entries in Blocks 23 through 26 that administrative and accessorial charges are applied only to the appropriate items. If the administrative or accessorial charges are revised, do not show the percentage rate used in determining the cost contained in the applicable block.

17. Block (28) TERMS

Enter the original terms of sale or any changes thereto. In all cases where DOD direct or guaranteed FMS credit is used insert the credit (loan) agreement number and its date.

18. Blocks (29) through (32)

These blocks should be filled in by the purchaser. Signed copies of the DD Form 1513-1 must be returned in order to complete acceptance. If terms remain, or are changed to "Cash with Acceptance" an appropriate payment must be received with the completed documents.

19. The name and telephone number of the action officer responsible for the preparation of the DD Form 1513-1 should appear at the bottom of all copies submitted to DSAA for countersignature, excluding the original.

Note the following information before submission of this amendment for countersignature:

a. The Operations Directorate (DSAA-TS) is the point of entry in OSD for the Military Departments and Defense Agencies to use in coordinating FMS cases. The Operations Directorate is also responsible for obtaining the coordination of appropriate OSD staff elements. (See Chapter C, paragraph 6.4(4) for those LOAs and amendments which require DSAA coordination.)

b. Submit for countersignature to the Ceiling Management Division, DSAA Comptroller (DSAA-TC) all DD Forms 1513-1 in original and 2 copies (one extra copy for credit cases).

c. Attach a Financial Annex to all DD Forms 1513-1 except FMSO I cases, which result in changes to the payment schedule.

d. Indicate the date of acceptance of the basic case. (The acceptance date is defined in paragraph 6.1. of Chapter M of the MASM. It is the date the DD Form 1513 is signed by the customer representative). The acceptance date should be conspicuously annotated in the upper right hand corner of Block 12, Description and Reason(s) for Amendment. (Example: "Basic Case accepted 25 Aug 1975").

e. Before notifying the customer of an extension of the expiration date or change to cost prior to acceptance, obtain approval from DSAA/TC Ceiling Management Division.

**INSTRUCTIONS FOR PREPARING THE UNITED STATES DEPARTMENT OF DEFENSE
NOTICE OF MODIFICATION OF OFFER AND ACCEPTANCE (DD FORM 1513-2)**

1. Block (1) PURCHASER

a. For a country, enter "Government of (name of country)" and show the office and address of the purchaser's activity designated to receive the Notice of Modification of Offer and Acceptance (e.g., Defense Attache, 1111 24th Street, N.W., Washington, D.C. 20301).

b. For an international organization, enter the title of the organization along with the appropriate office and address.

2. Block (2) PURCHASER'S REFERENCE

A reference will be shown when appropriate. A reference may be a letter, telegram, conference, meeting, oral request, etc. The reference will always include a date and any other pertinent data.

3. Block (3) NOTICE NO.

Use Arabic numbers in consecutive sequence. Do not mix Notice Numbers with Amendment Numbers. Number of Amendments (DD Form 1513-1) and Notices (DD Form 1513-2) are independent, thus a possible sequence of events might be: (1) Letter of Offer, (2) Notice 1, (3) Amendment 1, (4) Notice 2, (5) Amendment 2.

4. Block (4) CASE DESIGNATOR

Enter the appropriate country code, implementing agency code and case designator (e.g., UK-P-DLG).

5. Block (5) SIGNATURE

Type or stamp name and title of the U.S. representative. Authorized representative should also sign this block.

6. Block (6) DATE

Enter day, month and the year.

7. Block (7) DEPARTMENT

Enter the appropriate U.S. Military Department or Defense Agency.

8. Block (8) DESCRIPTION OF AND REASONS FOR MODIFICATION

Describe briefly the modification(s) and the reason(s) requiring that such modification be made. Such information should be sufficiently clear, complete and specific that it could reasonably be anticipated to satisfy the customer without recourse to further correspondence. (These remarks may be continued on the reverse of the DD Form 1513-2, under Box 26, Continuation). See paragraph 10, Chapter D for further guidance. Enter the acceptance date of LOA or amendment being revised. In all cases where DOD direct or guaranteed FMS credit is being used, insert the credit (loan) agreement number and its date.

9. Block (9) ITEM NUMBER

Enter reference to a specific part of the basic case or previous amendment.

10. Blocks (10) through (15)

List only the items modified. Show dollar amounts in whole dollars only. For all notifications of price changes enter the previous cost along with the revised cost.

11. Block (16) through (21)

Enter in Column a the previous applicable costs from the original offer and acceptance or prior amendments and/or notices of modifications thereto for the applicable cost lines. The best estimate of the revised costs should then be entered in Column b. If the administrative or accessorial costs change, do not indicate the percentage rate used to determine the costs conditioned in the applicable block.

12. Blocks (22) through (25) ACKNOWLEDGEMENT OF RECEIPT

An authorized official of the foreign customer should sign and forward the document to the Military Department or Defense Agency concerned to ensure that the Notice of Modification has been received.

13. The name and telephone number of the action officer responsible for the preparation of the DD Form 1513-2 should appear at the bottom of all copies submitted to DSAA for countersignature, excluding the original.

Note the following information before submission of LOA for countersignature: (See Chapter D, Paragraph 11, for those 1513-2 actions exempt from countersignature requirement).

a. The Operations Directorate (DSAA-TS) is the point of entry in OSD for the Military Departments and Defense Agencies to use in coordinating FMS cases. The Operations Directorate is also responsible for obtaining the coordination of appropriate OSD staff elements. (See Chapter D, paragraph 11.d. for those notices required DSAA coordination and countersignature).

b. Submit for countersignature to the Ceiling Management Division, DSAA Comptroller (DSAA-TC) all DD Forms 1513-2 in original and 2 copies (one extra copy for credit cases).

c. Attach a Financial Annex to all DD Forms 1513-2 except FMSO I cases, which result in changes to the payment schedule.

d. Indicate the date of acceptance of the basic case. (The acceptance date is defined in paragraph 5.j. of Chapter M of the MASM. It is the date the DD Form 1513 is signed by the customer representative.) The acceptance date should be conspicuously annotated in the upper right hand corner of Block 8, Description of and Reason(s) for Modification. Example: "Basic Case accepted 25 Aug 1975"). This date is important to determine the fiscal year to which the change is applicable.

TERMINATION LIABILITY WORKSHEET

Case Identification: _____
(Agency, Country, Case Designator)

Date: _____

<u>Deposit Date</u>	<u>Total Payment</u>	<u>Estimated Disbursements</u>	<u>Contractor Holdback</u>	<u>Termination Reserve</u>	<u>Remarks/ Computations</u>
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NOTE: Entries for each date should show both the quarterly transactions and the cumulative totals.

UNITED STATES DEPARTMENT OF DEFENSE LETTER OF INTENT	PURCHASER (Name and address)
(Purchaser's Reference)	(Case Identifier)

The Government of _____ acting through its Ministry of Defense (*hereinafter referred to as the "Purchaser"*) hereby declares its firm intent to procure, under United States Arms Export Control Act (*AECA*) procedures, from the Government of the United States, the following defense articles and defense services.

1. It is understood that the United States Department of the _____ plans to present to the Purchaser a Letter of Offer and Acceptance (*DD Form 1513*) within _____ days after signature of this Letter of Intent. Purchaser intends to sign said Letter of Offer and Acceptance not later than _____ days after receipt. Except to the extent directly inconsistent with the provisions hereof, the terms and conditions set forth on Annex A of *DD Form 1513* will apply to all activities undertaken pursuant to this Letter of Intent, and the estimated costs of such activities will be included in the Letter of Offer and Acceptance. In particular, Conditions B.8, B.9, and C on Annex A of *DD Form 1513* are hereby incorporated by reference and made an integral part of this Letter of Intent. This Letter of Intent shall be superseded upon Purchaser's signature of the Letter of Offer and Acceptance.

2. In anticipation of the Purchaser's signature of the above-mentioned Letter of Offer and Acceptance the Purchaser commits his Government to the following:

(a) In order to permit the United States Government to proceed immediately with the purchase of long lead time items and to cover associated administrative expenses, the United States Department of the _____ is herewith authorized to incur obligations and expend up to the sum of \$ _____ (*which includes all estimated termination costs*) on an FMS dependable undertaking basis, to be exceeded only in the event of a decision by either a Court or Board which increases the contractor's entitlement.

(b) The Purchaser agrees to pay the full amount of such authorized obligations and to make funds available in such amounts and at such times as may be requested by the United States Government for expenditures against such obligations.

(c) It is estimated that the cost of the long lead time items, associated administrative expenses and estimated termination costs will not exceed the amount set forth in subparagraph (a) of this paragraph. However, if at any time prior to Purchaser's signature of the above-mentioned Letter of Offer and Acceptance, the United States Department of the _____ has reason to believe that the costs which it expects to incur in the performance of this Letter of Intent will exceed the amount set forth in subparagraph (a) of this paragraph, it shall promptly notify the Purchaser in writing to that effect. The notice shall state the estimated amount of and the date by which

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the additional obligational authority (*by a new or modified Letter of Intent*) will be required from the Purchaser in order to continue performance under this Letter of Intent. If, after such notification, the additional obligational authority is not granted by the date set forth in the notification, the United States Government is authorized, in its discretion, to terminate any and all activities under this Letter of Intent at Purchaser's expense, in accordance with subparagraph (b) above, in an amount not to exceed the amount set forth in subparagraph (a) of this paragraph.

3. This Letter of Intent does not prejudice the Purchaser's decision on the acceptance of the Letter of Offer. Moreover, the Purchaser may cancel all or any part of this Letter of Intent at any time by notifying the United States Government. Upon receipt of such notification the United States Government is authorized to terminate any and all activities initiated hereunder, at Purchaser's expense, in accordance with paragraph 2(b), in an amount not to exceed the amount set forth in paragraph 2(a).

4. In the event of such cancellation or termination, the United States Government will use its best efforts to minimize any termination costs.

5. Certain items for which procurements may be initiated hereunder are normally the subject of definitization or provisioning conferences, at which specific items and quantities are agreed upon. If it is necessary to place any such items on order prior to any such conference, the United States Department of the _____ is authorized to do so, using its best judgment, and will furnish a list of the items so ordered at the conference.

Dated _____

(Typed Name and Title)

Accepted this _____ day of _____, 19_____.

U.S. Department of the _____

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UNITED STATES DEPARTMENT OF DEFENSE LETTER OF INTENT	PURCHASER (Name and address)
_____ (Purchaser's Reference)	_____ (Case Identifier)

The Government of _____ acting through its Ministry of Defense (*hereinafter referred to as the "Purchaser"*) hereby declares its firm intent to procure, under United States Arms Export Control Act (*AECA*) procedures, from the Government of the United States, the following defense articles and defense services.

1. A Letter of Offer and Acceptance (*DD Form 1513*) for such defense articles and defense services was issued to the Purchaser by the United States Department of the _____ on _____, 19 _____. Purchaser intends to sign said Letter of Offer and Acceptance not later than _____ days after receipt. Except to the extent directly inconsistent with the provisions hereof, the terms and conditions set forth on Annex A of *DD Form 1513* will apply to all activities undertaken pursuant to this Letter of Intent, the estimated costs of which activities have been included in the Letter of Offer and Acceptance. In particular, Conditions B.8, B.9, and C on Annex A of *DD Form 1513* are hereby incorporated by reference and made an integral part of this Letter of Intent. This Letter of Intent shall be superseded upon Purchaser's signature of the Letter of Offer and Acceptance.

2. In anticipation of the Purchaser's signature of the above-mentioned Letter of Offer and Acceptance the Purchaser commits his Government to the following:

(a) In order to permit the United States Government to proceed immediately with the purchase of long lead time items and to cover associated administrative expenses, the United States Department of the _____ is herewith authorized to incur obligations and expend up to the sum of \$ _____ (*which includes all estimated termination costs*) on an FMS dependable undertaking basis, to be exceeded only in the event of a decision by either a Court or Board which increases the contractor's entitlement.

(b) The Purchaser agrees to pay the full amount of such authorized obligations and to make funds available in such amounts and at such times as may be requested by the United States Government for expenditures against such obligations.

(c) It is estimated that the cost of the long lead time items, associated administrative expenses and estimated termination costs will not exceed the amount set forth in subparagraph (a) of this paragraph. However, if at any time prior to Purchaser's signature of the above-mentioned Letter of Offer and Acceptance, the United States Department of the _____ has reason to believe that the costs which it expects to incur in the performance of this Letter of Intent will exceed the amount set forth in subparagraph (a) of this paragraph, it shall promptly notify the Purchaser in writing to that effect. The notice shall state the estimated amount of and the date by which the additional obligational authority (*by a new or modified Letter of Intent*) will be required from the Purchaser in

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order to continue performance under this Letter of Intent. If, after such notification, the additional obligational authority is not granted by the date set forth in the notification, the United States Government is authorized, in its discretion, to terminate any and all activities under this Letter of Intent at Purchaser's expense, in accordance with subparagraph (b) above, in an amount not to exceed the amount set forth in subparagraph (a) of this paragraph.

3. This Letter of Intent does not prejudice the Purchaser's decision on the acceptance of the Letter of Offer. Moreover, the Purchaser may cancel all or any part of this Letter of Intent at any time by notifying the United States Government. Upon receipt of such notification the United States Government is authorized to terminate any and all activities initiated hereunder, at Purchaser's expense, in accordance with paragraph 2(b), in an amount not to exceed the amount set forth in paragraph 2(a).

4. In the event of such cancellation or termination, the United States Government will use its best efforts to minimize any termination costs.

5. Certain items for which procurements may be initiated hereunder are normally the subject of definitization or provisioning conferences, at which specific items and quantities are agreed upon. If it is necessary to place any such items on order prior to any such conference, the United States Department of the _____ is authorized to do so, using its best judgment, and will furnish a list of the items so ordered at the conference.

Dated _____

(Typed Name and Title)

Accepted this _____ day of _____, 19 _____.

U.S. Department of the _____

Figure D-15

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UNITED STATES DEPARTMENT OF DEFENSE
AMENDMENT TO LETTER OF INTENT

(Date)

Dear Sirs:

Reference is made to the Letter of Intent between the Government of _____
_____ and the United States Department of the _____
_____, dated _____, identified by Case
Designator _____. The Government of _____
desires to increase the amount set forth in paragraph 2(a) of said Letter of Intent and herewith author-
izes the Department of the _____ to incur obligations
and expend up to the sum of \$ _____ on FMS dependable undertaking basis for
said Case.

(Typed Name and Title)

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Figure D-16

D-46

dating of FMSO I to assure stockage of all items essential to the proper maintenance of major equipment. Such additions will be made by the service responsible for logistic support, based on policies and procedures for the stockage of repair parts and assemblies to support service equipment. To assist in the periodic revision of FMSO I, the supporting service will provide to the customer country a priced listing of the automatic item additions (or proposed additions if the automatic update clause does not appear in the SSA), as well as possible deletions.

2. In the event the country does not agree to additions to FMSO I, future requests for such items will not be handled as an SSA requisition, but will await delivery from new procurement unless, in the opinion of the Inventory Control Point (ICP), stock levels are sufficiently above the reorder point to permit supply without detracting from the support of U.S. forces and the other SSA countries. If the number of items in the category is significant, the Military Department should terminate action and offer the country as a substitute an open-end FMS case.

3. The FMSO I will also be revised at the beginning of each year to fund storage.

4. The FMSO II will be closed at the end of each year, at which time a new consumption Sales Order will be established, based on demand history or planned operations.

(d) Administrative Charges and Billing Procedures

1. DOD Directives/Instructions 2110.29, 2140.1, 2140.3 and 7510.4 delineate policies and procedures for funding, accounting and costing of FMS. The purpose of this paragraph is to highlight certain existing guidance in the costing and billing of SSA sales.

2. As significant overhead costs are incurred by U.S. forces in providing services under SSAs, the following administrative charges in addition to accessorial costs shall be included in the billing of SSA sales:

a. FMSO I. Customer countries will be billed for the actual value of the quantities of materiel on hand. The 5% administrative charge will be added to this billing. Materiel continuously on order will be handled as a dependable undertaking. Neither materiel nor administrative charges are assessed against the latter increment until ultimate delivery to the U.S. supply system in a terminal transaction. Charges for storage will be based on a 1.5% annual assessment against the estimated average inventory value. Assessment charges may be billed quarterly or annually at the option of the billing service.

b. FMSO II. Charges for anticipated inventory replacement based on expected usage will be levied quarterly or as mutually agreed for FMSO II orders, and will be collected in advance. Such collections will include the 5% administrative charge.

(5) Obsolete and Excess Stocks

(a) If an item becomes obsolete or excess to the customer country but not to U.S. requirements, the country may request cancellation of the FMSO I item, applying its equity to subsequent orders for other items. If the U.S. does not agree to the cancellation, the country will, upon request, withdraw the quantity, or arrange for the U.S. to dispose of such materiel, with the net proceeds to be credited to the country account.

(b) If an item becomes obsolete or excess to U.S. but not customer country requirements, the U.S. may request the country to withdraw its materiel equity from U.S. stocks. The country may purchase additional quantities of such items from existing U.S. stocks at a fair value computed in accordance with DOD Instruction 2140.1 plus applicable accessorial and administrative charges. The country may, with the approval of the U.S., place a final order for spares in sufficient range and quantity to support the equipment for its probable remaining useful life. Military Departments will alert countries to anticipated U.S. equipment phase-

outs to permit a timely and orderly final procurement of spares.

(c) If an item becomes obsolete or excess to the requirements of both the customer country and the U.S., the country will, upon request, withdraw its materiel from U.S. facilities. Alternatively, at the request of the country, the U.S. will dispose of such materiel and credit the country with its proportionate share of the net proceeds.

(6) Repurchases. Upon request of the U.S. the customer country will, to the extent compatible with its supply requirements, sell to the U.S. items which have been previously delivered under the SSA. Such repurchases will be made at a fair price (based on DOD Directive 2140.1) mutually agreed upon, which will not in any case exceed the price at which the item was sold to the country, plus the cost of any modification costs and accessorial charges. Transportation in such cases will be furnished by the U.S.

4. Requisition Procedures

a. Use of MILSTRIP

(1) Standard Items. Once an FMS case has been established and funded, MILSTRIP requisitions may be initiated either by the customer country or by a designated military component. For standard materiel items, requisitions will be prepared in MILSTRIP format by the military service, or will be converted to MILSTRIP format by the Military Service Requisition Control Office (RCO). Service designated RCOs are:

Army—International Logistics Center, New Cumberland, Pa.

Navy—Navy International Logistics Control Office (NAVILCO), Philadelphia, Pa.

Air Force—Air Force Logistics Command, Wright-Patterson AFB, Ohio.

RCOs will verify MILSTRIP requisitions prepared by countries prior to introduction into the U.S. logistics system. Supply and shipment status will be provided in accordance with MILSTRIP procedures.

(2) Non-standard Items. Although customer countries are encouraged to pro-

cure materiel which is standard to the U.S. Armed Forces, non-standard equipment may be requisitioned after mutual agreement with the Military Department concerned. Such requisitions, as well as requisitions for services (e.g., training, etc.), will be in a letter format rather than under MILSTRIP procedures.

b. UMMIPS

(1) The Uniform Military Priority System (UMMIPS), as delineated by DOD Instruction 4410.6, is applicable to all requisitions. Force Activity Designators (FADS) are established by the JCS for all customer countries. Component activities will take the necessary steps to assure that participating foreign countries are properly instructed in the establishment of the Issue Priority Designator. RCOs, and MAAGs, if they process FMS requisitions, will verify country established Issue Priority Designators to assure accuracy.

(2) Erroneous designators will be corrected by the reviewing activity. Doubtful cases will be referred to the appropriate U.S. or customer country representative for clarification or correction.

c. Delivery Commitment Date (DCD)

(1) A DCD will be applied to all FMS cases that include a line for a principal item and for which there is no corresponding MILSTRIP Required Availability Date (RAD) in the supply system. The DCD will be identified through the use of a three digit numeric code, the first two representing the fiscal year, and the third representing the quarter of the fiscal year. The DCD when applicable, should be placed in the Availability and Remarks Block of the DD Form 1513. (The DD Form 1513-2 Notice to countries of slippages over 90 days is required on DCD revisions only and not on slippages of items controlled within the MILSTRIP RAD system.)

(2) A report should be submitted to DSAA on a semi-annual basis, 45 days after the end of the 2nd and 4th quarter of each

fiscal year, and should include all cases for which the DCD for any major items on the case has been slipped more than 90 days from that DCD originally quoted on the accepted Letter of Offer or from that previously reported to DSAA, together with a brief explanation of the slippage. Individual changes meeting the threshold criteria need only be reported once, in the quarter in which they occur. A copy of the DD Form 1513-2 required per Chapter D, paragraph 10d(1), will be submitted for each item. The number assigned this report in the reports control system is DSAA(SA) 1123. This report will be submitted with the report on price increase notifications required by paragraph 10i, Chapter D. The format at Figure F-1 of this chapter should be followed for this report.

d. Delivery Forecast Date (DFD)

(1) The DFD is developed by the NICPs of the Military Departments, and represents the estimated date of delivery of the total quantity of the line item.

(2) There is a mandatory relationship between the DFD and the DCD. In all cases, the DFD is established to meet or occur earlier than the DCD. If the DFD occurs later than the DCD, the latter may be modified as described in paragraph c, above.

(3) The DFD is not a gross lead time estimate such as the MASL leadtime. It is a true estimate by the NICPs of the forecast of deliveries based on procurement/supply studies.

e. Order Quantities

Military Departments and other DOD components should offer to provide customer countries guidance in effective inventory management to conserve resources and to minimize misuse or abuse of the requisitioning system. DOD components must assure that proper guidance concerning the use of Economical Order Quantities (EOQ) is developed and made available to the customer countries. MAAGs and others acting in this

capacity will advise and assist customer countries to assure understanding and use of EOQs. RCOs and MAAGs, in those cases where they review FMS requisitions, should screen requisitions to confirm utilization of the EOQ concept.

5. Management Review

a. Within 120 days after acceptance of an FMS case, Military Departments will advise the MAAG of the forecast delivery date of each major item. No less frequently than quarterly thereafter, until deliveries are complete, the MAAGs will be advised by the Military Departments of any changes in these forecasts.

b. MAAGs are responsible for review of delivery forecasts and for advising the Military Departments of any cases where forecasted deliveries will cause significant problems, giving full particulars as to the nature of the problem and recommended solutions. Problems unresolved between MAAGs and the Military Departments should be referred to DSAA.

c. A quarterly MILSTRIP requisition status report will be prepared by the Military Departments and made available to the requisitioning countries at their request on a quarterly basis. Each report will reflect all requisitions open at the end of the report period and all requisitions shipped or cancelled during the report period. Multiple line entries for the same requisition will be reflected whenever a partial or split action is taken. The report will be prepared at Country, Case and In-Country Service Designator level. Summary lines will be provided to indicate the number of lines/actions and dollar value by open requisitions, cancellations and shipments.

6. Delivery Performance

a. The quality of delivery performance

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directly reflects the degree to which the U.S. meets its FMS commitments and is therefore a key element of the supplier-customer relationship. The importance of prompt and effective service to the customer country must be continually emphasized to assure overall success in the attainment of FMS program objectives.

b. Every effort must be made to impress upon the customer the importance of reporting discrepancies as soon as possible but no longer than one year after shipment or billing, whichever is later. Since this time standard exceeds time standards previously expressed by the Military Departments the time limitation of one year after shipment or billing applies to all shipments made subsequent to the date of this instruction.

c. Wherever significant political or readiness impact is involved, the MAAG will advise the Unified Command of the problem. In those instances in which the matter is not satisfactorily and expeditiously resolved, the Unified Command will immediately notify the Military Department concerned and, in significantly important cases, DSAA.

7. Supply Management

a. Materiel Standards

(1) It is Department of Defense policy that defense articles offered and sold to foreign governments and international organizations reflect favorably upon the United States. Therefore, defense articles offered and sold under Foreign Military Sales will normally be new or unused, or, as a result of rehabilitation, possess original appearance insofar as possible, and, as a minimum, have serviceability standards prescribed for issue to U.S. forces. If the customer country desires exclusively new equipments, such requirement will be set forth in the Offer and Acceptance (DD Form 1513). If the customer desires to purchase "as is—where is," this will also be clearly stated in the DD Form 1513.

(2) The agencies authorized to make offers will assure that the offer (DD Form

1513) fully describes the condition of the defense materiel and that the agent of the foreign government or international organization who accepts and signs the Offer and Acceptance (DD Form 1513) understands the condition of the defense materiel.

(3) Military Departments and DOD components shall require that FMS materiel conforms to the offering, is serviceable and is complete with regard to repair parts, publications, etc. An exception to this rule is excess property which is sold on an "as is—where is" basis. Such equipment may be sold without initial or follow-on supply support, provided the country clearly understands these conditions and accepts responsibility for providing future support.

(4) The agencies authorized to make offers will assure that a one-year supply of "in-country" concurrent (initial) repair parts, through fourth echelon requirements at US. peacetime usage rates, shall be included with equipments being offered. Such repair parts packages should be identified by category and total value rather than by item. Normally, pricing specific repair parts when requested by a foreign government or international organization is to be avoided.

b. Condition of Aircraft

In the interests of public safety, the following policy is established for the material condition of U.S. aircraft prior to delivery. Sales agreements will contain the stipulation that delivery will be made only under one of the following conditions:

(1) In the event flight delivery of the aircraft is desired by the purchasing country, the aircraft must be placed in safe operating condition consistent with established standards of the military service of origin or Federal Aviation Administration (FAA). Required maintenance may be done through negotiation with the service of origin or a commercial FAA certified facility, and all costs will be borne by the purchaser. Aircraft will be released for flight only after an inspection by the service of origin has determined that the established military service

CHAPTER M

MANAGEMENT OF THE CEILING ON WEAPONS AND WEAPONS RELATED ITEMS

1. Purpose

This chapter prescribes the management policies and procedures to account for and control US transfers of weapons and weapons related items in consonance with the President's policy to reduce the volume of such transactions.

2. Policy Guidance

To implement a policy of arms restraint, the President has established controls over all transfers of weapons and weapons related items (except to NATO countries/agencies, Japan, Australia, and New Zealand). To this end the Office of the Secretary of Defense has established the procedures within this chapter for managing a ceiling on Weapons and Weapons Related Items and has made DSAA the responsible agency for its implementation.

3. Description of the Ceiling

The annual ceiling applies to FMS and MAP and comprises only weapons and weapons related items (Figure M-1) for all transfers except to NATO countries/agencies, Japan, Australia, and New Zealand. Items which are not weapons or weapons related are listed in Figure M-2. The procedures pertaining to the control of MAP transactions are contained in Part II of the MASM.

4. Purpose of Allocation Accounting System

a. DSAA has developed an allocation accounting system to provide the positive controls required to assure that sales of weapons and weapons related items do not exceed the annual ceiling established by the President.

The DSAA/TC, Ceiling Management Division is responsible for maintaining the automated accounting system which provides for:

(1) Prompt recording of the dollar value of all Letters of Offer (LOAs) issued. At the time the case is entered into the automatic data processing system (ADP), it will be coded to enable management to identify that portion of each case associated with weapons and weapons related items and services.

(2) Assurance that LOAs for weapons and weapons related items will not be issued in excess of ceiling dollars allocated.

(3) Priority tracking of all reservations against the annual fiscal year ceiling for accounts 2 and 3 (see para 6a); i.e., positive control over the value of all sales offers issued together with control over the fiscal year in which each sales agreement may be accepted by the purchaser.

(4) Control over issuance of scope change amendments identical to that given to original LOAs. Such changes will be counted in the fiscal year in which they are accepted.

(5) Ability to respond accurately to requests for reporting the value of LOAs issued in relation to the annual fiscal year ceiling.

(6) Recording the value of accepted sales agreements as soon as possible with the goal of doing so within approximately five days after signature by the purchaser.

5. Allocation Accounting System Procedures

a. After the fiscal year ceiling has been established, the dollar value thereof will be reduced by the amount reserved for MAP weapons and weapons related items. The re-

maining balance for the fiscal year will then be set aside for the following three accounts:

(1) Account 1—cases not requiring Section 36(b) notification. Section 36(b) cases are those containing any Major Defense Equipment (MDE) valued at \$7 million or more and/or any defense articles or services valued at \$25 million or more.

(2) Account 2—Section 36(b) Follow-on support cases requiring Section 36(b) notification and are directly related to weapons systems previously provided.

(3) Account 3—all other cases requiring Section 36(b) notification.

b. At the beginning of each fiscal year, the annual dollar ceiling set aside for FMS will be allocated to the three accounts.

(1) Account 1—a specified amount for ceiling related cases based on a DSAA estimate considering experience of prior years.

(2) Account 2—a specified amount for ceiling related follow-on support 36(b) cases required to support weapons systems previously provided. Estimates will, as for Account 1, be based on prior year experience.

(3) Account 3—the remaining amount for all other ceiling related 36(b) cases.

c. Subsequent to internal processing, DSAA will countersign the LOA and return the original copy of the LOA to the preparing agency for further processing to the prospective purchaser, forward a copy to the SAAC, and retain a copy in order to enter the appropriate information into the automated data processing system.

d. Within five calendar days of acceptance or rejection of the offer, DSAA, SAAC, and the issuing organization must be notified as prescribed in paragraph 5.h. If such notice is not received within ten calendar days after the expiration date, the LOA, even though accepted, will be automatically cancelled and the ceiling commitments will be adjusted accordingly.

e. All requests for extension of expiration dates shown on LOAs, as well as revisions, (prior to acceptance) to the LOA which re-

sult in increases to the case's value must be submitted to DSAA Comptroller/TC (ATTN: Ceiling Management Division) for approval. Strict adherence to the expiration date of the LOA is required; e.g., if current fiscal year ceiling dollars are committed to the transaction, the expiration date must fall within the current fiscal year. Commitment of the subsequent fiscal year ceiling dollars requires that the LOA will not be valid before the first day of that fiscal year. Exigencies within the ceiling management program could impact upon offer expiration dates in Block #8 of the LOA, particularly during the latter months of the FY. Required changes to the offer expiration date resulting from ceiling constraints will be made by DSAA after coordination with the cognizant Military Department or Defense Agency.

f. When the LOA is accepted, distribution will be made in accordance with the instructions contained in the LOA. In addition, the applicable Military Department or Defense Agency is responsible for furnishing a signed copy to DSAA/TC (ATTN: Ceiling Management Division).

g. Acceptances will be recorded by Ceiling Management Division, against the ceiling of the fiscal year in which the LOA is signed by an authorized representative of the foreign country to which the offer was made.

h. Each MAAG, ODC, foreign Embassy, or similar organization will immediately advise DSAA/TC, SAAC, and the Military Department or other Defense Agency issuing the LOA by priority message when each LOA has been signed or rejected by the purchasing country. In those instances when LOAs are processed by the foreign country without MAAG, ODC, or similar organization involvement, the LOA will have an annotation requiring the signature authority to immediately notify DSAA/TC, SAAC, and the appropriate issuing organization by message when signed by an authorized representative of the purchaser. Each message must contain the date of acceptance and the amount accepted.

i. Procedures prescribed above for LOAs also apply to amendments to LOAs for scope increases in excess of \$50,000. DD Forms 1513-1 of \$50,000 or less are combined with the basic case at the time of acceptance. Notification of price increases issued on DD Forms 1513-2 to cases accepted during the same fiscal year will be provided by the issuing authority to the DSAA/TC immediately after issuance in order that adjustment of the appropriate Allocation Accounting System accounts may be effected.

6. Estimated Ceiling Activity

The Ceiling Management Division will be in a position to provide estimates of ceiling activity based upon the information submitted in accordance with paragraph 5 above and required updates. The accuracy of these estimates will be dependent upon:

a. Analysis of computer records of reservations and commitments pertaining to ceiling activity including revalidation of specified reserves in Accounts 2 and 3.

b. Analysis of the status of LOAs outstanding.

c. Analysis of Section 36(b) Arms Export Control Act notifications which are under or have completed Congressional review, but for which LOAs have not been issued.

d. Identification of cases not yet authorized for Section 36(b) notification to Congress and their potential impact on the ceilings for the current and future fiscal years.

e. Identification of programs in which recipients are known to have an interest for possible impact on the ceilings for the current and future fiscal years.

WEAPONS AND WEAPONS RELATED ITEMS

All aircraft	Gun, 105mm
Aircraft modifications	Gun, 155mm
Aircraft spare parts	Gun, 175mm
All Ships	Howitzers, 75mm
Ship cost sharing	Howitzers, 105mm
Ship space parts	Howitzers, 155mm
All missiles	Howitzers, 8 inch
Missile system components	Mortars, 60mm
Missile modifications	Mortars, 81mm
Missile spare parts	Mortars, 107mm—4.2 inch
Armored cars	Mortars, 120mm
Carrier, Cargo, Armored	Rifles, recoilless, 75mm
Carrier, personnel, armored, full track	Rifles, recoilless, 90mm
Carrier, personnel, armored, half track	Rifles, recoilless, 105mm
Carrier weapons	Rifles, recoilless, 106mm
Tanks	Rifles, recoilless, 120mm
Tank recovery vehicles	Rifles, recoilless, 155mm
Miscellaneous combat vehicles	Subcaliber weapons
Artillery, self-propelled, anti-aircraft	Other weapons up to 75mm
Artillery, self-propelled, anti-tank	Other weapons 76mm + over
Artillery, self-propelled, 105mm howitzer	Mounts, 20mm
Artillery, self-propelled, 155mm howitzer	Mounts, 40mm
Artillery, self-propelled, 4.2 mortar	Mounts, 4 inch/50
Artillery, self-propelled, 8 inch howitzer	Mounts, 5 inch/25
Artillery, self-propelled, 175mm gun	Mounts, 5 inch/38
Artillery, self-propelled, other	Mounts, 5 inch/54
Semi-trailers, all types*	Launchers, depth charge
Trailers, all types*	Launchers, rocket
Trucks, 1/4 ton, all types*	Launchers, torpedo
Trucks, 3/4 ton, all types*	Loading machines
Trucks, 1 ton, all types*	Fire control directors
Trucks, 2 1/2 ton, all types*	Fire control computers
Trucks, 5 ton, all types*	ASW fire control systems
Fire trucks*	Gunfire control systems
Other trucks*	Torpedo fire control systems
Carbines	Submarine fire control systems
Pistols	Vehicles, miscellaneous types
Rifles	Other weapons + ordnance equipment
Submachine guns	Weapons, spares
Machine guns	Automotive supplies + equipment spares
Gun, anti-aircraft	Artillery charges (thousand)
Gun, riot-control	Artillery projectives 5 inch + over
Gun, 75mm	(thousand)
Gun, 76mm	Bombs (thousand)
Gun, 90mm	Cartridges up through 20mm (thousand)
	Cartridges, 37mm to 75mm (thousand)

* Built to Military Specification (Mil Specs)

Figure M-1

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Cartridges, 75mm to 90mm (thousand)	Radio receiving equipment
Cartridges, 105mm-155mm (thousand)	Radio relay equipment
Grenades (thousand)	Radios, tactical
Mines (thousand)	Radio transmitting equipment
Mortar rounds, 60mm (thousand)	Other communications equipment
Mortar rounds, 81mm—4.2 inch (thousand)	Communications equipment spares
Riot control gun ammunition (thousand)	Military bridges
Rockets (thousand)	Tractors, crawlered + wheeled
Torpedos	Fork lift trucks
Other ammunition and components	Tool kits and sets
Electronic Countermeasures equipment	Petroleum oil lubricants, gases and fuels
Radar air search equipment	Repair and rehabilitation
Radar ground control (GCA) equipment	Research and development
Radar mortar tracking equipment	Ship overhauls
Radar Surveillance equipment	Training aids and publication FMS
Radio ground-air communications equipment	Training FMS
Radio mobile + transportable equipment	Technical Assistance
Radios, non-tactical	Technical Assistance Field Team (TAFT)
Radio-radar equipment, airborne	Weapons production project

Figure M-1
(continued)

ITEMS NOT WEAPONS OR WEAPONS RELATED

Cranes	Other supplies
Major construction equipment items	Miscellaneous material
Generators, 30kw + larger	Construction
Compressors, 100 cem + larger	Supply operations
Prefabricated buildings	Packing, crating, handling and transportation
Station wagons	Operation and maintenance of MAP installations
Sedans	Storage + maintenance of stockpiles
Buses	Logistics management expenses
Motorcycles/motor scooters	Training aids and publications IMET
Commercial ambulances	Training IMET
Commercial trucks	Infrastructure
Other commercial vehicles	Other services
Public address equipment	International military headquarters
Recorder, reproducer equipment	IG state and other expenses
Telephone sets	Administration expenses
Tel+Tel terminal + transportation equipment	FMSO No. 1 agreement
Miscellaneous, other support equipment	

Figure M-2

ILLUSTRATION OF FMS CEILING

	<i>Unused Allocation</i>	<i>Reservation</i>	<i>Commitment</i>	<i>Acceptance</i>
<i>ACCOUNT 1—NON-36(b) CASES</i>				
Opening Balance	1,000	Not Used		
Case AAA Offer	998		2	
Case AAA Accept	999		-1	1
<i>ACCOUNT 2—36(b) FOLLOW-ON SUPPORT CASES</i>				
Opening Balance	2,000			
Case AAB Advance 36(b)	1,990	10		
Case AAB Offer	1,990		10	
Case AAB Accept	1,991	-1	-1	9
<i>ACCOUNT 3—OTHER 36(b) PROGRAMS</i>				
Opening Balance	7,000			
Case AAC Advance 36(b)	6,500	500		
Case AAC Offer	6,520	-20	480	
Case AAC Accept	6,520			480

Figure M-3

TRONICS

Air Weapons Control System, 412L (AF)
 AN/TTC-39 (A)
 Backup Interceptor Control, 416M (AF)
 Combat Operations Center, 425L (AF)
 Combat Operations Center, 427L (AF)
 DOD AIMS, 499L (AF)
 ECM, ALQ-94 (AF, N)
 ECM, ALQ-119 (AF)
 ECM, ALQ-131 (AF)
 Joint Tactical Information Distribution System,
 JTIDS (AF)
 NAVSTAR Global Positioning System (GPS) (AF)
 Over-the-Horizon Backscatter Radar (AF)
 Radar, AN-389/FPS (AF)
 Radio, AN/ARA-54 (N)
 Radio, AN/VRC-12 Series (12, 43 through 49) (A)
 Tactical Air Control System, 407L (AF)
 Tactical Air Control System, 485L (AF)

Goggles, Night Vision, AN/PVS-5 (A)
 Gunsight, MK-14 (N)
 Gunsight, MK-15 (N)
 Position Location Reporting System, PLRS (A)
 Radar, AN/TPQ-36 (A)
 Radar, AN/TPQ-37 (A)
 Radar, APG-63 (AF)
 Radar, Fire Control, MK-25 (N)
 System, Fire Control, MK-86 (N)
 System, Fire Control, MK-105 (N)
 System, Missile Fire Control, MK-76 (N)
 System, Fire Direction, AN/GSG-10 TACTFIRE
 (A)
 System, Gun Fire Control, MK 56 & 63 (N)
 Tactical Operations System, TOS (A)
 Guided Bomb Unit, GBU-10 (AF)
 Guided Bomb Unit, GBU-12 (AF)
 Guided Bomb Unit, GBU-15 (AF)
 Guided Bomb Unit, GBU-16 (AF)

**CATEGORY XII—FIRE CONTROL, RANGE FINDER,
 OPTICAL AND GUIDANCE AND CONTROL
 EQUIPMENT**

Computer, Fire Control, MK1A (N)
 Close In Weapon System, CIWS, PHALANX (N)
 Director, Fire Control, MK 51-2 (N)

**CATEGORY XIII—AUXILIARY MILITARY EQUIP-
 MENT**

No items in this category are defined in the US
 Munitions List as significant combat equipment.

APPENDIX A

MAJOR DEFENSE EQUIPMENT LIST

CATEGORY I—FIREARMS

Rifle, 5.56mm. M-16 Series (A)

CATEGORY II—ARTILLERY AND PROJECTORS

Gun, 20mm (AF, N)

Gun, GAU-8, 30mm (AF)

CATEGORY III—AMMUNITION

Cartridge, 20mm (AF, N)

Cartridge, 30mm (GAU8) (AF)

Cartridge, 40mm, HE (only) (A)

Cartridge, 60mm, HE (only) (A)

Cartridge, 81mm, HE (only) (A)

Cartridge, 105mm, HE (only) (A)

Cartridge, 4.2", HE (A)

Projectile, 5"/38 cal. (N)

Projectile, 5"/54 cal. (N)

Projectile, 155mm, HE (A)

Projectile, 155mm, CLGP (A)

Projectile, 175mm, HE (A)

Projectile, 8", HE (A)

CATEGORY IV—LAUNCH VEHICLES, GUIDED MISSILES, BALLISTIC MISSILES, ROCKETS, TORPEDOES, BOMBS AND MINES

ASROC, antisubmarine Rocket (N)

Bomb, Combined Effects Bomblet, CBU 87 (AF)

Bomb, Cluster, TMD/Gator Mines, CBU 89 (AF)

Bomb, MK-20, Cluster Bomb, Rockeye (N, AF)

Bomb, MK-82, 500#, General Purpose (N, AF)

Bomb, MK-83, 1,000#, General Purpose (N)

Bomb, MK-84, 2,000#, General Purpose (N, AF)

Bomb, M-117, 750#, General Purpose (AF)

Fuel Air Explosive Weapon, FAE II (AF)

Gun Mount, 5", 54 MK-45 (N)

Launcher, TOW (A)

Launcher Missiles, MK-13 (N)

Light, Antitank Weapon, 66mm, LAW M72 Series (A)

Mine, Naval Warfare, QUICKSTRIKE MK-62 Mod 0, MK-63 Mods 0 and 1, MK-64 Mods 0 and 1, MK-65 Mods 0 and 1 (N)

Mine, Naval Warfare, MK-68 Mod 0, PRAM (N)

Missile, Advanced Strategic Air Launched, ASALM (AF)

Missile, Advanced Medium Range, Air-to-Air (AF, N)

Missile, AIM-4, Falcon (AF)

Missile, AIM-7, Sparrow (AF, N)

Missile, AIM-9, Sidewinder (AF, N)

Missile, AGM-12, Bullpup (N)

Missile, AGM-45, Shrike (AF, N)

Missile, AGM-65A/B, Maverick (AF)

Missile, AGM-65D (AF)

Missile, AGM-65E (N)

Missile, AGM-69A, Short Range Attack, SRAM (AF)

Missile, Chaparral Series (A)

Missile, Cruise (AF)

Missile, Dragon, HEAT and Practice Missiles

Missile, Harm (N, AF)

Missile, Harpoon (N)

Missile, Hawk Series (A)

Missile, Lance (A)

Missile, Pershing Series (A)

Missile, Phoenix (N)

Missile, Redeye (A)

Missile, Stinger (A)

Missile, Walleye (N)

Missile, Nike Hercules (A)

Missile, Patriot (A)

Missile, Roland (A)

Missile, Standard Arm (N, AF)

Missile, Standard ER RIM-67A (N)

Missile, Standard MR RIM-65A (N)

Missile, Tartar (N)

Missile, Terrier (N)

Missile, Tomahawk (N)

Missile, TOW HEAT and Practice Missiles (A)

Missile, M-65 Airborne TOW (A)

Rocket, 2.75" Series (A, AF)

Torpedo, MK-46 (N)

Torpedo, MK-48 (N)

Torpedo, MK-48 ADCAP Kit (N)

CATEGORY V—PROPELLANTS, EXPLOSIVES AND INCENDIARY AGENTS

Items in this category which meet the dollar criteria for major defense equipment are not significant combat equipment as defined in the US Munitions List.

CATEGORY VI—VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT

CC—Guided Missile Cruiser (N)

CIWS—Close In Weapon System (N)

DD-963—Destroyer, SPRUANCE Class (N)

DD—Destroyer (N)

DDG—Guided Missile Destroyer (N)

FFG—Guided Missile Frigate (N)

LCM/LCU/LCVP—Amphibious Landing Craft (N)

LPD—Amphibious Transport Dock (N)

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LSD—Dock Landing Ship (N)
LST—Tank Landing Ship (N)
LKA—Amphibious Cargo Ship (N)
LPA—General Purpose Amphibious Assault Ship (N)
MSO—Minesweeper, Ocean, Nonmagnetic (N)
PHM—Patrol Combatant Missile, Hydrofoil (N)
SS—Submarine, Conventionally Powered (N)

CATEGORY VII—TANKS AND MILITARY VEHICLES

Armored Reconnaissance Airborne Assault Vehicle, M-551 (A)
Carrier, Armored Personnel, M-113 Series (A)
Carrier, Command Post, M-577 Series (A)
Carrier, Cargo, M-548 Series (A)
Gun, Self-Propelled, 175mm, M-107 (A)
Howitzer, Self-Propelled, 8", M-110 Series (A)
Howitzer, Self-Propelled, 155mm, M-109 Series (A)
Howitzer, Med, Towed, 155mm, M-198 (A)
Mechanized Infantry Combat Vehicle, M-723 (A)
Tank, M-48 Series (A)
Tank, M-60 Series (includes CEV, M-728) (A)
Tank, XM-1 (A)
Vehicle, Recovery, M-88 Series (A)
Vehicle, Amphibious, LVTP (Marine Corps)
Vulcan Air Defense System, M-163 and M-167 Series (A)

CATEGORY VIII—AIRCRAFT, SPACECRAFT, AND ASSOCIATED EQUIPMENT

A-4 (N)
A-6 (N)
A-7 (N)
A-10 (AF)
A-37 (AF)
AH-1S (A)
AH-1J (N)
AMST (AF)
AV-8B (N)
C-5 (AF)
C-130 (AF)
C-141 (AF)
CH-47 (A)
E-2C (N)
E-3A (AF)
E-4 (AF)
EA-6 (N)
F-5 (AF)
F-8 (N)
F-14 (N)
F-15 (AF)
F-16 (AF)
F-18 (N)
F-100 (AF)
F-101 (AF)
F-102 (AF)
F-104 (AF)
F-106 (AF)
F-111 (AF)
H-3 (N, AF)
H-46 (N)

H-53 (N, AF)
H-65 (N)
KC-10 (AF)
OV-1 (A)
OV-10 (N, AF)
P-3 (N)
RF-4C (AF)
S-2 (N)
S-3 (N)
S-65 (N)
SH-2D/F (LAMPS, MARK I) (N)
SH-60B (LAMPS, MARK III) (N)
T-2 (N)
T-33 (AF)
T-37 (AF)
T-38 (AF)
UH-1H (A)
UH-1N (N)
UH-60A (A)

Engines

F-100 (AF)
F-101 (AF)
F-107 (AF)
F-401 (N)
F-404 (N)
J-47 (AF)
J-52 (N)
J-57 (AF, N)
J-60 (AF)
J-75 (AF)
J-79 (AF)
J-85 (AF)
JT-3D (AF)
JT-8D (AF)
P-100 (AF)
T-33-P-100 (AF)
T-53 (A, N, AF)
T-55 (A)
T-56 (AF, N)
T-58 (AF, N)
T-64 (AF, N, A)
T-700 (A)
TF-30 (N, AF)
TF-34 (N, AF)
TF-39 (AF)
TF-41 (N, AF)

CATEGORY IX—MILITARY TRAINING EQUIPMENT

No items in this category are defined in the US Munitions List as significant combat equipment.

CATEGORY X—PROTECTIVE PERSONNEL EQUIPMENT

No items in this category are defined in the US Munitions List as significant combat equipment.

CATEGORY XI—MILITARY AND SPACE ELEC-

APPENDIX B

PROCESSING FMS LETTERS OF OFFER
WHICH MUST BE REPORTED TO CONGRESS**1. Section 36(b), Arms Export Control Act (AECA) FMS Case Reporting Criteria**

a. The reporting requirement and criteria for Section 36(b) reports to Congress as outlined in Chapter B (para 3) and in Chapter C (para 16) apply when:

(1) A Letter of Offer/Acceptance (LOA) under preparation is expected to meet the reporting criteria; or

(2) A Letter of Intent (LOI), pursuant to Chapter D (para 11) meeting the reporting criteria is authorized to be accepted by a Military Department; or

(3) A LOA amendment is prepared adding \$25 million or more to an existing FMS case unless such amendment results solely from identifiable cost increases, and to any amendment adding major defense equipment (MDE) for \$7 million or more. The provisions also apply in the case of any amendment which would increase the value of an existing case from under \$25 million to a value of \$25 million or more, and any amendment which would increase the value of MDE in an existing case from under \$7 million to a value of \$7 million or more. Such amendments will not be issued unless absolutely necessary. Instead, new LOAs will be processed to cover the new requirements.

b. The following are examples of major defense equipment FMS cases that must be reported under Section 36(b):

(1) A single line item of an FMS case of major defense equipment totalling \$7 million or more.

(2) Two or more line items of an FMS case of major defense equipment totalling \$7 million or more.

(3) An amendment to an FMS case for additional units of major defense equipment

if the major equipment portion of the amendment totals \$7 million or more.

c. Major defense equipment FMS cases that do not require reporting under Section 36(b) are:

(1) One line item of an FMS case of major defense equipment totalling less than \$7 million. No other major defense equipment in the case; however, other defense items are included which bring the total case value to more than \$7 million but less than \$25 million.

(2) One line item of an FMS case of major defense equipment totalling less than \$7 million. No other major defense equipment in the case; however, spare parts, publications, and training associated with the major defense equipment which brings the total case value to more than \$7 million but less than \$25 million.

d. Special considerations apply to FMSOs as follow:

(1) An amendment to a LOA for a FMSO I transaction, the result of which brings the total case value of that LOA and related amendments to \$25 million or more, does not require prior 36(b) notification to the Congress.

(2) A FMSO I transaction for \$25 million or more, or an amendment to a FMSO I transaction which adds \$25 million or more to the previous case total, or a LOA for a FMSO II transaction for \$25 million or more does require prior 36(b) notification to the Congress.

e. The above exception on 36(b) notification of FMSO I amendments is based on the following:

(1) FMSO I cases must be amended

each year to adjust the dollar values based on requisition action and new LOAs for this purpose are not practicable, and

(2) FMSO I cases reflect customer equity in the US supply system and defense articles upon which these cases are based are not shipped to the country, but are drawn down against a corresponding FMSO II LOA.

2. Section 813 FMS Case Reporting Criteria under the DOD Appropriation Authorization Act, 1976

At the time of the statutory notification as required by Section 36(b) AECA, a statutory notification under Section 813, the Department of Defense Appropriation Authorization Act, 1976, as amended (P.L. 95-79, approved July 30, 1977) is also required. This applies to any LOA to sell (FMS) or any proposal to transfer defense articles which are valued at 25 million or more from US active forces' inventories or from current production. Refer to para 4.c.

3. State/Defense Section 36(b), AECA Staffing Agreement

State and Defense have agreed that State policy deliberations, intra-agency coordination, and submission for Presidential approval and Defense preparation of the Section 36(b) notice and the LOA all aim toward the common objective of completing both within 60 days after receipt of the purchaser's complete request. The procedures are designed to meet this objective.

4. Submission of Supporting Data

a. At the same time the LOA or LOI is being prepared, the Military Departments should assure the submission of data included in Figures Appendix B-1 ("Advance Notification") B-2 ("Military Justification") and B-6 ("Sensitivity of Technology Contained in the Defense Articles or Defense Services Proposed to be Sold") are also provided to DSAA within ten days of notification by DSAA (either written or oral) of a Category B program request or within ten-days

of receipt of a Category A purchase request. These data will be provided directly to DSAA/TC, Ceiling Management Division along with a statement as to whether or not Section 813 reporting (see Figure App. B-5) will be required. Appropriate steps will be taken by the Military Departments to obtain field inputs as necessary to meet the ten-day objective. Additionally, cost estimates will include separate identification of the estimated value of the MDE portion of the proposed sale. Should it be impractical to meet the ten-day deadline, approval for extension should be sought from Chief, Ceiling Management Division, DSAA.

b. To the extent possible, the submission will include the information required to meet the statutory reporting requirement as outlined in Figure Appendix B-3. If this information can be provided during the initial submission, and *no* Section 813 report is required, no further information is needed in order for the DSAA Ceiling Management Division to process the advance and statutory Section 36(b) notifications.

c. To the extent that it is not possible for the Military Department to provide Figure Appendix B-3 data with the initial submission as required in para 4a above, these data along with data supporting Section 813 reporting requirement, if appropriate (Figure App B-5), will be forwarded to DSAA/TC as early as possible during the 20-day advance notification period so that the follow-on statutory notification will not be delayed.

d. As the process evolves, DSAA will provide to the cognizant Military Department a copy of the letters which transmit the advance and statutory Section 36(b) notifications to the Congress. Military Departments will continue to monitor the Ceiling Management Report to ascertain which notifications are under State Department review. The Military Departments will furnish a copy of the unsigned LOA to the purchaser and to the DSAA Ceiling Management Division as an enclosure to a transmittal letter in the format of Figure Appendix B-4. This will be

done only after receiving express authority from the Comptroller, DSAA.

e. Concurrent with the transmittal of the unsigned copy of the LOA to the purchaser, and following completion of the 20-day advance notification, the Director, DSAA will, in satisfaction of the requirements of Section 36, formally notify the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate, respectively. If Congress adopts a concurrent resolution objecting to a proposed sale, the Director, DSAA, will promptly notify the applicable Military Department of that fact and seek the guidance of the President as to the course of action which should be taken. When signing H.R. 13680, 94th Congress (P.L. 94-329, 30 June 1976), the International Security Assistance and Arms Export Control Act of 1976, the President reserved the right to proceed with a sale notwithstanding the adoption of a concurrent resolution, based upon constitutional grounds.

f. The Military Departments will submit signed LOAs to DSAA Comptroller, Ceiling Management Division within five working days prior to completion of the statutory 30-day Congressional review period. Unless there are appropriate reasons to do otherwise, the expiration date assigned by the Military Departments will allow for normal

country review periods beyond the final date of the Congressional review.

g. Cases of \$7 million or more must be submitted with a termination liability worksheet—except for FMSO I and 2 cases, spare parts requisition cases, training cases, equipment and services cases where the source is DOD inventories, or programs for which termination liability requirements have been waived pursuant to DOD Instruction 2140.3.

h. Upon the expiration of the statutory 30-day waiting period, the Comptroller DSAA, will, if Congress has not adopted a concurrent resolution objecting to the proposed sale, countersign the LOA and return the original to the cognizant Military Department and forward a copy to SAAC. At this time DSAA will also authorize the cognizant Military Department to forward the signed LOA to the purchaser.

5. Classification

The advance notification will be treated as CONFIDENTIAL; however, the statutory notification will be made in accordance with established classification procedures. (See Chapter G, Part 1). No statutory notification will be submitted to the Congress until the advance notification has been provided. Any exception must be for extraordinary circumstances and must be fully justified to the Director, DSAA.

**ADVANCE NOTIFICATION OF POSSIBLE
SECTION 36(b) NOTIFICATIONS
FOREIGN MILITARY SALES**

- a. Prospective purchaser:
- b. Description and quantity or quantities of articles or services under consideration for purchase:
- c. Estimated value(s) of this case:
- d. Description of total program of which this case is a part (including any associated weapons, training, construction, logistical support, or other direct supply implications not included in the case itself):
- e. Estimated value of total program of which this case is a part (including the estimated number and dollar value of any increments and the duration of the total program, if it is a multi-year project):
- f. Prior related cases, if any (including dates, values, descriptions, etc.):
- g. Military Department:
- h. Estimated date Letter of Offer/Acceptance (LOA) ready for statutory notification to Congress:
- i. Case Designator:
- j. A description of each payment, contribution, gift, commission or fee paid or offered or agreed to be paid in order to solicit, promote or otherwise to secure such LOA. Description should include:
 - (1) Name of person who made such a payment, contribution, gift, commission, or fee:
 - (2) The name of any sales agent or other person to whom such payment, contribution, gift, commission or fee was paid:
 - (3) The date and amount of such payment, contribution, gift, commission, or fee:
 - (4) A description of the sale in connection with which such payment, contribution, gift, commission or fee was paid:
 - (5) The identification of any business information considered confidential by the person submitting the information under Section 39 of the Arms Export Control Act to the Secretary of State:
- k. Previously reported under DSAA(Q) 1138 report requirements? If so, for which fiscal year quarter?
- l. Expected classification of the case. If LOA is to be classified, cite rationale:

MILITARY ASSISTANCE AND SALES MANUAL—PART III

m. Third Country transfer certification:

If purchaser is NATO or another NATO member country purchasing on behalf of a third NATO party, as provided in MASM III, Chapter B, para 3.b(4), provide the following if known, as to plans of the prospective purchaser:

(1) Name of the proposed third party recipient of these articles, training or other defense services:

(2) Reason for the proposed transfer:

(3) Date on which such transfer is proposed to be made:

NOTE: Attach Military Justification Figure App B-2.

MILITARY JUSTIFICATION

One-sentence paragraph identifying the major defense articles and services proposed for sale and their estimated cost.

One or two-sentence paragraph describing broadly the contribution which the sale will make toward achieving the foreign policy and national security objectives of the United States.

A short paragraph on foreign policy and military developments in the region affecting the sale, whether comparable weapons exist in the region, and the effect of the sale on the regional military balance.

A short paragraph describing why the purchasing country needs the articles and how it intends to use them. This paragraph should address the ability of the purchasing country to absorb the articles and the effect of the sale on the country's military capabilities. If the sale was due in part to the results of a U.S. survey, this should be brought out in this paragraph.

Identification and location of the prime contractor, if known.

Estimate of the number of additional U.S. Government and contractor personnel required in the purchasing country to implement the proposed sale and the time during which they will be needed.

Any impact on U.S. defense readiness which would result from the proposed sale.

Statement as to whether the value of the weapons and weapons-related portion of the proposed sale will be charged against the Administration's arms transfer ceiling for the fiscal year in which the purchasing company signs the Letter of Offer and Acceptance.

(The above outline is a guide for preparing the typical justification, but need not be followed rigidly when variations will produce a clearer presentation. Each aspect listed should be considered, but need not be included if there is nothing pertinent to say on that particular point.)

Figure App B-2

Dear

Enclosed for consideration and analysis by your government is an unsigned advance copy of "United States Department of Defense Offer and Acceptance" (DD Form 1513) for FMS case

Section 36 of the Arms Export Control Act requires that notification be given to the Congress of the United States before the Department of Defense issues any offer to: (1) sell defense articles and services, the estimated total costs of which are \$25,000,000 or more, or (2) sell major defense equipment, the estimated total costs of which are \$7,000,000 or more. Section 36 further provides that the offer to sell not be issued if the Congress, within thirty (30) calendar days after receiving such notification, adopts a concurrent resolution stating in effect that it objects to the proposed sale. (Under the Constitution of the United States, a concurrent resolution of the Congress does not require Presidential approval and is not subject to veto by the President).

The Department of Defense is this date transmitting to the Congress the required notification of the enclosed proposed FMS case . Assuming that the Congress does not object to this proposed FMS case, the enclosed DD Form 1513 will be signed and issued to your Government by the authorized Department of Defense representative on or about , 197 . In the event that the Congress should object to this proposed sale, you will be promptly notified of that fact.

Should your Government wish to accept this proposed FMS case, it should await receipt of the signed DD Form 1513 and complete Blocks 23, 28, and 29 on the original and top three copies of the signed DD Form 1513 only. Completion by your Government of Blocks 23, 28, and 29 on the enclosed unsigned advance Copy of the DD Form 1513 will not be deemed to be valid.

Sincerely yours,

Figure App B-4

**SENSITIVITY OF TECHNOLOGY CONTAINED IN THE
DEFENSE ARTICLES OR DEFENSE SERVICES PROPOSED TO BE SOLD**

This statement will be included to meet the requirements of Section 36(b) AECA, as amended by Section 20(b) of the ISAA of 1979, and to support the entry on Figure Appendix B-3, para k.

For purposes of this requirement, the term "sensitivity of technology" will be construed to mean the extent to which the unauthorized disclosure or diversion of any equipment, technical data, training, services, or documentation required to be conveyed in connection with the proposed sale could be detrimental to the national security interests of the United States. The evaluation will address not only sensitive technological information contained in equipment components or technical documentation related to the sale, whether classified or not, but also restricted information contained in classified components or classified documentation required to be released in connection with the sale.

It should be noted that the evaluation of sensitivity is to be made solely with reference to unauthorized disclosure or diversion of the defense equipment, technical data, training, services and documentation to be provided and need not address either the risk of such unauthorized disclosure or diversion (covered by NDP procedures and USDRE review) or the foreign policy implications of authorized use by the proposed recipient (covered by Arms Export Control Board (AECB) procedures).

Whenever the transfer of sensitive technological information is involved, the equipment components, types of documentation or technical data containing the sensitive information should be identified, and the reasons for considering it sensitive information should be provided. Whenever the transfer of classified defense equipment or classified documentation is required, the classified components, or types of documentation containing the classified information should be identified, and the reasons for the classification should be provided. In addition, one of the following statements must be included: a. "Release of this technology is within the classification guidelines for disclosure to (indicate country) as stipulated in National Disclosure Policy (NLP-1)." or, b. "An exception to National Disclosure Policy (NDP-1) was granted for (indicate country) on (indicate date) for the release of (indicate classification level) information pertaining to (indicate item)."

If any of the above information is in itself considered to be classified, this should be indicated in the submission.

In addition to the above statement, an appropriate entry must be made at Item k, "Sensitivity of Technology" in Figure Appendix B-3, Appendix B, MASM III. Whenever a proposed sale involves no transfer of sensitive technology or classified information, the word "None" will be entered under this heading. Whenever the transfer of sensitive technology or classified information is involved, the words "See annex under separate cover" will be entered under the heading. DSAA will forward the required information prepared under the above guidelines by a separate classified letter, since the public disclosure of such information could adversely affect our foreign and defense policy interests.

Figure Appendix B-6

MEMORANDUM FOR THE COMPTROLLER, DSAA

SUBJECT: Statutory Notification to Congress Under Section 36(b) AECA

The following information is provided in accordance with the reporting requirement of Section 36(b) of the Arms Export Control Act.

- a. Purchaser:
- b. Military Department:
- c. Case Designator:
- d. Total Value:
- e. Type and Quantity of Equipment (segregate the MDE, indicating value):
- f. Security Classification of Sale:
- g. Sales Commission, Fee, etc. Paid, Offered, or Agreed to be Paid:*
- h. The impact of such sales or transfers on the current readiness of United States Forces:
- i. The adequacy of reimbursements to cover, at the time of replenishment to United States' inventories, the full replacement costs of those items sold or transferred:
- j. If reimbursements are inadequate, explain impact and justification for such disparity:
- k. Sensitivity of technology contained in the defense articles or defense services proposed to be sold (see Figure Appendix B-6 for details):
- l. Previously reported under DSAA(Q) 1138 Report requirements? If so, for which fiscal year quarter?
- m. Third country transfer certification:
If purchaser is NATO or another NATO member country purchasing on behalf of a third NATO party, as provided in MASM III, Chapter B, para 3.b(4), provide the following if known, as to plans of the prospective purchaser:
 - (1) Name of the proposed third party recipient of these articles, training or other defense services:
 - (2) Reason for the proposed transfer
 - (3) Date on which such transfer is proposed to be made.
- n. Classification of the LOA. (If LOA is, or will be classified, cite rationale):

* Information supplied under g. above shall be in the same detail as is required to be supplied under j. of Figure App B-1.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

The following additional information, as requested by the House Armed Services Committee, is provided:

- a. Effect of proposed sale on US readiness posture (materiel—personnel—other).
- b. Effect of the proposed Foreign Military Sale on current Department of Defense procurement programs (costs—deliveries—etc.).
- c. Is this foreign military sale item one which must be offered by the Defense Department, or can it be procured commercially in direct negotiations between a US contractor and the foreign government involved?
- d. If known, what impact will this foreign military sale have on arms control considerations (international impact, regional impact, etc.)
- e. What will be the monetary impact of this foreign military sale to the United States Government (net loss or profit, balance of payments, implications, etc.)?

MEMORANDUM FOR THE COMPTROLLER, DSAA

SUBJECT: Reporting Requirement of Section 813 of the Department of Defense Appropriation Authorization Act 1976, as amended (P.L. 95-79, Approved July 30, 1977)

The following is provided in accordance with the Congressional reporting requirement, above subject:

- a. Purchasing Country:
- b. Selling Military Department:
- c. Type of Quantity of Equipment:
- d. Total Estimated Value:
- e. Source of Supply:
- f. Impact of Sale of Articles on Current Readiness of U.S. Forces:
- g. Adequacy of Reimbursements to Cover Replacement Cost:
- h. (1) The Initial Issue Quantity (IIQ) requirement for U.S. Forces:
 - (2) Percentage of such requirement already delivered to U.S. Forces or contracted for at this time:
 - (3) The timetable for meeting the requirement absent the proposed sale:
 - (4) The timetable for meeting the requirement if the sale is approved:

The above report applies to any Letter of Offer, meeting the reporting criteria (\$25 million in defense articles) not signed and dated by a U.S. official as of 30 July 1977.

Figure App B-5