



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D.C. 20301

2 January 1985

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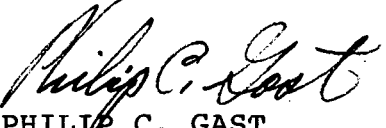
MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, SECURITY ASSISTANCE
MANAGEMENT MANUAL (SAMM)

SUBJECT: SAMM Change 2 Transmittal

The attached revised material updates the initial publication.

Update the applicable portions of the SAMM in accordance with the
attached list of changes by inserting new pages.

This change is effective 2 Jan 1985.


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LIEUTENANT GENERAL, USAF
DIRECTOR

Attachments

- (1) List of Changes
- (2) List of Effective Pages
- (3) SAMM Update Pages

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through each military department's publication distribution system. The respective points of contact are:

NAVY: Office of the Chief of Naval
Operations (CNO/OP-63)
ATTN: OP-631D3
U.S. Department of the Navy
Washington, DC 20350-2000 *

ARMY: Army Publication Distribution Office
Office of the Adjutant General
ATTN: DAAG-OPD
Rm 1B925, The Pentagon
Washington, DC 20310-2121 *

AIR FORCE: Publication Distribution Center
2800 Eastern Blvd.
Middle River
Baltimore, MD 21220-5000 *

Such distribution will be in accordance with addressee lists developed and provided by the DSAA Comptroller, Office of FMS Control Division, Washington DC, 20301. Requests for commercial purchases of the SAMM should be directed to the aforementioned DSAA office.

H. INTERPRETATION, RECOMMENDATIONS AND DEVIATIONS. Requests for clarification or interpretation of, or changes to, the provision of this Manual should be submitted through security assistance management channels to the DSAA (ATTN: SAMM Coordinator), Washington DC, 20301. Any guidance contained in this Manual that appears to be in conflict with other DoD issuances or governing statutes and regulations should be reported to the DSAA SAMM Coordinator. Deviations from the policies presented in this Manual may not be implemented without the explicit prior approval of the Director, DSAA, based upon justified requests from the components of the DoD.

I. EFFECTIVE DATE AND IMPLEMENTATION. The provisions of this Manual are effective upon date of transmittal.

SECTION II - RATIONALE AND SCOPE

A. PURPOSE. Section I addressed the basic structure and organization of the SAMM, its authorities, applicability and responsibilities. This section is designed to summarize the rationale and scope of the security assistance program.

B. RATIONALE FOR SECURITY ASSISTANCE PROGRAM.

1. Security assistance has historically played a prominent role in U.S. foreign and defense policy. The security assistance program is an essential complement to the overall U.S. defense effort. When we directly assist other

nations in meeting their defense requirements, we also make a contribution to our own security.

2. Security assistance represents a most visible aspect of our foreign policy in that its implementation results in tangible evidence of U.S. interests and presence. Such evidence is represented by the delivery of defense weapon systems to friendly foreign governments; by numbers of international military students in U.S. service schools; by U.S. personnel advising other governments in increasing their internal defense capabilities; and by providing guidance and assistance in establishing a practical infrastructure and economic base through which regional stability can be achieved and maintained.

C. SECURITY ASSISTANCE SCOPE.

1. Security assistance, defined in its simplest terms, concerns the transfer of military and economic assistance through sale, grant, lease, or loan to friendly foreign governments. Transfers are carried out under the principle that if they are essential to the security and economic well-being of such governments and international organizations, they are equally vital to the security and economic well-being of the United States.

2. Security assistance consists, inter alia, of the following major programs:

a. Programs administered by the DoD:

- Program;
- (1) The International Military Education and Training (IMET)
 - (2) Foreign Military Sales (FMS) Financing; and
 - (3) Foreign Military Sales (FMS).

b. Programs administered by the Department of State:

- (1) Economic Support Fund (ESF);
- (2) Peacekeeping Operations (PKO);
- (3) Commercial Export Sales licensed under the Arms Export Control Act (AECA)

3. Prior to 1981, defense articles and defense services were provided as grant aid through a separate program, the Military Assistance Program (MAP), which was administered under procedures entirely different from those used for FMS. Legislation effective in FY 1982, however, allows grant funds to be merged with other funds held for the foreign government's account (e.g., cash, FMS credits) in that country's FMS trust fund. This technique, which is used exclusively today, precludes distinguishing items as having been provided as grant aid. Special rules, procedures, and constraints for items provided as grant aid, essentially those set forth in the MASM, apply only to programs initiated under the old system. FMS rules and procedures apply to all others.

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 U.S.; and

(4) The country or international organization is otherwise eligible to purchase or lease defense articles or defense services. The countries or international organizations found eligible to purchase or lease defense articles or defense services under the Presidential finding are also subject to other provisions of the AECA.

b. List of Eligible Countries. The current list of eligible countries and international organizations determined by the President is provided in Chapter 6 of this Manual.

c. Presidential Determination. The President must determine the eligibility of the prospective purchaser on the basis that sales will strengthen U.S. security and promote world peace [AECA, Sec. 3(a)(1)].

d. Designation of Defense Articles and Services. The President is authorized to designate those items which shall be considered defense articles and services, and to promulgate regulations for control of the export of such articles and services. The items so designated shall constitute the United States Munitions List [AECA, Sec. 38(a)]. Items in categories which are asterisked on this list are considered Significant Combat Equipment (SCE). A copy of the U.S. munitions list is enclosed at Table 2-III-1.

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

f. Arms Control. Arms control consequences must be taken into consideration when evaluating any FMS sale [AECA, Sec. 42(a)(3)].

g. Atomic Energy Act and Major Ship Transfers. Provisions of Atomic Energy Act of 1954, as amended, and title 10 USC 7307 requiring separate legislation for major ship transfers are unaffected by the AECA, Sec. 44. (See Section IV, paragraph B. of this chapter for further discussion.)

h. Sources of Sales Materiel. Defense articles or services may be sold from the stocks of the DoD or the DoD may enter into contracts for procurement of defense articles or defense services for sale to eligible foreign countries or international organizations (AECA, Secs. 21 and 22).

i. Use of FMS Credit Funds for Procurement Outside United States. FMS credit 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 [AECA Sec. 42(c)].

Prior consultations within the Department of Defense (DSAA) and with the Departments of State and Treasury are required.

j. Termination Due to Unnecessary Military Expenditures. 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 (AECA, Sec. 35). Existing sales, credits, and guaranties need not be terminated.

k. Prohibition Against Discrimination, Intimidation or Harassment. No sales will be made and no credits or guaranties extended to, or for any country whose laws, regulations, official policies or governmental practices prevent any person from participating in the furnishing of defense articles or defense services on the basis of race, religion, national origin, or sex. No sales will be made and no credits or guaranties extended to any country determined to be engaged in a consistent pattern of acts of intimidation or harassment directed against individuals in the U.S. (AECA, Secs. 5 and 6).

B. POLICIES.

1. General.

a. Basic Sales Policy. In Chapter 1, Section 1 of the AECA, the Congress:

(1) Recognized the increasing cost and complexity of defense equipment and the continued need for international defense cooperation to maintain peace and security.

(2) Established the policy that sales will facilitate the common defense by entering into international arrangements with friendly countries on projects of cooperative exchange of data, research, development, production, procurement, and logistics support to achieve national defense requirements and objectives of mutual concern;

(3) Declared that the AECA authorizes sales that further U.S. security objectives to friendly countries to equip their forces with due regard to impact of sales on social and economic development and on arms races; and

(4) Declared the sense of the Congress that all such sales be approved only when they are consistent with U.S. foreign policy interests.

2. Materiel Transfer Policy.

a. Use of Federal Acquisition Regulation (FAR) and DoD FAR Supplement. When procuring for a foreign government, DoD will apply the same contract clauses and contract administration as it would use in procuring for itself, except where deviations are authorized in the DoD FAR Supplement. If a sole source procurement requested by a foreign government appears to be motivated by objectives in conflict with this requirement or with any U.S. legislation, the request must be forwarded to the DSAA, which may forward the request to the Department of State for consideration. No LOA in such cases will be issued without approval of the Director, DSAA. *

Secretary of Defense will provide the analysis relevant to the justification and certification called for in the AECA, Section 21(i)(1)(E). In this connection, a "proposal to sell" within the meaning of Section 21(i) refers to a decision at an appropriate level of the U.S. Government to make a sale and to direct the issuance of an LOA or signature of a document with comparable effect, and does not refer merely to the receipt of a request for P&A, or the receipt of a request for a Letter of Offer, or the making of a recommendation with respect thereto. No Presidential report is therefore required if the ultimate decision is not to make the sale. The AECA, Section 21(i) is also interpreted as being applicable to a situation in which the significant adverse effect becomes apparent only after a sales contract is concluded. However, no Presidential report is required with respect to supply action under a sales contract where the supply action is altered in order to avoid a significant adverse effect on U.S. combat readiness which would otherwise occur.

(7) Secondary Items. The above also applies to secondary items, including spare and repair parts as well as major end-items. However, in those cases wherein the foreign government has made an investment in the U.S. inventory under a Cooperative Logistic Support Arrangement (CLSSA) for spare and repair parts support, the MILDEPs will satisfy security assistance requirements based upon priority on the same basis as U.S. force requirements. The head of an Inventory Control Point (ICP) may approve the issue of stocks below the reorder point to FMS customers when they determine that there will not be an unacceptable impact on U.S. forces. The impact on secondary items must be considered whenever a total package of end-items and spare parts and support equipment is provided to a foreign country.

6. Logistics Support.

a. Use of U.S. Military Logistics System. Implementation of accepted FMS cases will be accomplished by the MILDEPs and DoD components as completely as possible within the existing organizational and procedural structure of the U.S. military logistics system. Use of the DoD transportation system will be only for special cases, i.e., ammunition to the Port of Exit or by special arrangement stated in the LOA.

b. Follow-On Logistic Support. Normally, foreign military sales of materiel are made only when the DoD has made or has approved plans to assure logistic support for the expected service life of the equipment. This includes follow-on spares support for equipment sold through FMS under established Cooperative Logistic Supply Support Arrangements (CLSSAs) which will be afforded the same priority as that provided equivalent U.S. forces performing a comparable mission in the same geographical area. For other follow-on FMS spare parts cases, the normal lead time from procurement will apply.

7. Materiel Standards. It is DoD policy that defense articles offered and sold to foreign governments and international organizations reflect favorably upon the U.S. 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 equipment, this requirement will be stated in the LOA. If the customer desires to purchase "as is/where is," this will also be stated in the LOA.

8. Communications Security (COMSEC) Programs. Discussions relating to COMSEC will not be initiated with foreign governments without obtaining prior approval and specific guidance from DSAA. All foreign government requests for information will be forwarded to DSAA for staffing with cognizant DOD service organizations and definitive guidance. Upon notification of DSAA approval, standard FMS procedures apply to the request for a sale of COMSEC equipment. This includes channels for submission of requests, use of the LOA, financial requirements in DoD 7290.3M, etc. Specifically, the DoD component processing the request is also responsible for assuring that all National Disclosure Policy requirements are satisfied and that the program details are staffed with appropriate security activities before a response is provided to the foreign purchaser. Refer to NACSI 6001, "Foreign Military Sales of Communications Security and Services to Foreign Governments and International organizations, and JCS Memo 131, "Joint and Combined Communications Security," dated 18 July 1983. **

9. Translation Services.

a. Responsibility. The responsibility for the translation of any documents rests with the user or recipient country. U.S. SAOs should make this point clear to their host country counterparts.

b. Informal Translations. In day-to-day operations, SAOs may provide for government-to-government purposes only, "informal translations" using the same practices and procedures as the local U.S. diplomatic mission, provided the host country so requests, or the chief of the U.S. SAO determines an informal translation of an English text is in the U.S. interest. In each case, translators must clearly mark the translated document "Informal and unofficial translation -- English text governs." SAOs should ensure that a forwarding letter accompanies each contractual document (i.e., LOA) emphasizing that the English text is the officially binding document.

c. Other Requests. SAOs will not provide translation assistance to contractors or others who are not a part of the U.S. or host country official family. In the event the SAO receives a request from such sources, requestors should be advised to seek assistance from competent local translators.

10. Exclusive Licensing Arrangements. In cases where a request for P&R, P&A, or an LOA is received from a foreign country or international organization and the request is known to fall within the area of an exclusive commercial license arrangement for the item or service, the following special procedures will apply:

a. The prospective buyer will be provided with the name of the foreign firm involved and informed that this firm has exclusive rights in that country relating to the sale of the article or service being sought.

b. In the event the prospective buyer insists that it wishes an FMS transaction it should be advised that the request should be set forth in a letter from the Minister of Defense or the Deputy Minister of Defense (or the equivalent) to the Director, DSAA outlining the reasons for the desire to purchase by means of an FMS transaction rather than from the foreign licensee.

c. On receipt of such written requests containing justification, in order to comply with provisions of the AECA, Section 42(a), the Director, DSAA will advise the foreign firm involved (or its designated representative

by DSAA, engage in comparison studies requested by a foreign government of an FMS offer versus a direct commercial sale.

5. Initiation of Direct Sales Preference Considerations. To be eligible for these procedures, the U.S. manufacturer must notify DSAA of its preference to sell a defense article on a direct commercial basis rather than via FMS. The procedures outlined herein apply only when such notification is received by DSAA and a foreign country subsequently submits a request for an FMS offer for an approved direct sales preference item.

6. Extent of DoD Commitment. The process outlined in this section is a best efforts commitment by the DoD to comply with U.S. industry preferences. Failure on the part of a DoD component to comply with these procedures will not be construed as invalidating any resultant FMS transaction.

7. Contractor Communications Concerning Specific Sales. Contractors are free to communicate with DSAA and DoD components about specific sales or negotiations. DoD will honor contractor preferences in such instances to the extent possible, taking into consideration the circumstances involved, as well as potential effects on foreign policy and national security objectives.

D. RESPONSIBILITIES.

1. DSAA Responsibility. DSAA is responsible for determining whether, within the context of this section, an article is to be designated for direct sales preference. Nothing in this section will be construed as precluding DoD from making any specific sale, even of an item which previously has been designated for direct sale preference, which is approved on a case-by-case basis by the Director, DSAA.

2. DoD Component Recommendation. The DoD component processing the foreign country or international organization request is responsible for providing a recommendation to the DSAA based upon the factors and criteria in paragraphs E and F below.

E. GUIDELINES. In determining whether the DoD will grant preference to direct commercial sales of specific defense articles and services, the following guidelines will be used:

1. Items Normally Excluded from Direct Sale Preference. In the absence of special circumstances, the following will be sold through FMS procedures if requested by the foreign purchaser and will not be considered for direct sale preference designation:

- a. Classified articles.
- b. Items provided under Cooperative Logistics Supply Support Arrangements (CLSSA) and similar non-CLSSA follow-on support sales arrangements.
- c. Surplus personal property, including MAP disposable property.
- d. DoD long supply stocks, when, in the judgment of the DoD component concerned, reduction of such stocks is desirable.
- e. Repair parts or components normally carried in DoD stocks, and support services, when, in the judgment of the DoD component concerned, such

parts or components are required for follow-on support of end-items previously sold by the DoD component.

- f. All ammunition rounds above 40mm in caliber.
- g. All aircraft flares which are not procured in complete form from commercial sources.
- h. All defense articles which contain as components Government Furnished Equipment (GFE) which were manufactured in a Government-Owned, Government-Operated (GOGO) facility (except as may be authorized for sale to U.S. firms under the provisions of DoDD 4175.1).
- i. Any defense article normally procured by the DoD component which the U.S. producer requests be sold through FMS channels, in the absence of a known exclusive commercial licensing arrangement covering the territory in which the purchasing government is located.
- j. Any defense article not normally procured or type-classified by a DoD component, when FMS is requested by a foreign government or international organization and the U.S. producer agrees, in the absence of a known exclusive commercial licensing arrangement covering the territory in which the purchasing government is located.
- k. Those defense articles which could, if provided through commercial channels, adversely affect deliveries to a DoD component or FMS customers under existing contracts.
- l. Any article required in conjunction with a major system sale.
- m. Defense services, unless the service requires such unique technical knowledge and skills that it can only be provided by one U.S. contractor.
- n. Other defense articles not directly tied to end-item support, but which are required for troop support and governed by a military specification.
- o. Programs financed with Military Assistance Program (MAP) funds. **

2. Two or More Producers. In order to avoid any connotation of favoritism toward one producer, and to assure that other manufacturers are not omitted from consideration, the article will normally not be designated for direct sale preference if there are two or more producers who are known to be qualified and currently capable of producing the article.

3. Other Considerations. Prior to notification to the foreign purchaser of the direct sale preference for the article or service, the following must be considered:

- a. Whether the purchasing country has the necessary technical and administrative capability to make a prudent purchase of the article directly from the U.S. commercial source. A known previous commercial procurement of

TABLE 6-I-1
FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE TO PURCHASE
DEFENSE ARTICLES AND DEFENSE SERVICES UNDER THE AUTHORITY OF THE AECA

<u>Africa</u>		<u>Near East and South Asia</u>	
Botswana	Malawi	Algeria	Nepal
Cameroon	Mauritius	(defense	Oman
Dahomey	Niger	services only)	Pakistan
Djibouti	Nigeria	Bahrain	Qatar
Equatorial Guinea	Rwanda	Bangladesh	Saudi Arabia
Gabon	Senegal	Egypt	Sri Lanka
Ghana	Somalia	India	(Ceylon)
Guinea	Sudan	Israel	Tunisia
Ivory Coast	Upper Volta	Jordan	United Arab
Kenya	Zaire	Kuwait	Emirates
Liberia	Zimbabwe	Lebanon	Yemen Arab
Madagascar		Morocco	Republic
<u>Europe</u>		<u>Western Hemisphere</u>	
Austria	Malta	Antigua and	Guatemala
Belgium	Netherlands	Barbuda	Haiti
Denmark	Norway	Argentina	Honduras
Finland	Portugal	Bahamas	Jamaica
France	Spain	Barbados	Mexico
Germany	Sweden	Belize	Panama
(Fed Rep of)	Switzerland	Bolivia	Paraguay
Greece	Turkey	Brazil	Peru
Iceland	United Kingdom	Canada	St Lucia
Ireland	(Incl Crown	Chile	St Vincent &
Italy	Agents)	Colombia	the Grenadines
Luxembourg	Yugoslavia	Costa Rica	Suriname
		Dominica	Trinidad and
		Dominican	Tobago
		Republic	Uruguay
		Ecuador	Venezuela
		El Salvador	
		Grenada and	
		St. Kitts-Nevis	*
			*
<u>East Asia and Pacific</u>		<u>International Organizations</u>	
Australia	Malaysia	North Atlantic Treaty Organization	
Brunei	New Zealand	(NATO) and its agencies	
Burma	Papua	Organization of American States (OAS)	
China	(New Guinea)	International Commission of Control	
Fiji	Philippines	and Supervision in Vietnam	
Indonesia	Singapore	International Commission of Control	
Japan	Taiwan	and Supervision in Laos	
Korea	Thailand	United Nations (UN) and its agencies	
		including Int'l Civil Aviation Org.	

NOTE: Sales to certain countries may have been suspended for legal or policy reasons. Any questions relative to the eligibility of a foreign country for FMS, FMCS, or leases should be referred to DSAA Operations.

TABLE 6-I-1. Foreign Countries and International Organizations Eligible to Purchase Defense Articles and Defense Services under the Authority of the AECA.

TABLE 6-I-2

GENERAL TERMS OF REFERENCE
(FOR DEFENSE REQUIREMENT SURVEY TEAMS)

A. Teams will report to the U.S. Ambassador, or in his absence, the charge d'affaires, upon arrival in country, and will serve under the overall supervision of the Ambassador. All formal consultations with the host country will be conducted subject to the concurrence of the U.S. Ambassador, with the participation of such Embassy staff as he may direct. Prior to departure the team will brief the Ambassador on its preliminary conclusions.

B. The team recommendations should reflect the "total package" concept: end-item, ancillary equipment, training and logistics. Recommendations should not mirror-image U.S. force solutions. At least three levels of funding alternatives should be presented in the report.

C. The team should evaluate the military manpower base, its absorptive capacity, the existing logistics and maintenance support capability, the capability of the country to prevent compromise of sensitive data and equipment, training requirements, and compatibility of recommended equipment with that currently in the host country inventory.

D. The team will make no comment to host governments concerning possible availability of U.S. Government resources in any form.

E. The team will not give host government any price and availability data, DoD lead times on equipment, or indicate any prospects for accelerated deliveries. The team, however, may provide general orders of magnitude information concerning cost and availability for illustrative purposes. Firm estimates can be provided only through normal channels and only in response to specific requests conveyed through the U.S. Embassy, not through the survey team.

F. The team will not oblige the U.S. Government to the sale of any specific defense article or service.

G. The team will not provide any kind of independent assessment or confirmation of the external threat as perceived by the host country. Release of classified information will be in accordance with the U.S. National Disclosure Policy.

H. The team will not provide military advice concerning tactics, doctrine, basing, combat planning, or operations.

I. The team will avoid any possible indication that USG would assist in construction of airfields, camps, or other military facilities.

J. The team will make no commitment to follow-on technical discussions or further surveys.

TABLE 6-I-2. General Terms of Reference for Defense Requirement Survey Teams.

the same or similar article or service could be one form of evidence of this capability. A subjective assessment may be required for this evaluation.

b. Whether there is a specific government-to-government agreement approved by the Director, DSAA, or higher authority, covering such a sale or a special exemption to the direct sale preference approved by the Director, DSAA.

4. Exceptions. Both the Governments of Thailand and the Federal Republic of Germany (FRG) have requested and been granted an exception to purchase, via FMS, articles and services designated for direct sales preference.

F. PROCEDURES FOR PROCESSING INDUSTRY REQUESTS FOR DIRECT SALE PREFERENCE DESIGNATION.

1. Commercial Source Responsibility. It is the responsibility of the U.S. manufacturer to inform the DSAA Operations Directorate (DSAA-OPS), that it prefers to sell significant combat equipment (SCE) items it manufactures or services it provides on a direct commercial basis; that it is the sole U.S. manufacturer or supplier of the articles or services; and that it prefers that these articles or services not be sold via FMS. Such notification should include sufficient information to enable the DSAA to evaluate the request and, at a minimum, provide the following: specific article designation/nomenclature, military model number and national stock number (NSN) (if applicable), most recent contract with DoD (including date and number), and the cognizant MILDEP/DoD component for that contract.

2. DoD Component Responsibility. Upon receipt of a notification of direct sale preference, DSAA will query the DoD components for comments on the request. The DoD components will be asked to advise within 30 days whether the firm is the only know or possible U.S. source for the article or service and to consider other factors pertinent to the DSAA evaluation of the commercial source notification. Such factors could include:

- a. Previous contract history with that firm;
- b. Advice as to whether the firm is considered to be the sole source for the article;
- c. Information regarding other qualified commercial sources currently capable of producing the article or service;
- d. Information as to whether the article or service has previously been approved for direct sale preference;
- e. Information as to whether stocks of the article in question are in long supply;
- f. Confirmation that the item in question is in fact considered to be significant combat equipment (SCE) on the United States Munitions List; and
- g. Confirmation that the item in question is in fact solely manufactured without government furnished equipment (GFE) (and if applicable the firms qualifications to purchase GFE under the provisions of DODD 4175.1).

3. DSAA Determination. Based on the request of the U.S. manufacturer and the information provided by the cognizant DoD component, a determination will be made by DSAA regarding whether the article or service is to be designated for direct sale preference. The DoD component will be provided an information copy of the response to the U.S. manufacturer and appropriate instructions regarding processing of requests for articles or services which have been approved for direct sale preference.

4. Semi-Annual Summary. DSAA will provide to each DoD component a semi-annual summary listing of contractor direct sale preference notifications processed. This summary listing will identify articles which DSAA considers to be eligible for direct sale preference and the applicable commercial firms. DoD components will maintain this listing on file to assist in evaluating foreign country and international organization requests for the article or service. Direct sale preference designations will normally be valid for a period not to exceed three years. Reconfirmation that the article still qualifies for this designation based on the criteria in this chapter will be accomplished prior to reinstating any previously designated article or service. Normally, the responsibility to request such a review and continued direct sale preference designation rests with either the U.S. manufacturer of the article or the U.S. contractor providing the service.

G. PROCEDURES FOR PROCESSING REQUESTS FOR DIRECT SALE PREFERENCE.

1. DoD Component Responsibility. The DoD component concerned, upon receipt of a request for FMS P&R, P&A, or a Letter of Offer and Acceptance (LOA), will screen the request against the summary listing of articles or services eligible for direct sales preference and the criteria in paragraph E above to determine if the article or service requested is considered for direct sale preference. If it is so determined, the DoD component will promptly inform the foreign purchaser of such direct sale preference and of DoD policy regarding the sale by DoD of such article or service. Such notification will normally be provided to the foreign purchaser within three weeks of receipt of the request to preclude any inference that the U.S. Government is prepared to sell the articles or services via FMS. (Text of letter or message to purchaser is at paragraph G.2.a. below.) The letter or message will be coordinated with DSAA-OPS. In the event the DoD component considers that there are important factors justifying an exception to policy in a specific case, the matter shall be referred to the DSAA-OPS for decision, together with the component's recommendation and reasons therefor. Referral to DSAA of matters requiring a decision will normally be made within three weeks of receipt of the request from the foreign purchaser.

2. Response to Requests.

**

a. Format. When it has been determined that a purchaser should be notified that the article or service requested is eligible for direct sale preference, a letter or message to the foreign purchaser will be prepared. The letter content will be determined based on the DOD components capability to determine the status of production by the commercial firm. Four letter formats to cover the various alternative situations are identified below. The appropriate letter will be selected by the DOD component and utilized to notify the foreign purchaser of commercial sales preference. All commercial

sales preference notifications will be coordinated with the DSAA Operations Directorate before dispatch. DSAA initiated correspondence utilizing these formats will be coordinated with the applicable DOD component, as required.

FORMAT 1 - Letter for current DOD producer

**

(COMPANY) has advised the DoD that it has the capability of providing the (ARTICLE OR SERVICE) which you have requested to purchase via FMS and prefers to market it on a direct commercial basis. The DOD has no preference as to whether this item is procured through FMS or on a direct commercial basis. We have confirmed that this company is capable of producing this item, and that it is currently in production for DOD requirements. If a commercial transaction is undertaken, the U.S. Government will not be a party to the contract; therefore, all aspects of contract performance must be between your Government and the company. Should you not desire to pursue a direct commercial purchase, please advise us of your rationale.

FORMAT 2 - Letter for current producer (other than for DOD)

**

(COMPANY) has advised the DoD that it has the capability of providing the (ARTICLE OR SERVICE) which you have requested to purchase via FMS and prefers to market it on a direct commercial basis. The DOD has no preference as to whether this item is procured through FMS or on a direct commercial basis. We are not aware of any current contract for this item between the U.S. DOD and this company, although we are aware of previous direct commercial sale for this item between other countries and this company. If a commercial transaction is undertaken, the U.S. Government will not be a party to the contract; therefore, all aspects of contract performance must be between your Government and the company. Should you not desire to pursue a direct commercial purchase, please advise us of your rationale.

FORMAT 3 - Letter for prior producer for DOD

**

(COMPANY) has advised the DoD that it has the capability of providing the (ARTICLE OR SERVICE) which you have requested to purchase via FMS and prefers to market it on a direct commercial basis. The DOD has no preference as to whether this item is procured through FMS or on a direct commercial basis. We are not aware of any current contract for this item between the U.S. DOD and this company, although we are aware of a previous contract between the U.S. DOD and this company for this item. If a commercial transaction is undertaken, the U.S. Government will not be a party to the contract; therefore, all aspects of contract performance must be between your Government and the company. Should you not desire to pursue a direct commercial purchase, please advise us of your rationale.

FORMAT 4 - Letter for producer not known by DOD

**

(COMPANY) has advised the DoD that it has the capability of providing the (ARTICLE OR SERVICE) which you have requested to purchase via FMS and prefers to market it on a direct commercial basis. The DOD has no preference as to whether this item is procured through FMS or on a direct commercial basis. We are not aware of any current contract for this item between the U.S. DOD and this Company. If a commercial transaction is undertaken, please note that the U.S. Government makes no representation regarding the commercial firm involved, or the item or service in question, regardless of the designation or nomenclature applied by the commercial firm, and regardless of the services the commercial firm states it can provide. Should you not desire to pursue a direct commercial purchase, please advise us of your rationale.

H. NOTIFICATION OF SIGNIFICANT COMMERCIAL SALES ACTIVITY. In implementing these procedures each DoD component involved in processing purchase requests will, to the extent such activities are known, keep DSAA-OPS, the DoD component, and the SAOs or other appropriate in-country DoD representatives informed of significant commercial sales activities.

I. DOD P&A VERSUS A COMMERCIAL PROPOSAL.

1. General. Foreign governments may request LOAs after having solicited bids from U.S. contractors. LOAs should not be offered to a foreign government until:

a. The foreign government confirms that commercial negotiations have stopped and the country provides rationale for continuing with FMS.

b. DSAA and/or DoD components have established the U.S. contractor preferences regarding issuance of an LOA.

c. DSAA has determined, based on the combination of information received from the foreign government and U.S. contractor, whether to satisfy the requirement under FMS.

2. Withdrawal of LOAs. There are cases when a foreign government or international organization has requested and received LOAs and subsequently solicited bids from private industry for the same supplies and services. Such action by the foreign government does not automatically require DoD withdrawal of the LOA. However, DoD components should query the foreign government as to its intentions and express a preference for withdrawing the LOA in light of the situation of commercial quotations. U.S. contractor requests for withdrawal of LOAs should be referred to DSAA-OPS for resolution.

3. Direct Sale Preference for Individual Commercial Proposals. In the event that a request for direct sale preference designation is received by the DSAA which does not qualify for inclusion in the listing of items eligible for

direct sale preference consideration, but does identify negotiations with one or more foreign countries, consideration will be given to direct sale preference for the individual transaction in question. The U.S. commercial source must include sufficient supporting information to show that a specific request for a price quotation was received in writing from a foreign country. Such informal notifications will be listed as an appendix to the listing of direct sale preference items, but will not be considered as designating items eligible for direct sale preference consideration. These items will remain in the appendix for a period of one year. (See paragraph F.4., above.)

FIGURE 7-I-5

United States Department of Defense Letter of Intent
(DD Form 2012-2)

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)

DD FORM 2012-2
1 FEB 76

FIGURE 7-I-5. United States Department of Defense Letter of Intent
(DD Form 2012-2).

TABLE 7-I-1

MAJOR DEFENSE EQUIPMENT LIST

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
<u>CATEGORY I - FIREARMS</u>		
Rifle, 5.56mm M-16 Series (A)	-- no charge --	
<u>CATEGORY II - ARTILLERY AND PROJECTILES</u>		
Gun, 20mm (AF)	(a)	
Gun, GAU-8, 30mm (AF)	27,881.00	22 Jun 81
Gun Pod, GPU-5/A, 30mm (AF)	60,239.00	11 Aug 82
<u>CATEGORY III - AMMUNITION</u>		
Cartridge, 20mm (A)	(a)	
Cartridge, 30mm (GAU8) (AF)	.50	
Cartridge, 40mm, HE (only) (A)	.11	
Cartridge, 60mm, HE (only) (A)	.47	
Cartridge, 81mm, HE (M301)(only) (A)	.04	7 May 81
Cartridge, 105mm, (APFSDS-T) M735 (A)	68.00	
Cartridge, 105mm, (M456) (A)	3.59	7 Mar 81
Cartridge, 4.2", HE (A)	(a)	
Cartridge, 4.2", ILLUM (M445) (A)	4.03	20 Jan 82
Projectile, 5"/38 CAL (N)	15.60	9 Jul 84 *
Projectile, 5"/54 CAL (N)	74.72	4 May 84 *
Projectile, 155mm, (M107) (A)	3.22	21 May 79
Projectile, 155mm, (M483/A1) (A)	2.20	2 Mar 82
Projectile, 155mm, (HE RAP) (M549) (A)	13.76	5 Feb 81
Projectile, 155mm, (CLGP) (M-712) (A)	4,152.00	17 Sep 81
Projectile, 155mm, HE, ADAM (M692) (A)	434.00	23 Nov 82
Projectile, 155mm, HE, ADAM (M731) (A)	228.00	23 Nov 82
Projectile, 155mm, HE, RAAMS (M718) (A)	229.00	23 Nov 82
Projectile, 155mm, HE, RAAMS (M741) (A)	99.00	23 Nov 82
Projectile, 175mm, HE (M437) (A)	2.33	26 Mar 80
Projectile, 8", HE (M106) (A)	.04	21 May 79
Projectile, 8", HE, ICM (M509) (A)	11.20	21 May 79
Projectile, 8", HE (M650) (A)	83.04	21 May 79
<u>CATEGORY IV - LAUNCH VEHICLES, GUIDED MISSILES, BALLISTIC MISSILES, ROCKETS, TORPEDOES, BOMBS AND MINES</u>		
ASROC, Antisubmarine Rocket (N)	(a)	
Bomb, Anti-Armor Cluster Munition CBU-90 (AF)	3,351.00	

TABLE 7-I-1. Major Defense Equipment List

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
Bomb, Combined Effects Bomblet, CBU 87 (AF, N)	(a)	
Bomb, Cluster, TMD/Gator Mines, CBU 89 (N, AF)	(a)	
Bomb, MK-20, Cluster Bomb, Rockeye (N)	117.39	25 Mar 83
Bomb, MK-82, 500#, General Purpose (N)	3.29	25 Mar 83
Bomb, MK-83, 1,000#, General Purpose (N)	10.40	25 Mar 83
Bomb, MK-84, 2,000#, General Purpose (N)	12.80	25 Mar 83
Bomb, M-117, 750#, General Purpose (AF)	(a)	
Bomb, Guided Walleye (N)	(a)	
Fuel Air Explosive Weapon, FAE II (N)	(a)	
Gun Mount, 5", 54 MK-45 (N)	(a)	
Gun Mount, 76mm, Gun, MK-75 (N)	(a)	
Launcher, Harpoon (N)	80,562.00	20 Jan 78
Launcher, TOW (A)	3,029.00	16 Sep 77
Launcher, MK-13 (N)	78,125.00	17 Nov 78
Launcher, PATRIOT (A)	214,782.00	18 Nov 78
Launcher, Roland (A)	324,828.00	24 Sep 80
Launcher, MLRS (A)	132,400.00	
Light, Antitank Weapon, 66mm, LAW M72 Series (A)	1.32	
Missile, AIM-120, AMRAAM (AF, N)	(a)	*
Missile, AIM-4, A-G Falcon (AF)	3,321.00	12 Mar 82
Missile, AIM-7 (Skyflash portion) (N)	820.30	7 May 81
Missile, AIM-7, Sparrow C/D/E (N)	2,733.00	
Missile, AIM/RIM-7F/M, Sparrow (N, AF)	7,646.00	2 Jun 82 *
Missile, AIM-9/J/P/N (AF) (Motor - 200.00)	333.00	12 Mar 82
Missile, AIM-9L (N, AF)	2,604.00	18 May 78
Missile, AIM-9H (N)	3,457.00	
Missile, AIM-9M (N)	6,368.00	25 Mar 83
Missile, AIM-54 A/C PHOENIX (N) (Front End - 35,019)(Aft End - 36,276)	71,295.00	*
Missile, AGM-45, Shrike (N, AF)	4,890.00	11 Aug 78
Missile, AGM-65A/B, Maverick (AF)	3,722.00	3 Feb 81
Missile, AGM-65D (AF)	3,811.00	
Missile, AGM-65E (N)	(a)	
Missile, AGM-88 Harm (N)	21,248.00	20 Apr 82
Missile, Chaparral Series (A)	5,445.00	10 Nov 79
Missile, Dragon, HEAT and Practice Missiles (A)	378.00	24 Mar 80
Missile, Harpoon R/U/AGM-84 (N)	44,083.00	20 Jan 78 *
Missile, I-Hawk Series (A)	7,053.00	12 Nov 80
Missile, Lance (A)	76,205.00	21 May 82
Missile, Nike Hercules (A)	448,055.00	
Missile, Patriot MIM-104 (A)	82,836.00	18 Nov 82
Missile, Pershing Series (A)	128,378.00	
Missile, Redeye (A)	(a)	
Missile, Roland (A)	4,422.00	24 Sep 80
Missile, AGM-78 Standard ARM (N)	(a)	*

TABLE 7-I-1. (Continued)

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
Missile, Standard I (MR) (ER) (N)	12,602.00	Sep 77
Missile, Standard MR II (MR) (ER) (N)	(a)	
Missile, Stinger (A)	5,400.00	28 Jul 79
Missile, Tomahawk (N)	(a)	
Missile, TOW HEAT and Practice Missiles (A)	293.00	16 Sep 77
Missile, I-TOW (A)	487.00	3 Nov 81
Missile, TOW II (A)	658.00	19 Dec 83
Missile, M-65 Subsystem, Airborne TOW (A)	13,162.00	28 Sep 79
Rocket, 2.75" Series (A, N, AF)	.87	26 May 80
Rocket, MLRS (A)	667.00	
Torpedo, MK-46 MOD 2 (N)	8,993.00	
Torpedo, MK-46, NEARTIP Kit (N) (Converts MK-46 MODS 1/2 to MOD 5)	3,795.00	26 Jun 80
Torpedo, MK-46 MOD 5 (N)	9,308.00	
Torpedo, MK-48 (N)	86,255.00	21 Jul 77
Torpedo, MK-48 ADCAP Kit (N)	103,322.00	25 Nov 80

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 U.S. Munitions List.

CATEGORY VI - VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT

CG - Guided Missile Cruiser (N)	(a)	
DD-963 (N)	(a)	
DD - Destroyer (N)	(a)	
DDG - Guided Missile Destroyer (N)	(a)	
FFG - Guided Missile Frigate (N)	3,591,379.00	18 Oct 78
LPD - Amphibious Transport Dock (N)	(b)	
LSD - Dock Landing Ship (N)	(b)	
LST - Tank Landing Ship (Newport Class)(N)	824,840.00	25 Jan 84
LKA - Amphibious Cargo Ship (N)	(b)	
LPA - General Purpose Amphibious Assault Ship (N)	(b)	
MSO - Minesweeper, Ocean, Nonmagnetic (N)	(b)	
PHM - Patrol Combatant Missile, Hydrofoil (N)	(a)	
SS - Submarine, Conventionally Powered (N)	(b)	

CATEGORY VII - TANKS AND MILITARY VEHICLES

Armored Reconnaissance		
Airborne Assault Vehicle, M-551 (A)	33,213.00	
Carrier, Armored Personnel, M-113 Series (A)	688.00	11 Sep 78
Carrier, Command Post, M-577 Series (A)	688.00	11 Sep 78
Carrier, Cargo, M-548 Series (A)	688.00	11 Sep 78
Gun, Self-propelled, 175mm, M-107 (A)	40,258.00	26 Mar 80

TABLE 7-I-1. (Continued)

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
Howitzer, Self-propelled, 8", M-110 (A)	14,371.00	26 May 80
Howitzer, Self-propelled, 8", M-110A1 (A)	16,975.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110A2 (A)	21,069.00	26 Mar 80
Howitzer, Self-propelled, 155mm, M-109 Series (A)	5,636.00	26 Mar 80
Howitzer, Med, Towed, 155mm, M-198 (A)	80,876.00	21 May 79
Mechanized Infantry Combat Vehicle, M-723 (A)	(a)	
Tank, M-48A1 (A)	1,479.00	
Tank, M-48A3 (A)	5,521.00	
Tank, M-48A5 (A)	12,849.00	
Tank, M-60A1 (A)	14,083.00	3 Mar 80
Tank, M-60A3 w/TTS (A)	31,427.00	3 Mar 80
Tank, M-60A3 w/o TTS (A)	21,939.00	3 Mar 80
Tank, M-1 (A)	132,162.00	20 Aug 84 *
Tank, M-1A1 (A)	237,048.00	20 Aug 84 *
Tank Engine, AVDS-1790 (A)	2,066.00	3 Mar 80
Vehicle, Infantry Fighting (M2) (A) (w/o 25mm Cannon)	74,715.00	25 Jun 82
Vehicle, Infantry Fighting (M2) (A) (with 25mm Cannon)	79,392.00	25 Jun 82
Vehicle, Infantry Fighting (M3) (A) (with 25mm Cannon)	73,678.00	25 Jun 82
Vehicle, Infantry Fighting (M3) (A) (w/o 25mm Cannon)	78,355.00	25 Jun 82
Vehicle, Recovery, M-88 Series (A)	15,089.00	13 Feb 80
Vehicle, LVT7/LVTA1 Series (N)	91,426.00	20 Apr 82
Vulcan Air Defense System, M-163 and M-167 Series (A)	29,439.00	26 Mar 80

CATEGORY VIII - AIRCRAFT, SPACECRAFT AND ASSOCIATED EQUIPMENT

A-4A (N)	15,165.00	20 Oct 83
A-4B (N)	12,864.00	20 Oct 83
A-4C (N)	15,523.00	20 Oct 83
A-4E (N)	27,929.00	20 Oct 83
A-4F (N)	32,226.00	20 Oct 83
A-6 (N)	(a)	
A-7 (N) (w/o FLIR)	243,881.00	8 Apr 81
A-10 (AF) Airframe	388,786.00	12 Mar 82
A-37 (AF)	19,651.00	
AH-1S (A)	150,856.00	7 Mar 81
AH-1J/T (N)	(a)	
AH-64 (A) (after 30 Dec 83 \$1,045,566)	1,600,402.00	25 Mar 82
AV-8B (w/o U.K. Assessment) (N)	867,373.00	26 Jun 81
C-5A (AF)	12,661,728.00	12 Mar 82
C-130 (AF)	(a)	
C-141A/B (AF)	892,254.00	12 Mar 82

TABLE 7-I-1. (Continued)

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
CH-47 (A) (A, B, & C) (including Engine T-55-L-11A)	100,000.00	
CH-53E/MH-53E (N) (less Engine)	1,023,079.00	12 May 83
E-2C (N)	2,625,904.00	18 May 78
E-3A, U.S./NATO Standard Configuration (AF) (Total U.S. NRC pro rata \$27.43M; Total NATO NRC pro rata \$5.59M)	33,021,000.00	26 Oct 81
EA-6 (N)	(a)	
F-4A (N)	129,712.00	20 Oct 83
F-4B (N)	70,450.00	20 Oct 83
F-4J (N)	122,089.00	20 Oct 83
F-4E (N) (w/engine) (25% discounted for useful life)	159,408.00	20 Oct 83
F-4G Wild Weasel (AF) (MOD only)	667,241.00	12 Mar 82
F-5A (AF)	40,000.00	1 Nov 71
F-5E (AF)	68,000.00	1 Nov 71
F-5F (AF)	207,000.00	25 Nov 75
F-8 (N)	56,859.00	12 May 81
F-14 (N)	1,600,000.00	29 Nov 76
F-15 (AF)	1,600,000.00	29 Nov 76
F-16A/B (AF) (less EPG pro rata NRC \$85,000.00)	640,000.00	4 Jun 80
F-16C/D (AF)	713,750.00	12 Apr 84
F-16/79 (U.S. Charge) (AF)	456,934.00	1 May 81
F-18 (N) (includes 2 engines each aircraft)	877,690.00	5 Aug 79
F-100 (AF)	(a)	
F-101B/F (AF)	(a)	
F-102 (AF)	(a)	
F-104A/B (AF)	(a)	
F-104C/D (AF)	(a)	
F-105B/D/F (AF)	(a)	
F-106A/B (AF)	(a)	
F-111A/C/D/E/F (AF)	(a)	
H-3E (N)	(a)	
H-46 (N)	(a)	
H-53 (S-65) (N)	166,029.00	27 Feb 79
KC-10 (AF)	1,176,667.00	12 May 82
KC-135A (AF)	217,034.00	12 Mar 82
OV-1 (A)	199,590.00	
OV-10 (N, AF)	41,930.00	9 Jun 78
P-3A/B (N)	382,750.00	
P-3C (N)	592,219.00	3 Jan 78
RF-4B (N)	104,566.00	20 Oct 83
RF-4C (AF)	(a)	
S-2 (N)	85,449.00	27 Aug 81
S-3 (N)	3,502,643.00	26 Jun 81

TABLE 7-I-1. (Continued)

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
SH-2D/F (LAMPS, MARK I) (N)	(a)	
SH-60B (LAMPS, MARK III) Airframe w/o engine (see GE-401 engines for additional charges) (N)	859,636.00	15 Oct 82
SH-60B Minimum Avionics Suite (N)	366,236.00	15 Oct 82
SH-60B Mission Avionics Suite (N)	1,063,400.00	15 Oct 82
SH-60B Ship Electronics (N)	1,131,227.00	15 Oct 82
T-2 (N)	39,968.00	10 Jun 78
TA-4F (N)	28,110.00	20 Oct 83
T-33 (AF)	2,857.00	12 Mar 82
T-37 (AF)	19,651.00	
T-38A (AF)	80,972.00	12 Mar 82
UH-1H (A)	4,501.00	1 May 81
UH-1N (N, AF)	(a)	
UH-60A (A) (including 2 T-700 Engines) (Airframe only - \$169,692.00)	208,986.00	3 Oct 81 *

ENGINES

GE-401 (N) (for SH-60B) (\$78,039.00 & \$19,647.00)	97,686.00	15 Oct 82 *
CFM-56 (F-108) Engine (AF)	39,677.00	6 Mar 84
F-100 (AF) (if sold with other than F-15/16 aircraft)	221,705.00	12 Mar 82
PW 1120 (70% of F-100) (AF)	155,194.00	20 Oct 83
F-101 (AF)	(a)	
F-101X (AF)	(a)	
F-107 (N)	(a)	
F-404 (N) (charge for F-18A spare engines)	53,654.00	
J-47 (AF)	2,168.00	12 Mar 82
J-52P-6A-66 (AF)	7,270.00	2 Sep 83
J-52P-8A (AF)	30,658.00	2 Sep 83
J-52P-408 (AF)	33,106.00	2 Sep 83
J-57P-6B (AF)	4,600.00	2 Sep 83
J-57P-10 (AF)	4,120.00	2 Sep 83
J-60P-3/3A (AF)	2,520.00	2 Sep 83
J-75 (AF)	28,999.00	12 Mar 82
J-79-GE-8/10 (AF)	6,400.00	8 Sep 83
J-79-GE-17/A(AF)/J-79-GE-119	27,464.00	1 Oct 83
J-85 (AF)	17,901.00	23 Mar 83
T-33-P-100 (AF)	(a)	
T-53 (N)	1,542.00	
T-55 (A)	6,400.00	
T-56 (N)	13,313.00	12 May 83
T-58 (N)	(a)	
T-64 (N, AF)	38,578.00	12 May 83
T-700 (A, N) (GE-700-2 each per UH-60A)	19,647.00	12 Oct 83
T-700-GE-401 (N) (additive to basic T-700 Charge)	78,039.00	15 Oct 83

TABLE 7-1-1. (Continued)

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
TF-30 (N, AF)	43,866.00	20 Jun 79
TF-34 (N, AF)	20,705.00	12 May 82
TF-39 (AF)	441,707.00	12 Mar 82
TF-41 (N, AF)	(a)	

CATEGORY IX - MILITARY TRAINING EQUIPMENT

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

CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

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

CATEGORY XI - MILITARY AND SPACE ELECTRONICS

Avionics Intermediate Shop (AIS) (F-16A/B) (AF)	1,190,000.00		
Avionics Intermediate Shop (AIS) (F-16C/D) (AF)	2,400,000.00		
AN/SQR-18A (N)	267,069.00		
AN/SQR-18A(V)1 (N)	601,837.00	24 May 84	*
AN/SQR-19 (N)	1,349,593.00	29 Mar 82	
AN/SQS-56 (N)	(a)		
AN/TCC-39 (A)	(a)		
AN/TRC-170 (AF)	60,622.00	15 Feb 84	
AN/USQ-70, Position and Azimuth Determining System (PADS) (A)	2,432.00		*
ECM, ALQ-119 (AF)	6,138.00	9 Dec 75	*
ECM, ALQ-131 (AF) w/receiver \$26.970 w/o receiver	24,108.00	28 Sep 79	
Engagement Control System (ECS), PATRIOT, AN/MSQ-104 (A)	548,311.00	15 Nov 82	
Joint Tactical Information Distribution System, JTIDS (AF)	50,828.00	30 Oct 82	
NAVSTAR Global Positioning System (GPS) (AF) (this is the User Charge which includes approximately \$1,000 NRC charge) (In FY 79 dollars to be adjusted annually)	3,800.00		
Radio, AN/ARA-54 (A)	39.84		
Radio, AN/VRC-12 Series (12, 43 through 49) (A)	70.00		
Versatile Avionics Shop Test (VAST), AN/USM-247(V) (N)	(a)		

CATEGORY XII - FIRE CONTROL, RANGE FINDER, OPTICAL
AND GUIDANCE AND CONTROL EQUIPMENT

Computer, Fire Control, MK1A (N)	(a)		
Close in Weapon Systems, CIWS, PHALANX (N) (per gun mount)	287,842.00	28 Oct 78	
Director, Fire Control, MK51-2 (N)	(a)		

TABLE 7-I-1. (Continued)

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
Fire Control System, MK-74, SM-1 MR Missile (N)	(a)	
Goggles, Night Vision, AN/PVS-5 (A)	157.49	31 Jan 80
Missile Minder, AN/TSQ-73 (A)	715,687.00	
MFCS MK-92 (N)	(a)	
Patriot Electrical Power Plant (EPPII) (A)	339,464.00	18 Nov 78
Patriot Antenna Mast Set (A)	131,906.00	18 Nov 78
Pave Tack, NA/AVQ-26 Target Designator (AF)	177,648.00	
Position Location Reporting System, AN/TSQ-129 (A)	6,564.00	
Radar, AN/APG-66 (F-16A/B) (AF)	30,400.00	
Radar, AN/APG-68 (F-16C/D) (AF)	101,120.00	
Radar, AN/SPS-40B (N)	216,700.00	
Radar, AN/SPS-49 (V) 7 5(V) 7(N)	305,719.00	15 Mar 84
Radar, AN/TPQ-36 (A)	252,968.00	25 Jul 79
Radar, AN/TPQ-37 (A)	920,199.00	19 May 81
Radar, APG-63 (AF)	410,407.00	
Radar, AWG-9 (N) (for PHOENIX Missile)	338,403.00	
Radar, PATRIOT, AN/MPQ-53 (A)	2,383,260.00	18 Nov 82
Radar, Fire Control, MK-25 (N)	(a)	
System, Fire Control, Roland AN/GSG-11 (A)	740,331.00	
System, Fire Control, MK-86 (N)	(a)	
System, Fire Direction, AN/GSG-11 TAC/FIRE (A)	(a)	
Tactical Operations System, TOS (AN/UYQ-19 and 30) (A)	121,128.00	
Guided Bomb Unit, GBU-10 (AF)	243.00	
Guided Bomb Unit, GBU-12 (AF)	243.00	
Guided Bomb Unit, GBU-15 (AF)	12,528.00	
Guided Bomb Unit, GBU-16 (N)	(a)	

CATEGORY XIII - AUXILIARY MILITARY EQUIPMENT

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

NOTES:

(a) Approval for pro rata nonrecurring cost recoupment charge will be requested from the Director, DSAA, at a time of actual demand for FMS or commercial sales proposals.

(b) For older ships designated, a percentage charge (3.5%) for recoupment of nonrecurring cost will be established at a time of actual demand for FMS or commercial sales proposals.

TABLE 7-I-1. (Continued)

SECTION II - PREPARATION AND PROCESSING OF FOREIGN MILITARY SALES AGREEMENTS
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A. PURPOSE. The purpose of this section is to provide specific instructions for responding to approved foreign country or international organization requests for a firm FMS offer from the DoD. It also prescribes normal processing times and allowable timeframes between release and expiration of the offers.

B. POLICY.

1. DD Form 1513 - Letter of Offer and Acceptance (LOA).

a. The DD Form 1513, LOA, will be used for all foreign military sales of defense articles and services (including training) by the Military Departments and Defense Agencies. (See Figure 7-II-1.)

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

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

d. Annex A of the DD 1513 contains "General Conditions" which is an official part of every offer issued. (See Figure 7-II-2.)

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

f. 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 7-II-3.)

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 DD 1513-C continuation sheet with notes) are an integral part thereof. 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. 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.)

i. See Table 7-II-1 for detailed instructions on the filling in of the blocks on the DD Form 1513 - Offer and Acceptance.

C. PROCEDURES.

1. The DoD Component should proceed with the development of the LOA when tasked by DSAA in the case of a request for the purchase of Significant Combat Equipment (SCE) or upon receipt of a LOR from a FMS customer or Security Assistance Organization (SAO) for other defense articles or services (Non--SCE).

2. The letter of request must be validated to insure the potential customer is an eligible FMS recipient, that the article or service sought may be sold and that the request was received through proper channels. Approval channels for LORs are included in Chapter 7, Section I, paragraph C.1.b.

3. DoD components must formally acknowledge receipt of approved LORs within five days.

4. Data cards for valid LORs must be submitted to DSAA for input into the 1200 system within ten calendar days of receipt of the request. Further information concerning the DSAA 1200 system requirements can be found in Chapter 15, this Manual.

5. The DoD component is responsible for inserting the appropriate Military Articles and Services List (MASL) line data for each line item on each LOA. Should there not be any applicable line in the MASL, it is the responsibility of the DoD component preparing the LOA to establish a line in accordance with the procedures outlined in Chapter 15, Section IV, this Manual. The LOA will not be processed and will be returned to the preparing component if line items are not in the MASL or if they contain incorrect MASL data. *

a. Identification of End Items. The LOA will contain a separate line item for each generic item that is measured in quantities; e.g., AH-1 Helicopters, F-15 Aircraft, 155mm Ammunition, Harpoon Missiles.

b. Identification of Dollar Items. The LOA will group generically into a single line item dollar-denominated lines such as spare parts and training, to the extent that common generic codes apply. For example, a series of tool kits with identical National Stock Number and generic codes should be aggregated under a single line in the LOA.

c. Use of Sub-Case Identifier Systems. Sub-cases may be used as separate line items to the extent that they are compatible with the MASL breakout and reporting by generic code identification. End items which are identified by separate generic codes shall not be commingled with dollar-denominated items with a different generic code.

6. DoD components will process LOAs which meet the thresholds for reporting to the Congress in accordance with Section IV of this chapter.

7. Maximum processing time between the receipt of a request for a LOA and its submission or Amendment thereto to DSAA for coordination and/or countersignature is sixty (60) days. Earlier response will be made whenever possible.

8. DD Form 1513 - Information Conveyed.

a. General. The LOA, when signed, is an official agreement between the United States and the purchasing country or international organization 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 the line item information included on the face of the DD Form 1513. Inclusion of this information as a complete package within the LOA, rather than orally or by separate correspondence, reduces misunderstandings regarding FMS Case commitments.

b. Supplemental Information and Coordination for LOAs.

(1) Checklist. Table 7-II-7 provides a summary of supplementary information which must either be addressed or considered when the LOA is developed. The chart indicates that information must be provided to purchasers in the form of Notes or Supplemental Terms and Conditions, depending upon the nature of the articles 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". In addition, the Checklist shown in Table 7-II-8 may be used for the coordination of selected LOAs.

(2) Transportation Instructions.

(a) Related Chapters. Refer to Chapter 8, Section III, * this Manual, for detailed transportation information and Chapter 5 for export licensing and customs clearance requirements.

(b) Understanding Between the U.S. Government and the Purchaser of Method of Shipment. There must be clear understanding between the U.S. Government and the purchaser as to where and how the materiel purchased 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, or by the use of codes prescribed in DoD 4140.17-M). * However, supplementary instructions are required to enable purchasers to fill out Blocks (33) and (34) properly. DoD 5105.38-D (MAPAD) identifies transaction instructions furnished by the Defense Logistics Agency (DLA) to meet this need; it should be used by all DoD components as a guide.

(c) Method of Transportation. It is DoD policy that to the extent possible, FMS recipients should be self-sufficient in transportation of their materiel. The normal method of movement of FMS materiel is by commercial carrier to the freight forwarder designated by the purchaser.

Exceptions to the basic DoD FMS self-sufficiency policy should be noted on the DD Form 1513 on a case-by-case basis and approved by DSAA with concurrence of ASD/MI&L. Normally, firearms, explosives, lethal chemicals, other hazardous materiel and occasionally, classified materiel are moved within the DoD Defense Transportation System (DTS). Air cargo that exceeds commercial capability is also delivered through DTS. Any other exceptions must be specifically approved by the 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 LOA. 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 would justify the commitment of DoD transportation assets. Upon approval, the extent of authorization must be clearly delineated in the supplementary conditions in the LOA. This would include identification, by specific item, when certain items in the LOA are to be shipped via the purchaser's freight forwarders.

(d) Articles Returned to U.S. Facilities. The transportation of materiel to U.S. facilities for repair and return is normally the responsibility of the FMS purchaser. Use of the DTS for such materiel will be authorized only in exceptional situations. The factors, criteria, and approval channels summarized in paragraph 8.b.(2)(c) above for authorizing the use of the DTS also apply to such authorizations for the repair and return of foreign country owned materiel. Table 7-II-2 provides instructions for completing the transportation related blocks of the LOA for repair and return FMS cases. It is the responsibility of the cognizant DoD component to assure that the LOA for the repair and return of materiel is complete and provides all information required by the purchaser. A complete CONUS address for return of each item or category of items must be identified in the LOA.

(e) Aircraft Transportation. In the interests of public safety, the following policy is established for the materiel condition of U.S. aircraft prior to delivery. The FMS purchaser should advise whether aircraft will be delivered by commercial ferry service (arranged by the customer), DoD ferry, or surface transportation. Sales agreements will contain the stipulation that delivery will be made only under one of the following conditions:

1. Flights Delivery/Ferrying. In the event flight delivery of the aircraft is desired by the purchaser, 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 or origin has determined that the established military service standards have been met except where the purchaser elects to have maintenance performed in an FAA certified facility, in which case release will be accomplished by an FAA or service of origin inspection, as appropriate. See Tables 7-II-3 and 7-II-4 for additional terms and conditions for aircraft ferrying. These terms and conditions are provided for illustration and may be amplified to comply with specific sale requirements.

2. Surface Transportation. Aircraft not to be restored to the criteria in paragraph 8.b.(2)(e) above will be sold with the understanding that they will be delivered to destination by surface transportation only.

3. Additional Terms and Conditions. Additional terms and conditions for transportation and services which may apply in certain cases are at Table 7-II-5.

(3) Delivery Schedule of Items. Block (18) of the DD Form 1513 provides the appropriate leadtime from the date of LOA acceptance 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.

(4) Qualifications Regarding Price and Availability Data. There must be as clear an understanding as possible of the limitations of the validity of data included in the LOA; much of the general conditions 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 LOA.

(a) Any deviations or substitutions to quantities or equipment which was included in the foreign country or international organization request for LOA, with explanation for the deviation or substitution.

(b) The last date of validity of either price or availability data included in the LOA, 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 U.S. Government (e.g., the selection of the equipment for U.S. forces).

(5) 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:

- (a) The number of personnel who will perform the task.
- (b) Planned date of arrival in-country.
- (c) In-country destination and "home station."
- (d) Extent of in-country travel required to perform the mission.
- (e) Planned duration of stay in-country, and planned departure date.

(6) Agreements Regarding Status or Facilities for U.S. Government or Contractor Personnel While in the Host Country.

(a) General. The LOA 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 military department concerned should be consulted to provide the salient agreements which protect that status of U.S. personnel in a given country.

(b) Sample Terms and Conditions. Table 7-II-6 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. 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.

(c) Statement of Facilities, Services, or Personnel to be Provided by the Purchasing Country. Table 7-II-6 also provides examples of certain actions which must 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 U.S. Government and the purchasing nation be clearly and completely delineated as a part of the LOA or its attachments.

(7) Memorandum of Understanding or Statement of Work. Major FMS undertakings may call for a Memoranda of Understanding (MOU), or detailed Statements of Work (SOW), before they can be undertaken by the U.S. Government. Such documents should be made an integral part of the LOA by reference on the DD Form 1513 and, where appropriate, should be attached to thereto.

(8) Schedules of Personnel Training.

(a) Schedules Included in DD Form 1513. LOAs which call for training of foreign personnel, should include firm scheduling of personnel into specific training courses. When this is not feasible, LOAs 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.

(b) Purchasing Nation's Responsibilities. LOAs must specify purchasing nation's responsibilities such as providing pay and allowances, housing, qualified students, and any required supervision thereof.

(c) Blanket Order Cases. Blanket Order LOAs for training will include "Notes" to explain scope of coverage, methods for definitizing and requesting specific courses, and duration of applicability of the case. Such cases may be written for up to two years duration, provided the total value of the case does not exceed \$5 million, unless an exception is approved by the DSAA.

(9) Logistics Information.

(a) Notes to DD 1513. The sale of weapons systems normally requires the establishment of understandings between the U.S. Government and the purchaser regarding logistics arrangements and support. This subject must be addressed in the "Notes" to the LOA to delineate U.S. Government responsibilities, specify the type of equipment being provided, identify

subsequent actions which must be taken by both the U.S. Government and the purchaser, and occasionally to advise the purchaser of the nature of procurement action which will be taken.

(b) Configuration. LOAs will specify the configuration of equipment being sold, but will furnish detailed equipment specifications only if required. Variations from standard U.S. Government 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 U.S. Government.

(c) Logistics Conferences or Site Surveys. LOAs will include the requirement for, and scheduling of logistics conferences or site surveys for the purpose of definitizing procurements of spare parts and support equipment, when applicable.

(d) Concurrent Spare/Repair Parts. The DoD components authorized to make offers will assure that at least a one-year supply of "in-country" concurrent (initial) spare/repair parts, through fourth echelon requirements at U.S. peace-time usage rates, shall be included with equipment being offered. Such spare and repair parts packages should be identified by category and total value rather than by item. Normally, pricing of individual repair parts is not done.

(e) Spare Parts Support Availability. For offers of MDE items, the purchaser will be advised of the estimated period that U.S. Government spare and repair parts support will be available, providing that a termination of such support can be identified.

(f) Sole Source Procurement. If the purchaser has specifically requested that procurement of a particular item is to be provided from a sole source, the designation will be addressed in the "Notes" to the LOA. (See Chapter 8, Section II, paragraph B, for Sole Source Procurement Provisions.)

(g) U.S. Government Intent for Maintenance Support Plans. Any U.S. Government intent to develop logistics or maintenance support plans will be specified in detail.

(h) Basis for Logistics Support Cost Estimates. The basis upon which logistics support cost estimates are made will be specified. These should include the period of support of initial spares and repair parts package, operational deployment of equipment, level of maintenance to be accomplished by the purchaser, and number of maintenance sites.

(i) Critical Long Lead Items. Insofar as possible, the LOA 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 logistics support of the weapons system by its scheduled delivery date.

(10) Financial Information. (Also refer to Section III, this chapter.)

(a) Financial Annexes.

1. Purpose. The Financial Annexes specify the purchaser's projected payment dates and amounts, and describe the interface of the payment schedule with the FMS billing system. Through the use of such annexes any misunderstandings are eliminated as to when payments are to be made to the U.S. Government. Annexes also provide budgetary planning data for the purchaser. Budgetary planning, like all planning, has an inherent element of uncertainty; however, the data provided by the annexes reduces the level of uncertainty.

2. Payment Schedule Requirement. Each financial annex for LOAs financed under "Terms of Sale" of dependable undertakings, cash prior to delivery, FMS credit, MAP, or any combination thereof will include a payment schedule. This payment schedule will: **

a. Include specific calendar dates when each payment is required.

b. Include specific amounts due on each calendar date. These amounts will be equal in total to the amount reflected in the estimated total cost block (26) of the LOA for the case involved.

(11) Condition of Equipment.

(a) Condition Must be Specified. The LOA must include information which makes clear the condition of any equipment furnished from U.S. Government inventories; the purchaser must not be surprised or disappointed if receiving equipment is in less than "like new" condition. Any known limitations in condition must be specified in the LOA, using codes set forth in Annex A of the DD Form 1513.

(b) "As-Is, Where-Is" Materiel.

1. Inspection. It is highly recommended that a purchaser inspect, in advance of receipt of a LOA, major items and quantities of excess equipment being sold in "as-is, where-is" condition. It also is recommended for the U.S. Government to obtain written acceptance of the condition of the equipment as a result of this inspection. Any such acceptance should be noted in the LOA.

2. Present Condition. The condition of equipment sold "as-is, where-is" should be identified by Condition Codes (e.g., R-4), and the LOA should include a short note of what Condition Codes indicate.

3. Repair Costs. The LOA must specify that the cost of any repair/rehabilitation of excess items is not included in the "as-is, where-is" price.

(12) Identification of Equipment to be Supported. LOAs for all requisition cases (whether a Cooperative Logistics Supply Support Arrangement (CLSSA), FMSO II or blanket order) must specifically identify the major items of equipment being supported by the case.

(13) Description of Services to be Provided. There must be a clear and comprehensive understanding of the extent and limitations of the obligation undertaken by the U.S. Government 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 U.S. Government reservations or qualifications as to success of the project.

(14) Single Selling Price. It is DoD policy to provide a single unit price for articles offered under FMS. It is not normal FMS practice to provide a detailed description of the components of cost included in estimated prices for line items on LOAs. There may be instances where the provisions of such information is desirable to clarify the service to be provided. For example, 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. Furnishing any cost breakouts beyond a single unit price requires the DSAA approval.

(15) Royalties and Non-Recurring Cost (NRC) Recoupment Charges. FMS cases will not normally be established for the sole purpose of collecting either royalties or pro rata nonrecurring cost recovery charges. FMS cases that sell a Technical Data Package (TDP) must include an obligation for the purchaser to pay the U.S. Government a royalty charge to be made per unit of production which may be fixed subsequently by a DD Form 1513-1. However, pro rata nonrecurring cost recoupment charges assessed for articles sold under FMS will be included in the unit price of the end item being sold and will not be shown separately. Due to inclusion of sensitive U.S. technical production information, data regarding U.S. Government cost pool and production quantities used to determine NRC recoupment charges will not be released to foreign governments, international organizations, or domestic requesters.

(16) Responsibility for Initiation of Requisitions.

(a) Identification of Responsibility. There must be clear understanding between the U.S. Government and the purchaser as to which party will initiate requisition actions required for spare parts and similar type support.

(b) Instructions for Purchaser. The LOA 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.

(c) Repair and Return. The LOA will also contain sufficient disposition instructions for articles (owned by the purchaser) being returned by the purchaser to the CONUS for maintenance and repair services. To the extent possible, purchasers will be encouraged to provide estimated repair schedules for inclusion in the LOA.

(17) Indemnification and Assumption of Risk.

(a) Indemnity Clauses.

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 MILDEP concerned when it appears that special circumstances of individual purchases require an expansion of indemnity clauses.

2. If additional indemnity clauses are required for transportation, Tables 7-II-3 through 7-II-5 provide the pertinent clauses which should be used.

(b) Ammunition Sales. When a sale of ammunition is requested, DoD components should include the following note on the LOA:

NOTE: The U.S. Government is a self-insurer, and in this connection your attention is invited to Conditions A-1 and A-2 of Annex A to this Offer and Acceptance. DoD shall employ the same inspection procedures for this ammunition as would be used in the procurement of this type of ammunition for itself. Lot production of ammunition, however, carries risks associated with the ammunition's resultant performance. This risk is assumed by the U.S. Government in procurement for its own use, and this risk is also assumed by the purchaser in procurement for its use under this Offer and Acceptance. Accordingly, financial restitution will not be made for claims made on SF 364 Report of Discrepancy (ROD) (see Condition B-6 of Annex A) for ammunition deficiencies unless such claims involve damage due to U.S. Government actions with respect to compliance with applicable inspection criteria and procedures, or U.S. Government actions with respect to packing, crating, handling, or transportation, or unless the U.S. Government can obtain equal restitution from its contractor.

(18) Absence of Specific Information.

(a) Requirement for Special Notes. LOAs are sometimes prepared either at purchaser request or in U.S. Government interest, before specific details to provide all information covered in the foregoing paragraphs are known. In such cases, "Notes" to LOAs will include general coverage of this information and an estimate of when specific information on these topics can be provided to the purchase.

(b) Follow-on Communication. The LOA should include information sufficient to establish follow-on channels of communication between the purchaser and the U.S. Government component responsible for implementing the FMS case.

(19) Patent Rights. In the event that an individual, commercial entity or foreign country should assert ownership of a foreign patent on an item intended for sale or being sold under FMS, and there are reasonable grounds for the belief that a purchasing country or international organization may be subjected to a possible claim for foreign patent infringement, the DoD components in coordination with the DSAA, are authorized to make such a sale, provided a note is added to the LOA for the FMS case advising the purchaser of the existing allegation of a foreign patent right. The note should read substantially as follows: "(Name of individual, commercial entity or foreign country, and address,) has alleged rights in certain components of the (Name of FMS item) offered herein. In this connection, the Purchaser's particular attention is invited to Conditions A.3 and C.1 on Annex A to the DD Form 1513."

(20) Security Assurances. The following should be included as a note in all LOAs:

(a) LOAs with Foreign Governments.

In addition to the assurances contained in Annex A, Paragraph B.9 of this Offer and Acceptance, the Purchaser certifies that it will maintain the security of any classified material/information (to include articles, plans, designs, specifications and technical data) described in this Offer and Acceptance commensurate with existing security agreements between the U.S. Government (USG), and the purchaser. If such security agreements do not exist, the purchaser certifies that: (a) classified United States Government material/information furnished under this Offer and Acceptance will be afforded a degree of security protection at least equal to that afforded it by the U.S. Government; (b) such classified material/information will not be provided to anyone not an officer, employee, or agent of the purchaser, except as specified in this Offer and Acceptance, without the approval of the USG; (c) the material/information will be used only for the purpose specified in this Offer and Acceptance; (d) the purchaser will promptly and fully inform the USG of any compromise, or possible compromise, of U.S. classified material/information furnished pursuant to this Offer and Acceptance; and (e) classified material/information will be provided only to those individuals having an adequate security clearance and a specific need to know in order to carry out the LOA program. The purchaser further certifies that if the U.S. classified material/information is to be furnished to its contractor pursuant to said Offer and Acceptance: (a) such material/information will be exchanged through official government channels; (b) the specified contractor has been granted a facility security clearance by the purchaser at a level at least equal to the classification level of the U.S. information involved; (c) all contractor personnel requiring access to such material/information have been cleared to the appropriate level by the purchaser; and (d) the purchaser will assume responsibility for administering security measures for the protection of such material/information while it is in the possession of its contractor. Additionally, if a commercial transportation agent or freight forwarder is to be used for shipment, the purchaser certifies that such transportation agent or freight

forwarder has been security cleared at the appropriate level for handling of classified material.

(b) LOAs with NATO and NATO Commands and Agencies. **

All U.S. classified material/information (to include articles, plans, designs, specifications and technical data) described in the Letter of Offer and Acceptance shall be protected as NATO classified information of an equivalent classification level in accordance with the policy and procedures contained in NATO document C-M(55)15 (Final), "Security Within the North Atlantic Treaty Organization."

(21) Travel Costs for Foreign Personnel. The purchasing country or international organization is responsible for all transportation and travel costs for its personnel on assignment in the United States, or required in conjunction with FMS programs. In no circumstances are such expenses authorized for reimbursement under FMS LOAs. Instead, the funding of transportation and travel costs must be arranged directly between the foreign traveler and his government without U.S. Department of Defense involvement. **

c. Documents to be Included with DD Form 1513.

(1) Financial Analysis.

(a) Purpose. The purpose of an analysis is to permit all approval echelons a review for completeness and accuracy of financial data. The Financial Analysis will accompany the Letter of Offer or amendment throughout the coordination cycle but will not be submitted to the prospective purchaser. The DSAA Comptroller will provide a copy of the Financial Analysis and LOA to the Security Assistance Accounting Center (SAAC) after counter-signature.

(b) Requirement. All LOAs and proposed amendments for the sale of end-items or services must be accompanied by a Financial Analysis for each line item which contains one or more of the following:

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

2. Recoupments of nonrecurring RDT&E and/or production costs.

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

4. A total case value of \$14.0 million or more. *

(c) Exceptions. A Financial Analysis is not required for the following:

1. Individual line items of \$50,000 or less.

2. Line items where the only applicable cost factor from paragraph c.(1)(a) above is the 1.0 percent asset use charge applicable to issues from stocks.

3. The Financial Analysis is not required for training, services, or secondary/stock fund items, except as required by paragraph C.8.c(1)(b) above. *

(d) Data Required. The following information will be included:

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

2. Source of the article. Examples are:

- a. Excess inventory.
- b. Inventory (without replacement).
- c. Inventory (replacement with same item).
- d. Inventory (replacement with improved item).
- e. Production.

3. Source of price estimates. Examples are:

- a. Prime contractor quote.
- b. Prime and Government Furnished Equipment (GFE) contractor quotes.
- c. Standard Price.
- d. DoD component estimate without contractor participation, ^{1/}, based on recent sale or similar experience, or in accordance with DoD 7290.3-M. *

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

a. Agent's fees or commissions included in the FMS case and the amount thereof. The DoD component certification of reasonableness in accordance with Subpart 3.4, FAR and DOD FAR Supplement, Section 25.7305(B) must be attached. If the fee cannot be or has not been certified as reasonable, the DoD component notification or proposed notification to the foreign country or international organization should also be attached for information or coordination. See Chapter 8, Section II, paragraph C, this Manual, for further guidance. *

1/ In this connection, notice should be taken of Section 25.7303(A)(2) of the DOD Federal Acquisition Regulation (FAR) Supplement concerning the participation of the procuring contracting officer in the preparation of P&A Data and that the provisions of this section are complied with. *

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

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

d. Replacement cost in accordance with the provisions of DoD 7290.3-M.

e. Asset use charge as described in DoD 7290.3-M.

f. First destination transportation costs.

g. Recurring support costs.

h. Unfunded costs.

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

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

5. Sources of data used to make any of the above adjustments and their application to the case.

6. A comparison of LOA prices with budgeted or ongoing DoD component procurement prices, e.g., the Selected Acquisition Report (SAR).

7. Source for Schedule of Payments.

8. A comparison of LOA prices with all other LOAs prices for the same item within the previous twelve months. This comparison should not be limited to sales within the same region.

(e) Format. Figure 7-II-4 is a suggested format for use in presenting required Financial Analysis data. The format may be modified to meet the needs of the individual DoD components. 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.

(2) Termination Liability T/L Worksheets to be Included with Selected Letters of Offer. 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 U.S. 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. *

(a) Offers of \$7 Million or More. LOAs (DD Form 1513) with a total case value of seven million dollars or more will be accompanied by a termination liability worksheet as part of the required financial analysis when the LOA is submitted to the DSAA for countersignature. Any modifications or amendments to these cases that contain a revised payment schedule will also contain a revised termination liability worksheet.

(b) Information to be Included. 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 covered by the scheduled payment (i.e., the next 3 months after payment date).

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.

(c) Format for Use. Figure 7-II-5 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) Exclusions. T/L worksheet are not required for cases ** in the following categories:

1. Cooperative Logistics (FMSO I and II). **

2. Blanket order spare parts requisitions. **

3. Other equipment or services, including training ** to be provided from Department of Defense inventories (i.e., Source of Supply "S").

4. FMS cases for which prepayment termination ** liability has been waived. (NOTE: Such waivers to date have been extremely rare and no additional waivers are currently anticipated).

5. Cases with payment terms of "Cash with ** Acceptance."

(e) Distribution. Implementing Agencies will provide two ** copies of the Termination Liability Worksheet with each applicable DD Form 1513, 1513-1, or 1513-2 presented to DSAA/COMPT (FMSCD) for countersignature. The two copies will be attached to the cover letter forwarding the

1513-series document. DSAA/COMPT (FMSCD) will provide one copy of the T/L worksheet to DSAA/COMPT (FMD) and forward the other to SAAC/FSRC with the advance copy of the LOA. Upon receipt of the LOA and T/L worksheet, SAAC should ensure that the T/L worksheet is separated from the advance LOA copy and retained after the purchaser-signed copy is received. The T/L worksheet must be loaded into DIFS prior to implementation of the case, amendment, or modification.

(f) Quality Control. Implementing Agencies must ensure that adequate quality controls exist to assure the mathematical integrity of Termination Liability Worksheets. Termination liability and contractor holdback reserve requirements must be projected to liquidate by the last scheduled payment. **

(3) Nonrecurring Cost (NRC) Recoupment Summary. A data sheet in the format of Figure 7-II-6 will be included with all LOAs to identify whether NRC Recoupment Charges are included in the LOA. DSAA will review this information and forward a copy to SAAC for info and retention.

9. Review and Coordination of LOAs.

a. DoD Component Coordination. All LOAs should indicate a coordination by the comptroller and legal counsel of the appropriate DoD component.

b. DSAA Operations Directorate Coordination Function. The Operations Directorate (DSAA/OPS) is the point of entry in the OSD for coordination of FMS actions (P&R, P&A, LOAs, Amendments, Notices, and Letters of Intent), when DSAA coordination is required before countersignature. The Operations Directorate is also responsible for obtaining coordination of appropriate OSD staff elements, as well as obtaining coordination from the DSAA Comptroller. This coordination is separate from the countersignatures required for all LOAs, amendments and applicable notifications. Countersignature does not constitute DSAA/Operations coordination.

(1) Significant Combat Equipment (SCE), and Articles or Services of a Critical or Special Nature. DoD components will submit Letters of Offer for SCE and for those articles or services of a critical or special nature, to the Operations Directorate, DSAA, for approval prior to submission to the Comptroller, DSAA, for countersignature and onward processing to the purchaser.

(2) Additional DD 1513's Which Require DSAA Approval. Additional LOAs which require Operations Directorate, DSAA, coordination are those:

(a) for \$10 million or more, and all amendments which increase the value of a case by \$50,000 or more.

(b) for which the terms of payment are FMS credit or MAP funds.

(c) for items containing a nonrecurring cost surcharge as an element of cost of the items when the surcharge requires the approval of the DSAA as prescribed in DoD Directive 2140.2.

(d) for items or services which are not standard in the DoD inventory or for which new development effort is included as an element to be procured.

(e) involving the sale of Technical Data Packages or similar technical data.

(f) including agent's fees.

(g) quoting firm prices for articles being supplied from DoD stocks.

(h) for initial introduction of MDE/SCE items into a country or region.

(i) any LOA, amendment or modification which provides for the sale of SDAF assets.

10. Countersignature.

a. Processing. After any required Operations Directorate, DSAA, approval of the LOA has been obtained, (and, in the case of Section 36(b) actions, the Congressional review period is completed), DoD components should forward to the DSAA-Comptroller, FMS Control Division, the original plus two copies (three copies if it is a credit or MAP funded case) of the signed LOA for countersignature prior to release to the purchasing country. The DSAA-Comptroller and the SAAC will take action to process and record appropriate extracts of data from the DD Form 1513 into the DSAA FMS Data Base. Countersignature and DSAA Operations Directorate coordination are separate and distinct requirements. Countersignature does not constitute DSAA coordination or DSAA concurrence with all aspects of the LOA.

b. Return to Preparing DoD Component. Subsequent to processing, the DSAA Comptroller will: countersign the LOA and return the original copy of the LOA to the preparing DoD component for further processing to the prospective purchaser; forward a copy to the SAAC with the termination liability worksheet and financial analysis, if applicable; and retain a copy in order to enter the appropriate information into the automated data processing system.

11. Incomplete Documentation. FMS transactions submitted for DSAA Operations Directorate coordination or countersignature 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.

12. DD Form 1513 - Duration of Offer.

a. Expiration Date on Offer - Standard. Each Letter of Offer (DD Form 1513) 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 is forwarded to the DSAA, for coordination and/or countersignature, the date of the Offer (Block 7) should be completed along with the signature and typed the name and title of the DoD component authorized representative. Additionally, Block 8 of the Offer should contain an expiration date of 85 days after the date placed in Block 7 of the Offer. 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. Expiration Date on Offer - Exception. If a shorter expiration period is required because of (1) the validity of contractor quotes comprising the P&A information included on the Offer or Amendment, or (2) the time sensitivity of any information included in the Offer, then the shorter expiration period should appear on the LOA, and a note placed on the Letter of Offer which explains why the expiration period is less than 60 days. Offer expiration dates in excess of 85 days require the DSAA approval.

13. Acceptance of Offer. The purchaser should complete the acceptance portion of the DD Form 1513. The form should be signed, dated, and the copies forwarded to the MILDEP and one copy to the Security Assistance Accounting Center (SAAC) along with any required initial deposit before the expiration date listed on the offer. *

a. Requests for Extension. Requests by the purchasers for extensions to expiration dates will be honored only after a full review by the preparing agency to insure that all data included in the Offer remains valid. The foreign country or international organization should be advised of the new expiration date via message from the preparing DoD component along with authorization to make a pen and ink change to the expiration date listed on the LOA or amendment. The SAAC and the DSAA should be provided an information copy of the message. All concerned should be advised of the consequence of extensions. Normally, the greater the period of time between offer and acceptance the greater the likelihood of decreased accuracy of the P&A data contained in the LOA.

b. Implementing Agency (IA) Notification of Acceptance. Upon the receipt of each accepted LOA, the initiating MILDEP will provide a copy to the DSAA FMS Control Division.

c. SAO Notification of Acceptance or Rejection. Each Security Assistance Organization (SAO) will immediately advise the DSAA-Comptroller, the SAAC, and the MILDEP issuing the LOA by priority message when each LOA has been accepted or rejected by the foreign country or international organization. In those instances when the LOAs are processed by the foreign country or international organization not served by SAOs, the LOA will have an annotation requiring the signature authority to immediately notify the DSAA-Comptroller, the SAAC, and the appropriate issuing organization by message when the LOA is accepted by an authorized representative of the purchaser. Each message must contain the date of acceptance. Within five calendar days of acceptance or rejection of the offer, the DSAA, the SAAC, and the issuing organization must be notified. If such notice is not received within ten calendar days after the expiration date, the LOA, even though accepted, will be automatically cancelled.

d. Requests for Revisions of LOAs. All requests for revisions (prior to acceptance) to the LOA which result in increases to the FMS case value or increases in scope must be submitted to the DSAA-Comptroller (ATTN: FMS Control Division) for approval.

e. Pen and Ink Changes - DD Forms 1513 and 1513-1. "Pen and Ink" changes are modifications to a DD Form 1513 or DD Form 1513-1 authorized by the issuing DoD components prior to acceptance of the document. "Pen and Ink" changes should be avoided to the maximum extent. The change may be at the request of the purchaser or initiative of the issuing DoD component. The issuing agency must authorize the pen and ink change by message or letter to the purchaser with a copy to SAAC. If the change authorizes any revision of unit or total costs, the DSAA-Comptroller, FMS Control Division must concur and be furnished a copy of the authorization. Extensive changes should be made by issuance of a new DD Form 1513 or a DD Form 1513-1 rather than by a pen and ink change.

f. Receipt and Recording of Acceptance. When the LOA is accepted, distribution will be made in accordance with the instructions contained in the LOA. In addition, the applicable MILDEP is responsible for furnishing a signed copy to DSAA/Comptroller (ATTN: Data Management Division).

14. Addresses of Military Department Central Activities Responsible for FMS Transactions.

- a. Army: Department of the Army
U.S. Army Security Assistance Center
5001 Eisenhower Avenue
Alexandria VA 22333
- b. Navy: Department of the Navy
Chief of Naval Operations (OP-63)
Washington DC 20350
- c. Air Force: Department of the Air Force
Director of Military Assistance
and Sales (AF/PRI)
Headquarters, U.S. Air Force
Washington DC 20330

FIGURE 7-II-1

United States Department of Defense
Offer and Acceptance (DD Form 1513)

UNITED STATES DEPARTMENT OF DEFENSE OFFER AND ACCEPTANCE				(11) PURCHASER (Name and Address) (Zip Code)				
(2) PURCHASER'S REFERENCE		(3) CASE IDENTIFIER						
OFFER								
<p>Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to sell to the above purchaser the defense articles and defense services listed below (hereinafter referred to collectively as "items" and individually as "defense articles" or "defense services"), subject to the terms contained herein and conditions set forth in Annex A, and to such other special terms and conditions which may be a part of, and appended to, this Offer and Acceptance.</p>								
(4) Signature (US Dept./Agency Authorized Representative)				(9) Countersignature (Office of the Comptroller, DCAA) (Date)				
(5) Typed Name and Title				(10) Typed Name and Title				
(6) ADDRESS:				(11) DCAA ACCOUNTING ACTIVITY				
(7) DATE:								
(8) THIS OFFER EXPIRES:								
<p><small>NOTE: This offer must be accepted not later than the date shown in block 8. Within five (5) days of its acceptance, you must notify the Office of the Comptroller, DCAA. Otherwise, this Offer is cancelled and retention of initial deposit by offers pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.</small></p>								
ITEM OR REF. NO. (12)	ITEM DESCRIPTION (Including Item # Number if applicable) (13)	QUANTITY (14)	UNIT OF ISSUE (15)	ESTIMATED		AVAILABILITY AND REMARKS (16)	OFFER RELEASE CODE (18)	DELIVERY TERM CODE (20)
				UNIT COST (19)	TOTAL COST (17)			
(21) ESTIMATED COST				\$				
(22) ESTIMATED PACKING, CRATING, AND HANDLING COST				\$				
(23) ESTIMATED GENERAL ADMINISTRATIVE COSTS				\$				
(24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT				\$				
(25) OTHER ESTIMATED COSTS (Specify)				\$				
(26) ESTIMATED TOTAL COSTS				\$				
(27) TERMS				(28) AMOUNT OF INITIAL DEPOSIT - \$				
ACCEPTANCE								
(29) I am a duly authorized representative of the Government of _____ and upon behalf of _____				(33) MARK FOR CODE				
and Government, accept this offer under the terms and conditions contained herein (30) this _____ day of _____, 19 _____				(34) FREIGHT FORWARDER CODE _____				
				(35) PROCURING AGENCY _____				
				(36) DESIGNATED PAYING OFFICE _____				
(31) SIGNATURE				(37) ADDRESS OF DESIGNATED PAYING OFFICE _____				
(32) TYPED NAME AND TITLE								

DD FORM 1513 1 MAR 79

U.S. GPO: 1981-500-075/728 PREVIOUS EDITIONS MAY BE USED UNTIL EXHAUSTED.

PAGE 1 of PAGES

FIGURE 7-II-1. United States Department of Defense Offer and Acceptance (DD Form 1513).

FIGURE 7-II-2 General Conditions

GENERAL CONDITIONS

Annex 7

A. THE GOVERNMENT OF THE UNITED STATES:

1. Agrees to furnish such items from its Department of Defense (hereinafter referred to as "DOD") stocks and resources, or to procure them under terms and conditions consistent with DOD regulations and procedures. When procuring for the Purchaser, the DOD shall, in general, employ the same contract clauses, the same contract administration, and the same inspection procedures as would be used in procuring for itself, except as otherwise requested by the Purchaser and as agreed to by the DOD. Unless the purchaser has requested that a sole source contractor be designated, and this Letter of Offer and Acceptance reflects acceptance of such designation by the DOD, the Purchaser understands that selection of the contractor source to fill this requirement is solely the responsibility of the Government of the United States (hereinafter referred to as "USG"). Further, the Purchaser agrees that the United States DoD is solely responsible for negotiating the terms and conditions of all contracts necessary to fulfill the requirements in the Letter of Offer.

2. Advises that when the DOD procures for itself, its contracts include warranty clauses only on an exceptional basis. However, the USG shall, with respect to items being procured, and upon timely notice, attempt to the extent possible to obtain any particular or special contract provisions and warranties desired by the Purchaser. The USG further agrees to exercise, upon the Purchaser's request, any rights (including those arising under any warranties) the USG may have under any contract connected with the procurement of any items. Any additional cost resulting from obtaining special contract provisions or warranties, or the exercise of rights under such provisions or warranties, or any other rights that the USG may have under any contract connected with the procurement of items, shall be charged to the Purchaser.

3.a. Shall, unless the condition is otherwise specified herein (e.g., "As is"), repair or replace at no extra cost defense articles supplied from DOD stocks which are damaged or found to be defective in respect of material or workmanship, when it is established that these deficiencies existed prior to passage of title, or found to be defective in design to such a degree that the items cannot be used at all for the purpose for which they were designed. Qualified representatives of the USG and of the Purchaser, upon notification pursuant to paragraph B.6. below, shall agree on the liability of the USG hereunder and the corrective steps to be taken.

b. With respect to items being procured for sale to the Purchaser, the USG agrees to exercise warranties on behalf of the Purchaser pursuant to A.2. above to assure, to the extent provided by the warranty, replacement or correction of such items found to be defective.

c. In addition, the USG warrants the title of all items sold to the Purchaser hereunder. The USG, however, makes no warranties other than those specifically set forth herein. In particular, the USG disclaims any liability resulting from patent infringement occasioned by the use or manufacture by or for Purchaser outside the United States of items supplied hereunder.

4. Agrees to deliver and pass title to the items to the Purchaser at the initial point of shipment unless otherwise specified in this Offer and Acceptance. With respect to defense articles procured for sale to the Purchaser, this will normally be at the manufacturer's loading facilities; with respect to defense articles furnished from stocks, this will normally be at the U.S. Depot. Articles will be packed, crated or otherwise prepared for shipment prior to the time title passes. If "Point of Delivery" is specified otherwise than the initial point of shipment, the supplying Military Department or Defense Agency will arrange movement of the items to the authorized delivery point as reimbursable service but will pass title at the initial point of shipment; the USG disclaims any liability for damage or loss to the items incurred after passage of title irrespective of whether transportation is by common carrier or by the U.S. Defense Transportation System.

5. Advises that: a. Unless otherwise specified, USG standard items will be furnished without regard to make or model.

b. The price of items to be procured shall be at their total cost to the USG. Unless otherwise specified, the cost estimates of items to be procured, availability determinations, payment schedule, and delivery projections quoted are estimates based on current available data. The USG will use its best efforts to advise the Purchaser or its authorized representatives by DD Form 1313-2:

- (1) of any identifiable cost increase that might result in an increase in the "Estimated Total Costs" in excess of 10 percent;
- (2) of any changes in the payment schedule(s); and
- (3) of any delays which might significantly affect the estimated delivery dates;

but its failure to do so shall not affect the Purchaser's obligation under paragraphs B.1. and B.3. below.

c. The USG will, however, use its best efforts to deliver items or render services for the amount and at the times quoted.

6. Under unusual and compelling circumstances when the national interest of the United States so requires, the USG reserves the right to cancel or suspend all or part of this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). The USG shall be responsible for all termination costs of its suppliers resulting from cancellations or suspensions under this paragraph.

7. Shall refund to the Purchaser any payments received hereunder which prove to be in excess of the final total cost of delivery and performance of this Offer and Acceptance, and are not required to cover arrearages on other open Offers and Acceptances of the Purchaser.

8. Advises that personnel performing defense services provided under this Offer and Acceptance will not perform any duties of a combatant nature, including any duties relating to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of these defense services.

9. Advises that in the assignment or employment of United States personnel for the performance of this Offer and Acceptance, the USG will not take into account race, religion, national origin or sex.

10. Advises that, notwithstanding Purchaser's agreement to pay interest on any net amount by which Purchaser may be in arrears on payments (as provided for in paragraph B.3.g. below), USG funds will not be used for disbursements by DOD to its contractors in the event of any such arrears in payments. Accordingly, failure by the Purchaser to make timely payments in the amounts due may result in delays in contract performance by DOD contractors, claims by contractors for increased costs (including the above mentioned interest costs), claims by contractors for termination liability for breach of contract or termination of contracts by the USG under this or other open Offers and Acceptances of the Purchaser at Purchaser's expense.

B. THE PURCHASER:

1. Shall pay to the USG the total cost to the USG of the items, even if the final total cost exceeds the amounts estimated in this Offer and Acceptance.

2. Shall make payment(s) for the items by check(s) or by wire transfer payable in United States dollars to the Treasurer of the United States.

3.a. Shall, if "Terms" specify "cash with acceptance", forward with this Offer and Acceptance a check or wire transfer in the full amount shown as the estimated total cost, and agrees to make such additional payment(s) as may be specified upon notification of cost increase(s) and request(s) for funds to cover such increases.

b. Agrees if "Terms" specifies payment to be "cash prior to delivery" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payment requirements for articles or services to be furnished from the resources of the US Department of Defense. USG requests for funds may be based on estimated requirements to cover forecasted deliveries of articles or costs to provide defense services. It is USG policy to obtain funds 90 days in advance of the time DOD plans such deliveries or incurs such expenses on behalf of the Purchaser.

c. Agrees, if "Terms" specify payment by "dependable undertaking" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payments required by contracts under which items are being procured, and any damages and costs that may accrue, or have accrued, from termination of contracts by the USG because of Purchaser's cancellation of this Offer and Acceptance under paragraph B.7. hereof. USG requests for funds may be based upon estimated requirements for advance and progress payments to suppliers, estimated termination liability, delivery forecasts or evidence of constructive delivery, as the case may be. It is USG policy to obtain such funds 90 days in advance of the time USG makes payments on behalf of the Purchaser.

d. Agrees, if "Terms" specify "payment on delivery" that bills may be dated as of the date(s) of delivery of the defense articles or rendering of the defense services, or upon forecasts of the date(s) thereof.

e. Agrees, if "Terms" specify payment under a Credit Agreement between the Purchaser and DOD, to pay to the USG on a "dependable undertaking" basis, in accordance with B.3.c. above, such costs as may be in excess of the amount funded by the Credit Agreement.

f. Agrees, that requests for funds or billings under paragraphs B.3.a. through e. above are due and payable in full on presentation, or, if a payment date is specified in the request for funds or bill, on the payment date so specified, even if such payment date is not in accord with the estimated payment schedule. If any contract in this Offer and Acceptance, without affecting Purchaser's obligation to make such payment(s) when due, documentation concerning advance and progress payments, estimated termination liability or evidence of constructive delivery or shipment in support of request for funds or bills will be made available to the Purchaser by DOD upon request. Purchaser will request adjustment of any questioned billed items by subsequent submission of required discrepancy reports in accordance with paragraph B.6. below.

g. Agrees to pay interest on any net amount by which it is in arrears on payments, determined by considering collectively all of the Purchaser's open Offers and Acceptances with the DOD. Interest shall be calculated on a daily basis. The principal amount of the arrearage shall be computed as the excess of cumulative financial requirements of the Purchaser over total cumulative payments after quarterly billing payment due dates. The rate of interest paid shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the USG as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

- Annex A
3. Shall designate the Procuring Agency and responsible Paying Office and address thereof to which the USG shall submit requests for funds and bills under this Offer and Acceptance.
4. Shall furnish shipping instructions for the items with its acceptance of this Offer and Acceptance. Such instructions shall include (a) Offer/Release Code, (b) Freight Forwarder Code, and (c) the Mark for Code, as applicable.
5. Shall be responsible for obtaining the appropriate insurance coverage and customs clearances, and, except for items exported by the USG, appropriate export licenses.
6. Shall accept title to the defense articles at the initial point of shipment (see A.4. above). Purchaser shall be responsible for in-transit accounting and settlement of claims against common carriers. Title to defense articles transported by parcel post shall pass to the Purchaser on date of parcel post shipment. Standard Form 364 shall be used in submitting claims to the USG for overage, shortage, damage, duplicate billing, item deficiency, improper identification or improper documentation and shall be submitted by Purchaser promptly. Claims of \$100.00 or less will not be reported for overage, shortages, or damages. Claims received after one year from date of passage of title or billing, whichever is later, will be disallowed by the USG, unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim.
7. May cancel this Offer and Acceptance with respect to any or all of the items listed in this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). It shall be responsible for all costs resulting from cancellation under this paragraph.
8. Shall, except as may otherwise be mutually agreed in writing, use the items sold hereunder only:
- For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the USG and the Purchaser;
 - For the purposes specified in any bilateral or regional defense treaty to which the USG and the Purchaser are both parties, if subparagraph a. of this paragraph is inapplicable; or
 - For internal security, individual self-defense, and/or civic action, if subparagraphs a. and b. of this paragraph are inapplicable.
9. Shall not transfer title to, or possession of, the defense articles, components and associated support material, related training or other defense services (including any plans, specifications or information) furnished under this Offer and Acceptance to anyone not an officer, employee or agent of the Purchaser (including transportation agencies), and shall not use or permit their use for purposes other than those authorized by 18.8. above, unless the written consent of the USG has first been obtained. To the extent that any items, plans, specifications, or information furnished in connection with this Offer and Acceptance may be classified by the USG for security purposes, the Purchaser shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the USG, throughout the period during which the USG may maintain such classification. The USG will use its best efforts to notify the Purchaser if the classification is changed. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any defense article and any plans, specifications, or information furnished, whether patented or not.

C. INDEMNIFICATION AND ASSUMPTION OF RISKS:

- It is understood by the Purchaser that the USG in procuring and furnishing the items specified in this Offer and Acceptance does so on a non-profit basis for the benefit of the Purchaser. The Purchaser therefore undertakes, subject to A.3. above, to indemnify and hold the USG, its agents, officers, and employees harmless from any and all loss or liability (whether in tort or in contract) which might arise in connection with this Offer and Acceptance because of: (i) injury to or death of personnel of Purchaser or third parties; (ii) damage to or destruction of (A) property of the DOD furnished to Purchaser or suppliers specifically to implement this Offer and Acceptance, (B) property of Purchaser (including the items ordered by Purchaser pursuant to this Offer and Acceptance, before or after passage of title to Purchaser), or (C) property of third parties; or (iii) patent infringement.
- Subject to any express, special contractual warranties obtained for the Purchaser in accordance with A.2. above, the Purchaser agrees to relieve the contractors and subcontractors of the USG from liability for, and will assume the risk of, loss or damage to: (i) Purchaser's property (including the items procured pursuant to this Offer and Acceptance, before or after passage of title to Purchaser) and (ii) property of the DOD furnished to suppliers specifically to implement this Offer and Acceptance, to the same extent that USG would assume for its property if it were procuring for itself the items or items procured pursuant to this Offer and Acceptance.

D. ACCEPTANCE:

- To accept this Offer and Acceptance, the Purchaser will not later than the expiration date of the Offer and Acceptance, as set forth herein, return three copies properly signed to the security assistance accounting center designated herein, accompanied by such initial deposit or other payment as may be required by the Terms herein. In addition, Purchaser will concurrently return these copies properly signed to the U.S. Military Department or Defense Agency making the offer. When properly accepted and returned as specified herein, the provisions of this Offer and Acceptance shall be binding upon the USG and the Purchaser.
- It is understood that implementation of the Offer and Acceptance cannot proceed without a proper acceptance. Failure to comply with Terms and Conditions required for acceptance, as, for example, delay in submission of any required initial deposit or payment of full estimated cost, in the case may be, may require revision or renunciation of the Offer and Acceptance.
- Unless a written request for extension is made by the Purchaser and granted in writing by an authorized representative of the appropriate U.S. Military Department or Defense Agency, this Offer and Acceptance shall terminate on the expiration date set forth herein.

E. ENCLOSURES:

Enclosures attached hereto are, by this reference, incorporated herein and are made a part hereof as though set forth in full.

F. PUBLIC INSPECTION:

This Offer and Acceptance will be made available for public inspection to the fullest extent possible consistent with the national security of the United States.

EXPLANATORY NOTES

- The item or reference numbers appearing in the "ITEM OR REF. NO." column may not correspond with references used in Purchaser's original request. However, this number, together with the case identifier shown should always be used as a reference in future correspondence.
- Availability leadtime quoted is the estimated number of months required to complete delivery of the item(s) in accordance with the terms of delivery after receipt of acceptance of this Offer pursuant to Section D. of the Conditions, and the conclusion of appropriate financial arrangements. Phased deliveries are shown by quantity and leadtime for each increment, where applicable. Items for which delivery leadtime is not shown are noted in columns headed "Item Description" as items to be installed in the applicable end item prior to shipment.
- The planned source of supply for each item is expressed in the following codes:

S	(*)	Service Stocks
P	(*)	Procurement
R	(*)	Repair/Repair/Modification
X	(*)	Stock and procurement, e.g., initial repair parts
E	(*)	"Miscellaneous" major items in long supply or excess
- *Availability is stated in months.
 - Condition of the defense articles shown in the "AVAILABILITY AND REMARKS" column is expressed in the following codes:

A1	-	Items to be provided in existing condition without repair, restoration or rehabilitation which may be required. Condition indicated in item description.
M	-	Articles of mixed condition (new, reworked, and rehabilitated) may be commingled when issued. Example: repair parts, ammunition, set assemblies, kits, tool sets and shop sets.
B	-	Serviceable defense articles.
I	-	(Obsolete or non-standard item in an "AS IS" condition for which repair parts support may not be available from DOD).
S	-	Substitute. Suitable substitutions may be allowed for unavailable defense articles unless otherwise advised by the Purchaser.
U	-	Reworked or rehabilitated defense articles possessing original appearance insofar as practicable, including all Modification Work Orders and Engineering Change Orders as applied to such defense articles when issued but defense articles should not be considered as having had total replacement of worn parts and/or assemblies. Only parts and components not meeting US Armed Forces serviceability tolerances and standards will have been replaced; in all instances such defense articles will meet US Armed Forces standards of serviceability.
 - Training notes:

AP	-	Annual Training Program.
SP	-	Special Training designed to support purchase of US equipment.
NC	-	This offer does not constitute a commitment to provide US training.
ST	-	US Training concurrently being addressed in separate Offer and Acceptance.
NR	-	No US training to be required in support of this purchase.
 - For meaning of delivery codes, see Military Assistance Program Address Directory (MAPAD).
 - The use of Offer/Release Code "Y" and "Z" will incur a storage fee of .125% per month for shipment delays in excess of 15 days.

FIGURE 7-II-3
 United States Department of Defense
 Continuation Sheet

UNITED STATES DEPARTMENT OF DEFENSE CONTINUATION SHEET FOR DD FORMS 1513, 1513-1 AND 1513-2				CASE IDENTIFIER				
ITEM OR REF. NO.	ITEM DESCRIPTION <i>(Including Stock Number if applicable)</i>	QUANTITY	UNIT OF ISSUE	ESTIMATED		AVAILA- BILITY AND REMARKS	OFFER RE- LEASE CODE	DE- LIVERY TERM CODE
				UNIT COST	TOTAL COST			

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FIGURE 7-II-3. United States Department of Defense Continuation Sheet.

FIGURE 7-II-4

FINANCIAL ANALYSIS WORKSHEET

CC _____
 Case _____
 System _____
 Case Line _____

Case Manager _____
 Organization _____
 Date Prepared _____

PRICING TECHNIQUE

A. NSN _____

B. QTY _____

C. Source of Item (Check One):

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

D. Source of Price (Check One):

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

E. Source Unit Price _____

F. Adjusted Price (explain source and computations in Remarks)

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

 FIGURE 7-II-4. Financial Analysis Worksheet.

G. Adjusted Unit Price _____

H. Source for Schedule of Payments

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

I. Comparison with other cases (12 months)

CC	CASE	UNIT PRICE	RATIONALE FOR EVALUATION*
(1)			
(2)			

J. Remarks (use continuation sheets, as necessary)

* If different from above adjusted unit price.

FIGURE 7-II-4. (Continued)

FIGURE 7-II-5

TERMINATION LIABILITY WORKSHEET

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

<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.

FIGURE 7-II-5. Termination Liability Worksheet.

FIGURE 7-II-6

NONRECURRING COST RECOUPMENT CHARGES SUMMARY

FMS CASE _____

NRC CHARGES INCLUDED: YES _____ NO _____

IF NO,

REASON CHARGES NOT INCLUDED (CHECK APPLICABLE BLOCK):

1. NOT APPLICABLE TO ANY LINE ITEM..... _____
2. CHARGES WAIVER (OR REDUCED) BY DSAA
(IDENTIFY SOURCE OF WAIVER NOTIFICATION)..... _____

IF YES, NRC CHARGES BY LINE/SUB-LINE ITEM:

<u>LINE/SUB-LINE ITEM</u>	<u>IDENTIFY MDE/NON-MDE</u>	<u>PRO RATA CHARGE</u>	<u>QUANTITY</u>	<u>TOTAL INCLUDED</u>
-------------------------------	---------------------------------	----------------------------	-----------------	---------------------------

 SIGNATURE OF MILDEP
 CASE MANAGER
 (OFFICE/TELEPHONE/DATE)

 FIGURE 7-II-6. NONRECURRING COST RECOUPMENT CHARGES SUMMARY.

FIGURE 7-II-7

SUPPLEMENTARY INFORMATION FOR LETTERS OF OFFER

SUPPLEMENTARY INFORMATION	Weapons Systems Package Sale	Communications System Package Sale	Co-production/Co-assembly	End Item	SSA Stock Level Case	Requisition Cases Incl SSA Req	Deliverable Spare Parts Inventory (Incl ammunition)	Excesses "As-Is, Where-Is"	Modifications	Publications, Charts, Film	Training	Maintenance and Overhaul	Contractual Services CEIS	Military Services Overseas, e.g., TMT	Military Services In Country (Contract Management Office)	Aircraft Flight Delivery	Transportation Services IMC & MSIS	ROYAL Services	Technical Data Package	Problems Rtd or Rotary Cases	Non-Standard Military Equipment
Mode and Destination of Shipments	X	X	X	X		X	X	X	X	X		X	A/R			X	X		X		X
Delivery Schedule of Items	X	X	A/R	X				X	A/R			A/R				X	X		A/R		A/R
Personnel Movement to and From Country	A/R	A/R	A/R						A/R		A/R	A/R	X	X		A/R					A/R
Qualifications Regarding Validity of Price and Availability Data	X	X	X	X			X		X	X	X	X	X	X		X	X	X	X		X
Agreements to Safeguard Status of U.S. Government or Contractor Personnel While in Host Country	A/R	A/R	A/R		A/R				A/R				X	X		A/R	A/R				A/R
Statement of Facilities, Services, or Personnel to be Provided by Purchasing Nation	A/R	A/R	A/R		A/R		A/R	A/R	A/R		A/R		A/R	A/R		A/R		A/R			A/R
Separate Memorandum of Understanding or Detailed Statement of Work	A/R	A/R	A/R		A/R						A/R		A/R	A/R				A/R			
Schedule of Personnel Training	A/R	A/R	A/R								X		A/R	A/R							A/R
Logistical Information	X	X	X	A/R	A/R	A/R	A/R	A/R	A/R	A/R		A/R				A/R		A/R	A/R		X
Explanation of Condition of Equipment	X	X	X	X				X	A/R			A/R									A/R
Identification of Equipment Supportable/Non-Supportable Under Case, as appropriate	A/R	A/R	A/R	A/R	X	X		A/R	A/R			A/R						A/R			A/R
Description of Services to be Provided	A/R	A/R	A/R						A/R		X	X	X	X	X	X	X	X			A/R
Description of Components of Pricing	A/R	A/R	A/R	A/R					A/R		A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R
Responsibility for Initiation of Requisitions	X	X	X	X		X	X		A/R	A/R		X									A/R
Payment Schedules	X	X	X	A/R			A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R
Administrative Charge in Event of Cancellation	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

FIGURE 7-II-7. Supplementary Information for Letters of Offer.

FIGURE 7-II-8

OFFER AND ACCEPTANCE PREPARATION CHECKLIST

Item	Action Officer (Last Name, Phone, Date)	Validation	
		Service (Last Name, Phone, Date)	DSAA (Last Name, Phone, Date)
Mode and destination of shipments			
Delivery Schedule of Items			
Personnel movement to and from country			
Qualifications of Pricing and Availability Data			
Agreements to safeguard status of U.S. Government or contractor personnel in-country			
Statement of facilities, services, or personnel to be provided by purchaser			
Separate Memorandum of Understanding or detailed Statement of Work			
Schedule of Personnel Training			
Logistical Information			
Explanation of condition of equipment			
Identification of equipment supportable under case			
Description of Services to be provided			
Description of components of pricing			
Responsibility for initiation of requisitions			
Indemnification and assumption of risk			
Payment schedules			
Financial analysis			

REMARKS:

FIGURE 7-II-8. Offer and Acceptance Preparation Worksheet.

TABLE 7-II-1

INSTRUCTIONS FOR PREPARING THE UNITED STATES DEPARTMENT OF DEFENSE
OFFER AND ACCEPTANCE (DD FORM 1513)A. BLOCK (1) PURCHASER

1. 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).

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

B. 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.

C. BLOCK (3) CASE IDENTIFIER. Enter the appropriate country or organization code, implementing agency code and case designator (e.g., UK-P-DLG).

D. 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 the DSAA Comptroller for the required countersignature.

E. BLOCK (5) TYPED NAME AND TITLE. Type or stamp the name and title of the U.S. representative who signed Block (4).

F. BLOCK (6) ADDRESS. Enter the name of the issuing organization along with the address (e.g., DA, DACS-SA, Pentagon, Wash., D.C. 20150).

G. BLOCK (7) DATE. Enter the day, month and the year that the LOA is submitted to DSAA for countersignature.

H. BLOCK (8) THIS OFFER EXPIRES. Enter the appropriate expiration date, normally 85 days from the date in Block (7).

I. BLOCK (9) COUNTERSIGNATURE. The authorized representative within the 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.

J. BLOCK (10) TYPED NAME AND TITLE. Type the name and title of the DSAA Comptroller authorized representative for countersignature who signed Block (9).

K. BLOCK (11) DSAA ACCOUNTING ACTIVITY. The following address should be placed in this block. AFAFC-SAAC, Lowry AFB, Denver, Colorado 80279.

TABLE 7-II-1. Instructions for Preparing DD Form 1513.

L. 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 the DD Form 1513. This attachment will include descriptive information on the generic items procured.

M. 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 materiel and services should be described.

N. BLOCKS (14 THROUGH 17). Quantity, unit of issue, unit cost, and total cost are self-explanatory. Enter information or N/A, as appropriate.

O. 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 appropriate.

P. BLOCK (19) AND (20). Offer Release Code and Delivery Term Code -- See instructions contained in Table 7-II-2 of this section.

Q. BLOCK (21) ESTIMATED COST. Enter estimated material/services costs in whole dollars. These costs should not include any administrative or accessorial charges.

R. BLOCK (22) ESTIMATED PACKING, CRATING, AND HANDLING COST. Enter the value in whole dollars based on the prescribed percentages as set forth in DoD 7290.3-M, 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.

S. BLOCK (23) ESTIMATED GENERAL ADMINISTRATIVE COSTS. Enter in whole dollars -- based on the percentage set forth in DoD 7290.3-M. Do not show the percentage rate used in determining the cost contained in this block.

T. BLOCK (24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT. Enter the value in whole dollars based on the percentage set forth in DoD 7290.3-M. Do not show the percentage rate used in determining the cost contained in this block.

U. 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 and specify line items. If a percentage is used, do not show the percentage rate used in determining the cost contained in this block.

V. BLOCK (26) ESTIMATED TOTAL COSTS. Enter the costs in whole dollars (total of Blocks (21) through (25)).

TABLE 7-II-1. (Continued)

W. BLOCK (27) TERMS. Enter appropriate terms of sale in accordance with the guidance contained in Chapter 7, Section III, paragraph K. 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 FMS credit or MAP funding is used, insert the FMS credit (insert the FMS loan number, e.g., "841," "842," etc.), or MAP program identification. If the sales agreement is financed by a combination of funds, each term of sale and the applicable amount will be cited. *

X. 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.

Y. BLOCKS (29) THROUGH (37). Leave blank. These blocks should be filled in by the authorized representative of the purchasing government.

NOTE THE FOLLOWING INFORMATION
BEFORE SUBMISSION OF THIS NOTICE FOR COUNTERSIGNATURE

1. The DSAA-OPS is the point of entry in OSD for the MILDEPs and Defense Agencies to use in coordinating FMS cases. The DSAA/OPS is also responsible for obtaining the coordination of appropriate OSD staff elements. (See Chapter 7, Section II, paragraph C.9., for those LOAs and amendments which require DSAA coordination.)

2. Submit for countersignature to the FMS Control Division, DSAA/Compt all DD Forms 1513 in original and 2 copies (one extra copy for credit cases).

3. Attach a Financial Annex to all DD Forms 1513 except FMSO I cases.

4. Before notifying the customer of a change to cost or scope prior to acceptance, obtain approval from DSAA/OPS.

5. Attach a termination liability worksheet for each case of \$7 million or more and those which meet any other of the criterion in Chapter 7, Section II, paragraph C.8.c.(2).

6. Attach a financial analysis worksheet for each line item in accordance with Chapter 7, Section II, paragraph C.8.c.(1).

7. All DD Forms 1513 must be listed in the Letter of Request (LOR) system for at least seven (7) days prior to countersignature.

8. Letters of Offer reported under the Arms Export Control Act (AECA), Section 36(b) will include below Block 11 the identifying DSAA Transmittal Number used in the Statutory Congressional Notification (e.g., 83-15).

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

TABLE 7-II-1. (Continued)

TABLE 7-II-2

TRANSPORTATION INSTRUCTIONS, DD FORM 1513

A. SALE OF MATERIEL

1. When all items on the Offer and Acceptance document (DD Form 1513) require a single code in Blocks 19, 20, 33, and 34, the appropriate code as determined below will be entered in the respective blocks of the DD Form 1513:

a. Block (19) Offer Release Code. Enter one of the following codes opposite each materiel line item, as applicable:

<u>Code</u>	<u>Explanation</u>
A	Freight and parcel post shipments will be released automatically by the shipping activity without advance notice (Notice of Availability).
Y	Advance notice is required before release of shipment, but shipment can be released automatically if release instructions are not received by shipping activity within 15 calendar days. Parcel post shipments will be automatically released.
Z	Advance notice is required, before release of shipment. Shipping activity will follow-up on the notice of availability until release instructions are furnished. Parcel post shipments will be automatically released.
X	The U.S. Service and country representative have agreed that the: <ul style="list-style-type: none"> - U.S. Service will sponsor the shipment to a country address. Under this agreement Block (34) (Freight Forwarder Code) must contain "X" and a customer-within-country (CC) Code must be entered in Block (33) (MARK FOR Code). The Military Assistance Program Address Directory (MAPAD) must contain the CC Code and addresses for each type of address required, i.e., parcel post, freight, documentation. - Shipments are to be made to an assembly point or staging area as indicated by clear test instructions on exception requisitions. Under this agreement Block (34) must contain Code "W". A MARK FOR Code may be entered in Block (33) and the MAPAD must contain the MARK FOR Code if the MARK FOR Address is to be used on the shipment to the assembly point or staging area.

TABLE 7-II-2. Transportation Instructions, DD Form 1513.

b. Block (20) Delivery Term Code (for other than repair and return procedures). Enter one of the following codes opposite each materiel line item, as applicable:

<u>Code</u>	<u>Explanation</u>
2	Delivery to Destination (Inland Origin to Inland Destination Within CONUS or Within the Same Overseas Geographic Area).
3	Delivery Alongside Vessel at Port of Exit.
4	Collect Commercial Bill of Lading to Commercial Port of Exit.
5	Delivery to Commercial Port of Exit by GBL.
6	Delivery to Overseas Port of Discharge (Shipment by Capability of DTS).
7	Delivery to Destination, specified point in recipient country.
8	Delivery to Vessel (onboard) -- Port of Exit.
9	Delivery to Port of Discharge (Landed).

c. Block (33) MARK FOR Code. Enter the MARK FOR Code from the Military Assistance Program Address Directory (MAPAD) (DoD 5105.38-D), that identifies the organization in-country which is to receive the materiel. This address will be added to the SHIP TO address on all freight containers. The MARK FOR Code will appear on all materiel forwarded by parcel post/small parcel delivery service. As a minimum, it should consist of the port of discharge name and designator (water or air); street, city, and state/province address of organization; country name; and country service name.

(1) If Delivery Term Codes (DTC) and addresses are not published, the U.S. shippers are not authorized to apply these markings. This causes containers to be received at the freight forwarder or U.S. military representative in-country unmarked for onward shipment with resultant shipping delays, misdirected and lost shipments, and unnecessary work at the freight forwarder port of exit and/or the port of discharge. The U.S. Government will sponsor shipment of this materiel to FOB U.S. Point of Origin.

B. REPAIR AND RETURN OF FOREIGN COUNTRY OWNED MATERIEL

1. The offer and acceptance document (DD Form 1513) will be annotated in Blocks 19, 20, 33 and 34, to reflect the appropriate Code as determined below:

a. Block (19) Offer Release Code. The appropriate Code from paragraph A.1.a. above should be entered opposite each materiel line item. This Code provides instructions for the return shipment to the customer.

TABLE 7-II-2. (Continued)

b. Block (20) Delivery Term Code (for repair and return procedures. Enter one of the following Codes opposite each materiel line item as applicable:

<u>Code</u>	<u>Explanation</u>
A	U.S./DoD is responsible for transportation from a designated overseas port of embarkation (POE) to a CONUS destination, and return to a designated overseas port of debarkation (POD). Customer country is responsible for overseas inland transportation of materiel to/from the overseas POE/POD and overseas port handling.
B	U.S./DoD is responsible for transportation from a designated overseas port of embarkation (POE) to a CONUS destination, return to a CONUS port of embarkation and CONUS port handling. Customer country is responsible for overseas inland transportation to the overseas POE, overseas port loading, and overocean transportation from the CONUS POE to ultimate destination.
C	U.S./DoD is responsible for CONUS port unloading of country arranged carrier, transportation to and from a designated CONUS destination and CONUS port loading of country arranged carrier. Customer country is responsible for movement of materiel to and from the CONUS POE/POD.
D	U.S./DoD is responsible for CONUS port unloading of country arranged carrier, transportation to a CONUS destination and return to an overseas designated POD. Customer country is responsible for overocean transportation to a CONUS POD, overseas port unloading and overseas inland transportation to ultimate destination of returned materiel.
E	Customer country is responsible for all transportation from overseas point of origin to CONUS activity and return to an overseas destination.
F	U.S./DoD is responsible for transportation from an overseas inland location to an overseas POE, overseas port handling, overseas transportation to a CONUS POD, CONUS port handling, inland transportation to be a designated CONUS destination, and return to an overseas destination.
G	U.S./DoD is responsible for overseas port handling through an overseas POE, overseas transportation to a CONUS POD, CONUS port handling, inland transportation to a CONUS destination, and return to an overseas port of debarkation and overseas port handling. Customer country is responsible for overseas inland transportation to and from the overseas port.

TABLE 7-II-2. (Continued)

- H Customer country is responsible for all transportation from overseas point of origin to CONUS activity. U.S./DoD is responsible for return transportation from CONUS activity to CONUS POE. Customer country is responsible for return CONUS port handling and all transportation to overseas destination.
- J Customer country is responsible for all transportation from overseas point of origin to CONUS activity. U.S./DoD is responsible for all transportation from CONUS activity to overseas destination.

(1) The LOA will provide a complete CONUS address for each item identified for repair and return. The customer must assure this complete address is clearly identified on all containers and documentation when materiel is returned.

c. Block (33). Enter the "MARK FOR" Code from MAPAD, that identifies the organization in the customer country which is to receive the materiel after repair by the U.S. This address will be added by the U.S. installation to the "SHIP TO" address on all freight containers. The "MARK FOR" Code will appear on all materiel forwarded by parcel/small parcel delivery service. As a minimum, it should consist of the port of discharge name and designator (water and air); street, city, and state/province address of organization; country name; and country service name.

d. Block (34). See Section C, below.

C. The following applies to LOAs for both the sale of materiel and repair and return of customer owned items:

1. All data necessary to personnel at the port of exit or entry, port of discharge, in-country or U.S. custom authorities, and overseas or CONUS inland carriers to route materiel after receipt at port of exit or entry should be included in this address. It should be brief, to the extent possible, and still retain clarity to all users. It should be in the language of the country, when this is possible, using English characters. Addresses should not be punctuated and should be properly blocked.

2. If the "MARK FOR" addresses are not published in MAPAD, or are incomplete, submit new or changed addresses with a request for expedited publication to the Defense Automatic Addressing System Office, ATTN: MAPAD Custodian, Gentile Air Force Station, Dayton, Ohio 45444. (Furnish a copy to Commander, U.S. Army International Logistics Command, ATTN: DRSIL-NS/LP, New Cumberland Army Depot, New Cumberland, PA 17070.)

3. When Code "X" is authorized and entered in Blocks 33 and 34, a customer-within-country (CC) Code must be entered in Block 33. The MAPAD must contain the CC Code and address for each type address required, i.e., parcel post, freight, documentation.

TABLE 7-II-2. (Continued)

4. Block (34). Enter the appropriate freight forwarder code contained in MAPAD. When Code "X" is authorized and entered in Block 19, a Code "X" or "W" must be entered in Block 34.

5. When the Offer and Acceptance document (DD Form 1513) contain items which require multiple codes in Blocks 19, 20, 33, and 34 (example: explosives, classified, different priorities, others), the appropriate blocks will be completed as indicated below:

a. Block 19. If more than one offer/release code is applicable, Block 19 will contain "See Note _____" and appropriate explanatory notes will be included in the DD Form 1513.

b. Block 20. If more than one Delivery Term Code is applicable, Block 20 will contain "See Note _____" and appropriate explanatory notes will be included in the DD Form 1513.

c. Block 33. If more than one MARK FOR Code is applicable, Block 26 will contain "See Note _____" and appropriate explanatory notes will be included in the DD Form 1513.

d. Block 34. If more than one Freight Forwarder Code is applicable, or a Freight Forwarder Code and a Code "X" is applicable, Block 34 will contain "See Note _____" and appropriate explanatory notes will be included in the DD Form 1513.

TABLE 7-II-2. (Continued)

TABLE 7-II-3

ADDITIONAL TERMS AND CONDITIONS
AIRCRAFT

- A. The U.S. Government will provide for movement of aircraft to point of delivery specified on the reverse of the DD Form 1513.
- B. In order to carry out the purpose of this agreement, the U.S. Government will accept title to the aircraft from the contractor, and title to the aircraft will remain with the U.S. Government until arrival at the point of delivery, at which time title passes to the purchaser.
- C. The aircraft will be marked with appropriate U.S. Government markings. The purchaser is liable for the cost of placing such markings on the aircraft and is responsible for removing such markings upon passage of title to the purchaser.
- D. The U.S. Government will not be subject to or held liable for any import fees, duties, or other charges levied by the purchaser.
- E. Date of delivery to destination will be contingent upon the receipt of necessary overflight and other clearances.
- F. The purchaser is liable for all enroute costs including, but not limited to, any maintenance required to insure that the aircraft are in a safe condition, in accordance with current U.S. Government regulations, prior to flight.
- G. It is agreed that there will normally be no U.S. Government/purchaser split crews. If split crews are used, the aircraft commander must be an officer of the U.S. Government who will have command and control over the crew. If more than one aircraft is being ferried, the senior U.S. aircraft commander will have command and control over all aircraft.

TABLE 7-II-3. Additional Terms and Conditions -- Aircraft.

TABLE 7-II-4

ADDITIONAL CONDITIONS
AIRCRAFT FERRYING (PURCHASER-OWNED)

- A. The U.S. Government will provide for movement of aircraft to point of delivery specified on the reverse of the DD Form 1513.
- B. In order to carry out the purpose of this agreement, the purchaser grants the U.S. Government possession of the aircraft. The title to the aircraft will remain with the purchaser.
- C. The aircraft will be marked with appropriate U.S. Government markings. The purchaser is liable for the cost of placing such markings on the aircraft and is responsible for removing such markings.
- D. The U.S. Government will not be subject to or held liable for any import fees, duties, or other charges levied by the purchaser.
- E. Date of delivery to destination will be contingent upon the receipt of necessary overflight and other clearances.
- F. The purchaser is liable for all enroute costs, including but not limited to, any maintenance required to insure that the aircraft are in a safe condition, in accordance with current U.S. Government regulations, prior to flight.
- G. It is agreed that there will normally be no U.S. Government/purchaser split crews. If split crews are used, the aircraft commander must be an officer of the U.S. Government who will have command and control over the crew. If more than one aircraft is being ferried, the senior U.S. aircraft commander will have command and control over all aircraft.

TABLE 7-II-4. Additional Conditions -- Aircraft Ferrying (Purchaser-Owned).

TABLE 7-II-5

ADDITIONAL TERMS AND CONDITIONS
TRANSPORTATION AND SERVICES

- A. U.S. Government agrees to provide transportation services for the items identified on the case of this Letter of Offer to the Point of Delivery. Purchaser's property will be transported at the Purchaser's risk.
- B. Purchaser will accept U.S. Government delivery listings as the basis for billing and proof of shipment.
- C. Purchaser will accept responsibility for clearance of materiel through its customs at the point of debarkation, and for movement of the materiel from its port of debarkation to the ultimate in-country destination.
- D. Purchaser will appoint a duly authorized official to accept and sign for materiel at the port of debarkation, and submit outturn message and report.
- E. Purchaser will absorb losses of materiel the U.S. Government does not in fact recover from an independent carrier or handler, including where the U.S. Government is self-insured.
- F. Purchaser will self-insure such shipments, or obtain commercial insurance without any right of subrogation of any claim against the United States.
- G. The U.S. Government will assist the purchaser in processing any claims that may arise for lost or damaged shipments, in the same manner it processes claims for U.S. Government-owned materiel. Collection of revenue, if any, resulting from approved claims will be credited to the purchaser's account.

TABLE 7-II-5. Additional Terms and Conditions -- Transportation and Services.

TABLE 7-II-6

ADDITIONAL TERMS AND CONDITIONS
SAFEGUARDS FOR CONTRACTOR PERSONNELA. PASSPORTS, VISAS, LICENSES, AND PERMITS

1. The Contractor shall be responsible for timely and complete submission of the necessary information and forms directly to the appropriate government agency for the required passports, visas, licenses, or permits.

2. To ensure the effective and timely performance of this contract, the Government of (country) (GO) ^{1/}, will, within the framework of the laws of GO , ensure the timely issuance of work visas, multiple entry visas, exit visas, work permits, vehicle operator permits, residence permits, in-country travel permits, and any other appropriate licenses or permits as may be required of the Contractor, and its subcontractors, or their personnel and dependents. The Contractor and his subcontractors shall be responsible for the sponsorship of their employees and their dependents and shall process said permits directly with the appropriate GO agency.

3. The GO will receive, without regard to race, religion, sex, or ethnic or national origin, persons of other than (country) nationality imported into (country), under proper authority, to work exclusively on efforts covered by the provisions of this contract, who have U.S. Government issued passports, provided they are technically qualified for the work and meet the security requirements of the GO , and will impose on such person no fee or charges for entry, exit, quarantine, nor will they require work or residence permits for personnel working under this contract.

4. If, notwithstanding the above agreements, (company) incurs costs arising out of any of the conditions described above, the price of the contract implementing this LOA shall be increased accordingly and the costs reimbursed to the Contractor out of funds which will be provided by the GO under this LOA, and the contract delivery schedule shall be appropriately adjusted. Reimbursement shall be limited to those costs incurred, including applicable overhead and General and Administrative (G&A) costs but excluding profit.

B. ACCESS

1. Contractor and subcontractor personnel in (country) in connection with this Program shall be authorized reasonable access to all information (data, plans, and reports) and all existing and proposed offices, sites, and areas within (country) as required to accomplish this effort. The GO shall provide permits, licenses, visas, rights of entry, and any necessary arrangements to insure prompt access by Contractor and subcontractor personnel.

^{1/} e.g., Government of Turkey (GOT)

C. EXPORT OF DATA

1. The Contractor or subcontractor shall not be required to deliver to the Government of (country) nor to any person or entity not a citizen of the United States of America, any technical data produced or utilized under this Program until the Country has been furnished with evidence acceptable to it that such delivery of the data is (1) approved by the Office of Munitions Control of the U.S. State Department pursuant to the International Traffic in Arms Regulations of that Agency, or (2) approval is not required.

D. CURRENCY REVALUATION

1. The financial procedures in this Program are based on the principle that neither the United States nor any U.S. or foreign subcontractors shall realize financial benefit nor incur financial loss by reason of fluctuation in the official rate of currency exchange or currency revaluation. For the purpose of this Program, a currency revaluation is defined as a change in the official rate of exchange between the U.S. dollar and the (country currency) which occurs as a direct result of sovereign decree.

2. If a currency revaluation, or a fluctuation in the exchange rate results in a financial gain or loss to the Contractors, the price of the contract(s) shall be adjusted upward or downward. Such adjustment in contract price shall be negotiated based upon a proposal submitted by the Contractor.

3. (country) currency required by the Contractor for non-United States expenditures in the performance of this Program will be purchased by the Contractor from the GO _____.

E. TAXES, DUTIES AND CHARGES FOR DOING BUSINESS

1. It is agreed that the contract implementing this LOA will include the clause entitled "Taxes, Duties, and Charges for Doing Business (1977 JAN)" set forth in DAR Section 7-103.10(d).

2. The GO _____ further agrees with respect to the (company) (hereinafter referred to as "the Contractor):

a. All property, materiel, equipment, household furniture, appliances and supplies imported into (country) by the Contractor or its subcontractors exclusively for use in support of the Contractor and its personnel and consigned and marked, as required or approved by the U.S. Government shall be exempt from import and export duties, taxes, licenses, excises, imposts, and any other identifiable charges. Duty-free import of major appliances for personnel support shall be limited to one (1) each: stove, refrigerator, freezer, washing machine, clothes dryer, and two (2) each televisions per family, plus a reasonable number of spare and replacement major appliances for use as maintenance requirements dictate. Any of the foregoing which does not become a part of the completed work or otherwise consumed, may at the Contractor's discretion, be removed from (country) or disposed of in (country) free of any restrictions or claims which may

TABLE 7-II-6. (Continued)

arise by reasons of such removal or disposal, except that any applicable custom duty, tax or charges will be paid in the event of sale or disposal in (country) to a purchaser other than an agency of the GO _____ or other person entitled to duty-free importation. The Contractor shall maintain any inventory control and accounting system adequate to reflect the usage and disposition of all Contractor-owned property which has entered (country) duty-free under this contract.

b. The GO _____, its agencies, and political subdivisions shall levy no taxes or fees (including taxes on individual or corporate income or property, customs or import duties and other taxes on employee personal household goods, supplies and personal effects imported into (country) for personal use) on the Contractor, its subcontractors, the employees of either and the dependents of such employees. Duty-free entry of employee/dependent personal household goods, supplies or personal effects shall be limited to (1) the shipment of personal household goods, supplies and personal effects identified by (company) as the employees' initial shipment; (2) the personal household goods, supplies and personal effects shipped or carried by an employee or his dependents when returning from leave or duty outside (country) to the extent such items are allowed duty-free entry under the GO _____ customs laws in effect on 1 June 1977; and (3) the shipment of an additional 100 pounds per family member of personal household goods, supplies and personal effects identified by (company) as the employees' employment extension shipment. Duty-free import of major appliances for personnel support is limited to those items described above and imported in the name of the Contractor. In their individual capacity, contractor employees are not authorized duty-free import of major appliances or automobiles. Furthermore, this tax exclusion does not apply to the GO _____ taxes levied on the purchase of personal household goods, supplies or personal effects or automobiles in the country of (country) by the employees of the Contractor or employees of its subcontractors. This paragraph does not apply to (country) employees of the Contractor or (country) subcontractors or their employees.

3. If, notwithstanding the above agreements, taxes, duties, or similar charges are imposed by the GO _____ under the excepted circumstances described above, costs thereby incurred by the Contractor shall serve to increase the contract price and will be reimbursed to the Contractor at cost, including applicable overhead and G&A, but excluding profit, out of funds which will be provided the GO _____ under this LOA.

4. The GO _____ agrees that the appropriate agency of the GO _____ will implement any policy guidance necessitated by this provision.

F. LIMITATION OF CONTRACTOR LIABILITY

1. The GO _____ agrees, with respect to the Contractor:

a. To waive any or all claims which it has or may have against the Contractor, its agents, officers, and employees, for damage, loss or destruction of property, or for injury to or death of persons, arising out of the Contractor's participation in this Program in the absence of gross negligence or willful misconduct on the part of the Contractor, its agents or employees.

TABLE 7-II-6. (Continued)

b. To indemnify and hold harmless the Contractor, its agents, and employees against all claims arising directly or indirectly by reason of injury to or death of persons or loss or damage to property, out of the Contractor's participation in this Program, in the absence of gross negligence or willful misconduct on the part of the Contractor, its agents or employees.

c. In the event any other Contractor or party asserts any claim or commences any action in the (country) courts or elsewhere against the Contractor because of program efforts, the GO agrees to cooperate fully in the defense of such claim or action including the furnishing of witnesses and evidence at the GO expense. Except for claims or losses arising out of any breach of this contract or subcontractors thereunder or violations of any statute of the United States by the Contractor, the GO agrees to indemnify the Contractor against any judgments or losses which may result from claims or litigation and to reimburse the Contractor for the expense resulting from any such action.

d. To accept full responsibility for the security and safekeeping of GO real and personal property located on its military bases or installations. The Contractor, its agents, officers, or employees shall not be liable for any damage arising directly out of a breach or failure of the GO security procedures, however caused.

e. The GO shall provide adequate security to protect the personnel and property of the U.S. Government, and its Contractors or subcontractors located on GO military bases or installations.

f. The term "agents" as used in this paragraph includes subcontractors.

2. If, notwithstanding the above agreements, (company) incurs costs arising out of any of the conditions described above, the price of the contract implementing this LOA shall be increased accordingly and the costs reimbursed to the Contractor out of funds which will be provided by the GO under this LOA. Reimbursement shall be limited to those costs incurred, including applicable overhead and G&A, but excluding profit.

G. SPECIAL CONTINGENCIES PROVISION

1. It is understood that no contingency pricing has been included in this LOA for items a. through d. set forth in paragraph 2, below.

2. The GO agrees, with respect to the Contractor, that in the event of the following situation(s) occurring as a result of effort performed in support of this LOA in (country), an adjustment to the resulting contract(s) will be made for:

a. Costs incurred due to actions brought against the Contractor or subcontractors under (country) Labor or Social Insurance Laws, provided such actions were not caused by conduct prescribed by other laws or willful contravention of (country) Labor or Social Laws.

TABLE 7-II-6. (Continued)

b. Additional costs incurred resulting from GO _____ prevention of shipment of Contractor or employee belongings in or out of _____ (country) within 120 days of the date such property is made available for shipment where transportation is otherwise reasonably available.

c. An increase or decrease in costs incurred by the Contractor resulting from war, armed conflict, insurrection, nationalization, civil or military strife, or similar conditions, or acts of God where the safety of the Contractor and subcontractor personnel is threatened, and where retention or replacement of such personnel is required; and damage or loss as a result of conditions listed above to property owned by the Contractor, subcontractor, or employees. Whether to retain or replace such personnel shall be within the sole discretion of the U.S. Government.

d. An increase or decrease in costs incurred by the Contractor or its subcontractors resulting from the GO _____ changing any laws, regulations, or policy in effect on the acceptance date of this LOA.

3. It is understood that no adjustment shall be made due to the above situations:

a. to the extent that performance would have been delayed or interrupted or that costs would have been incurred due to any circumstances not set forth in 2, above.

b. to the extent that performance would have been delayed or interrupted or that costs would have been incurred due to the fault or negligence of the Contractor; or

c. for which any adjustment is otherwise provided or excluded under any other provision of the resulting contract, such other provision shall be enforced in accordance with its terms.

4. The adjustments provided for in this provision may be made in the delivery or performance dates and any other provision of the contract implementing this LOA, affected by the above conditions. Upward or downward adjustments may also be made in the contract price, but shall be limited to actual costs, including overhead and G&A, but excluding profit. DAR, Section XV, Cost Principles, shall be used in determining the amount of any price adjustment, and is not superseded by any provision herein. Costs reimbursed to the Contractor under this provision shall be paid out of funds which will be provided by the GO _____ under this LOA.

TABLE 7-II-6. (Continued)

SECTION III - FINANCIAL PRINCIPLES AND PROCEDURES

A. PURPOSE. This section provides a general description of the financial principles and procedures which apply to FMS transactions. It is designed to provide an overview of FMS financing and the responsibilities of DoD components. Detailed guidance on the financial functions of pricing, preparation of billings, and accounting is included in DoD 7290.3-M, Foreign Military Sales Financial Management Manual.

B. RESPONSIBILITIES AND REQUIREMENTS.

1. The Assistant Secretary of Defense (Comptroller) [ASD(C)]. The ASD(C) establishes FMS financial policies. The Comptroller, DSAA, directs and supervises the financial implementation of the FMS program. Defense agencies carry out the policies established by the ASD(C) and implement procedures promulgated by DSAA. Specific division of responsibilities/authorities are set forth in the following instructions:

a. Responsibilities.

- (1) DoDD 5105.38, Defense Security Assistance Agency (DSAA).
- (2) DoDD 5132.3, DoD Policy and Responsibilities Relating to Security Assistance.
- (3) DoDD 5132.11, Security Assistance Accounting Center (SAAC).

b. Program Execution.

- (1) DoD 7290.3-M, FMS Financial Management Manual.
- (2) DoDD 2140.2, Recoupment of Nonrecurring Costs on Sales of USG Products and Technology.
- (3) DoDI 2140.4, Collecting and Reporting of Foreign Indebtedness within the Department of Defense.

2. Executive Agent for SAAC. The U.S. Air Force, as Executive Agent, is responsible for operating the Security Assistance Accounting Center, Denver, Colorado, 80279, which centrally performs FMS billing, cash collection, Trust Fund management, and administrative fee accounting for all DoD components.

3. Full Recovery of Costs. The Department of Defense performs three principal actions during the life cycle of a sale. First, DoD provides FMS purchasers with price and availability estimates and concludes sales agreements. Second, DoD renders financial billings for costs incurred and accounts for collections. Finally, DoD delivers the materiel or services. As explained earlier, the Arms Export Control Act (AECA) and predecessor legislation generally requires that DoD manage the FMS Program at no cost to the U.S. Government. Therefore, DoD financial policies and procedures for pricing defense materiel and services, administering FMS cases, reporting deliveries of materiel or services, and rendering FMS billings are designed to fulfill this legal requirement. While the DD Form 1513 makes it mandatory for the

purchaser to pay for the full value of FMS transactions regardless of terms of sale specified for individual cases, it is DoD policy to promptly advise purchasers of the need for substantive changes to agreement terms or estimates via either case amendment or modification, as applicable (see Chapter 8, this Manual). Misunderstanding by the purchaser of his financial commitment or of changes to that commitment inevitably results in criticism.

C. BASIC PRINCIPLES.

1. Recovery of Costs.

a. Payment to Cover All Costs. The DoD will conduct financial management of the FMS program at no cost to the U.S. Government, as required by the AECA, and insure prompt and complete accounting to the FMS purchaser. Achievement of this end requires a thorough understanding of the policy and procedures for pricing items or services furnished, preparation of FMS documents, reporting of delivery, performance or progress payments, and administering and closing FMS cases by all elements administering the program.

b. Payment in U.S. Dollars. In compliance with the AECA, Annex A of the DD Form 1513, contains provisions which make it mandatory for the FMS purchaser to pay in U.S. dollars for the full value of the transaction, regardless of the estimated costs, payment schedule, or terms of sale specified on the LOA.

2. Financial Administration of the FMS Program.

a. Trust Funds. A separate trust fund has been established to account for payments received from customers and disbursements against implemented FMS cases. This fund can be either cited directly on contracts for the procurement of defense articles/services for that customer, or can be used to reimburse MILDEP appropriations for deliveries from DoD stocks, or procurement. DoD policy for use of direct cite or reimbursable method of funding is set forth in DoD 7290.3-M.

b. The SAAC Responsibility. The SAAC has been established as the central DoD office for dispatching billings to, and receiving payments from FMS customers. This central office provides the customer with a single source to which payments can be made, and to which queries concerning these payments or other financial matters can be addressed.

c. Payments to Trust Funds. Cash payments deposited to the customer trust fund other than for initial deposits are based on requests for funds (FMS Billing Statement, DD Form 645) submitted by the SAAC. FMS customers are provided detailed information in support of billings for defense articles, defense services, design and construction, and related surcharges. SAAC is responsible for assurance that sufficient cash is available from the foreign government to cover costs already incurred (i.e., accrued expenditures) or to be incurred during the remainder of the current quarter, and to meet all potential charges to be incurred during the forthcoming 90 day period; e.g., contractor progress payments, contractor holdbacks, potential termination charges, deliveries from DoD inventories, etc. Therefore, billings will be the amount shown on the payment schedule (financial annex) attached to the DD Form 1513, or the quarterly forecast of the financial

requirements associated with the case, whichever is greater. The quarterly forecast will include accrued expenditures through the billing cutoff plus estimates of the costs to be incurred on behalf of the FMS customer through the calendar quarter following the quarter in which the bill will be mailed; i.e., a statement prepared in January (December cutoff with payment due March 15) will project financial requirements through June (see Figure 7-III-1). Accumulation of large unexpended balances in customer trust accounts for substantial periods must be avoided, except where related to contract hold-backs and other accrued or potential liabilities.

d. Excess Payments. Cash payments received for an individual FMS case may be in excess of the final charges. With customer approval, these funds can be retained in the customer's account and applied against other FMS cases. Upon customer demand, however, these overpayments will be refunded at the time the FMS case is closed provided there are no collection delinquencies for other FMS cases for that customer.

D. PRICING OF FMS TRANSACTIONS.

1. General. Defense policy outlined in DoD 7290.3-M, June 1981, establishes the pricing criteria for FMS of defense articles and defense services furnished to eligible foreign countries and international organizations. In compliance with the AECA, DoD pricing and financial procedures will provide for the charging of all DoD direct and indirect costs, including applicable surcharges. The P&R, P&A, or LOA will provide estimated price and availability data, and/or firm data, as indicated below.

2. Articles from Defense Stocks.

a. Authority. Section 21 of the AECA authorizes the sale of defense articles from stock to eligible foreign countries or international organizations. Pricing of defense articles from DoD stocks will be handled according to DoD 7290.3-M, Section 702.

b. Pricing Principles. Standard prices will be used when nonexcess materiel is to be sold, and no inventory replacement is required. For the sale of principal or major items a test is required to determine if a requirement for inventory replacement is created as a result of the sale. When an article is supplied from inventory with replacement required, the FMS selling price will be the best estimate available at the time of drop from inventory. When no replacement is required, the price will be based on the most recent actual procurement cost of the "series" and "model" being sold, and will consider any modifications or improvements, as well as desirability or utility due to age or condition.

c. Quotation of Firm Prices. DoD components will quote firm prices when offering principal or major items from DoD stocks as provided in DoD 7290.3-M, Section 702. All LOAs offering principal or major items from DoD stocks will be coordinated with the DSAA Operations Directorate. In the exceptional instances where a MILDEP recommends that firm prices not be quoted, the rationale will be identified during the coordination process.

3. Articles from Procurement.

a. Authority. Section 22 of the AECA authorizes the sale of defense articles from procurement to eligible foreign governments and international organizations. Pricing of defense articles from procurement will be in accordance with DoD 7290.3-M, Section 703 and will include full DoD contract costs and authorized surcharges.

b. Purchaser Obligations and Contracting Principles. The purchaser is obligated to pay all costs incurred by the U.S. Government as well as any damages or costs that may accrue from the purchaser's cancellation of the contract. In general, defense articles shall be priced on the same basis as the cost principles used in pricing defense contracts for items for DoD use. However, recognition shall be given to reasonable and allocable contractor costs which are justified in connection with a particular sale (see DoD Federal Acquisition Regulation Supplement, 25.7304(c)). *

c. Use of Estimated Prices. To assure that all costs are covered in the DoD pricing, quotations on defense articles and defense services will be cited as estimated prices, with final adjustments to be established after delivery of items from production or the rendering of services. The DD Form 1513 will indicate that prices for articles and services from procurement are estimated prices.

4. Authorized Surcharges. Prices of defense articles and services sold to eligible foreign countries and international organizations will include the following surcharges when applicable:

a. Accessorial Charges. These charges 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, Crating and Handling. Packing, crating, and handling (PC&H) costs are costs incurred for labor, materiel, or services in preparing the materiel for shipment from the storage or distribution point.

(2) Transportation. Transportation charges include inland (second destination) and ocean transportation costs representing shipments by land, sea, air, inland and coastal waterways, vessel or air, and including parcel post via surface or air. (NOTE: There are exceptions to charging second destination transportation costs, i.e., CLSSA.)

(3) Port Loading and Unloading. These are costs for labor, materiel or services at ports of embarkation or debarkation.

(4) Prepositioning. Supply distribution costs incurred by 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.

(5) Staging. These costs are for aggregation or prepositioning of materiel in U.S. facilities within the CONUS.

b. Administrative Charges.

(1) Scope. An administrative charge shall be added to all FMS cases to recover DoD expenses related to the administration of the FMS transactions in accordance with Section 21(e)(1)(A) of the AECA. (Normally, the charge will be three percent, however, in certain instances a five percent charge will apply.) See DoD 7290.3-M, Section 705, for the appropriate administrative charges which must be included in FMS cases. If the LOA contains both standard and non-standard items, they must be cited as separate line items on the LOA.

(2) Cancellations. In the event that the FMS purchaser cancels an entire FMS case (LOA or Amendment) at any time prior to the delivery of all articles and services involved, the following guidance applies:

(a) Guidance Regarding Cancellation of FMS LOAs.

- Standard Defined Order Cases. On standard defined order FMS cases 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.

- Non-Standard Defined Order Cases. On FMS cases which provide for 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.

- Blanket Order and CLSSAs. On Blanket Order FMS cases or FMSO II cases, the administrative charge will be three percent of the delivered value at case closure. For FMSO I transactions the applicable charge is five percent.

(b) LOA Notes Regarding Cancellation Charges. A note should be placed on LOAs and amendments which indicates to the FMS purchaser the appropriate administrative charge which would be assessed should the entire LOA or amendment be cancelled.

(c) Approval to Assess a Cancellation Charge. The DSAA Comptroller and Operations must approve the assessment of the one percent cancellation charge on applicable FMS cases. DSAA countersignature of a DD Form 1513-2 decreasing the dollar value of a cancelled FMS case does not constitute this approval. When case closure certificates are submitted to the DSAA for review, the following information is required:

- A copy of the FMS case, including all amendments or modifications.

- Either a copy of correspondence pertaining to the cancellation or a written explanation as to the reason why the case was cancelled. The explanation should identify whether the items on the LOA were placed on contract by the MILDEP and whether the DoD incurred any "out-of-pocket" costs in implementing or cancelling the LOA.

Note: Administrative cancellation charge does not apply to cases closed with zero deliveries/expenditures. SAAC is authorized to automatically close these cases without applying an administrative fee.

- The name and telephone number contact of an individual cognizant of the case to whom inquiries could be directed.

(3) Annual Administrative Budgets. DoD components incurring costs in support of FMS programs will prepare annual budgets for related administrative expenses in accordance with Chapter 13, Section I, this Manual.

c. Review of Accessorial and Administrative Rates. 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 U.S. Government shall be submitted through the Director, DSAA, 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. See additional guidance in DoD 7290.3-M, paragraph 71801.

d. Nonrecurring Cost (NRC) Recoupment Charges.

(1) Background. Section 21 of the AECA requires that, in selling defense articles to foreign governments and international organizations, an appropriate charge be made for a proportionate amount of any nonrecurring cost of research, development, test and evaluation (RDT&E), and production of major defense equipment (MDE).

(2) DoD Component Responsibility. As a matter of DoD policy the 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. DoD components must 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 and prior approval of alternative costing methods must be obtained from the OSD Comptroller (Accounting Policy), with DSAA concurrence. The costs to be applied against the foregoing threshold levels shall normally be determined based upon the system roll-away, sail-away or fly-away cost of the end item, and assessments for product sales shall be made on the basis of end item sales. In the event an end-item contains one or more components which individually meet these thresholds, recoupment will be made on both end item and component sales. Nonrecurring RDT&E costs are those costs funded by an RDT&E appropriation to develop or improve the product or technology. This includes costs of any engineering change proposal (ECP) initiated prior to the date of the contract with the customer, as well as projections of such costs, to the extent additional effort applicable to the sale model or technology is necessary or planned. It does not include costs funded by either procurement or operations and maintenance appropriations to improve the product or for costs of publications. The costs of such improvements are recurring costs and will be recovered in accordance with DoD 7290.3-M. Nonrecurring production costs are those one-time costs incurred in support of previous production of the model specified and those costs specifically incurred in support of the total projected production run from which delivery is to be made which would normally be expenses against a production run. These nonrecurring costs include such costs as preproduction, special tooling, special test equipment, production engineering, product improvement, destructive testing, and pilot model production, testing, and evaluation. They do

not include costs of government property or facilities for which rental or asset use charges will be assessed. "Special" nonrecurring RDT&E production costs are those incurred at the request of, or for the benefit of, the customer in developing a special feature or unique requirement. These "special" costs must be paid by the customer as incurred. The objective of applying these recoupment charges is to ensure that a purchasing customer pays a fair price for the value of DoD "sunk" investment costs. The pro rata recoupment charge is to be included in the FMS or direct commercial sales price of the product or technology unless reduced or waived as outlined in paragraph (8) below.

(3) DSAA Approval. Prior to applying pro rata nonrecurring cost recoupment charges to sales of items on the MDEL, components will insure that the proposed pro rata charge has been approved by the Director, DSAA. Approval will be requested only for MDE items, and for which there has not been an approved nonrecurring cost pro rata charge established since 5 January 1977.

(4) Format. Requests for approval of pro rata charges for each MDE item will be submitted on the format shown in Chapter 7, Section I, Figure 7-I-1. U.S. Government nonrecurring RDT&E and U.S. Government nonrecurring production costs 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 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 cited, as applicable.

(5) Pro Rata Charges Determined Before 5 Jan 1977. 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 the DSAA will be submitted to Director, DSAA, in the format of paragraph (4), above.

(6) Direct Commercial Sales. As a matter of policy, the DoD requires that, in the case of direct commercial sales of defense items to foreign countries and international organizations, the U.S. contractor must collect and pay to the cognizant MILDEP the appropriate nonrecurring cost recoupment charge for the items being sold. MILDEPs will insure that they have in place an operative system for assessment, monitoring, collection, and reporting 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) Applicable Items. The development of complete lists of non-MDE and MDE items under the cognizance of the MILDEP which require assessment of a nonrecurring cost recoupment charge in accordance with DoDD 2140.2 and a reference to the contracts in which the recoupment clause applicable to the items is or was contained.

(b) Cross-Reference of Export License Requests. The cross-referencing of all export license requests processed by the MILDEP

against these lists to determine whether the commercial sale is required to have a nonrecurring cost recoupment charge assessment.

(c) Editing Munitions Control Export Licenses. The Munitions Control Export Licenses will be annotated to indicate the amount of nonrecurring cost recoupment charge which the contractor is required to reimburse to the U.S. Government, and indicate the office in the MILDEP to which the payment is to be made. It is emphasized that this process should in no way delay the expeditious handling of Munitions Control Export Licenses. In the event that appropriate nonrecurring cost recoupment charges have not been determined for a particular item, the munitions control license should be annotated only to show that a charge may be required, and that the contractor is directed to contact the designated MILDEP administrative or procurement contracting officer to ascertain the specific recoupment charge. Recommendations 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 MILDEP knows that the applicant does not have a current contractual obligation with the United States Government to make such payments.

(7) Reporting. Collections received both from FMS and commercial sales transactions will be reported in the DSAA(Q)1112 report required by DoDD 2140.2. This report will be submitted quarterly by each DoD component, to DSAA Comptroller, within 45 days of the end of each quarter. *

(8) Reductions and Waivers.

(a) The pro rata recoupment charges may be reduced or waived for particular sales that would, if made, significantly advance U.S. interests in standardization with NATO, NATO member countries, Australia, Japan, or New Zealand. As used hereafter, the word "waiver" includes reductions. Waivers will be considered only where it is demonstrated clearly that a particular sale will significantly advance U.S. interests in standardization. The burden of such demonstration rests with the purchasing foreign government or international organization. Waivers will be considered only on a case-by-case basis taking into account the unique circumstances of the particular transaction. Waivers must be specific by law, and blanket waivers are not provided by either the broad "Defense Cooperation Agreements" or other general memoranda of understanding. Full waivers solely on the basis of standardization may be granted to eligible countries for which materiel Grant Aid, credit at concessional rates of interest, or credit with repayment forgiven has been approved for the current fiscal year.

(b) For all countries and organizations other than those specified in the preceding sentence, there will be a presumption against granting a waiver unless additional or unusual benefits can be demonstrated. Such benefits must be clearly identifiable and generally attributable to a unique military, foreign policy, or economic advantage of the sale. A description of such benefits will be included in documentation relating to the case. Seldom, if ever, will nonrecurring cost charges be waived for programs involving offshore production of major components, unless such programs are subject to the AECA, Section 27.

(c) Authority to approve waivers is vested in the Secretary of Defense and delegated to the Director, DSAA. A waiver request will be considered by DoD only if it is initiated by the country or international organization involved, and forwarded to the Director, DSAA. The Director, DSAA is responsible for obtaining coordination of DoD activities concerned, and for submitting cases involving opposing views to the Secretary of Defense for decision.

(d) This policy applies to all sales, direct commercial as well as government-to-government (FMS), and regardless of whether the items involved are classified as "major defense equipment" or "non-MDE." It will not be construed, however, as nullifying or modifying in any way specific government-to-government agreements or specific memoranda of understanding for waiver of nonrecurring costs or asset use charges that were executed in writing and signed by all concerned prior to 1 January 1982.

e. Charges for Use of U.S. Government-owned Facilities, Plant and Production Equipment. Sale of defense articles to any foreign country or international organization shall include appropriate charges for any use of U.S. Government-owned facilities, plant and production equipment in connection with the production of the defense articles. Charges for use of U.S. Government-owned facilities, production and research property shall be assessed whether on an FMS or a direct commercial sale, where such U.S. Government owned property is being used in performance of services or manufacture of articles for foreign countries or international organizations.

(1) Asset Use Charges. Sales of defense articles which were produced in government-owned facilities or with government-owned plant and production equipment shall be priced to include an asset use charge, except where the production of the defense articles was subject to rental charges for use of DoD facilities, plant and production equipment. Asset use charges will be calculated in accordance with the provisions of DoD 7290.3M, Section 706.

(2) Rental Charges for Use of DoD Assets. Sales of defense articles which were produced in government-owned facilities or with government-owned industrial plant and production equipment, for which a rental is assessed in accordance with the provisions of DOD FAR Supplement 45.4 and FAR 52.245-9, will be priced to include the appropriate rental charge. When there is a provision for rental charges for use of U.S. facilities, plant, production or research property, in the DoD facilities contract, the rental charge will be assessed. The asset use charge applies only to FMS when there is no provision for rental charges. At no time will both a rental charge and an asset use charge be applied to the same defense articles on an FMS transaction.

(3) Use of U.S. Industrial Plant Equipment (IPE) for Work for Foreign Governments or International Organizations. Non-government use of U.S. Government-owned industrial plant equipment requires prior written approval of the contracting officer or Departmental level approval depending upon the percentage of usage, in accordance with the provisions of the DOD FAR Supplement 45.407.

(4) Use of U.S. Production and Research Property for Work for Foreign Countries or International Organizations. Non-government use of U.S.

production and research property for foreign procurement requires the prior written approval of the MILDEP having cognizance of the property. Such approval may be granted only if use will not interfere with U.S. requirements, and the work is in support of FMS or a direct commercial sale approved under the terms of the AECA. Either the asset use or applicable rental charges will be assessed.

(5) Waiver or Reduction of Asset Use/Rental Charges for Use of DoD Assets. Requests for waiver or reduction of asset use/rental charges will be considered for particular sales which would, if made, significantly advance U.S. Government interests in standardization with NATO, NATO member countries, Australia, New Zealand, or Japan. Waivers will be considered only where it is demonstrated clearly that a particular sale will significantly advance U.S. interests in standardization. The burden of such demonstration rests with the purchasing foreign country or international organization. Requests from foreign countries can be submitted directly to the Director, DSAA. In the event the request is provided by the country to the contractor, it should be submitted to the contracting officer who shall refer it through procurement channels to the Director, DSAA, ATTN: Operations Management Division, for consideration and decision. Contracting officers should consider and indicate any potential interference with U.S. requirements prior to forwarding a waiver request for the DSAA, and assure that the request identifies the total amount of charges involved.

f. Quality Assurance, Inspection, and Contract Audit Services.

(1) Refer to DoD 7290.3-M, paragraph 70305 for detailed guidance on recovering these charges.

(2) Quality assurance and 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 country which is a member of NATO, or pursuant to an FMS case with such NATO country, may be provided without charge if such government provides such services in accordance with an agreement on a reciprocal basis, without charge, to the U.S. Government.

(3) 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 programs provide such services, without charge, in connection with the similar contracts or subcontracts.

(4) Agreements for the provision of such services without charge will be implemented by the Director, DSAA under authority of AECA, Section 21(h) and Public Law 96-29 (NATO E3A).

(5) A listing of approval agreements is provided at Figure 7-III-2.

g. Termination Liability Reserve.

(1) MILDEPs implementing foreign military sales agreements are responsible for the determination of costs of potential contract termination

and for ensuring that this amount is collected in advance and held in reserve. These costs are the best estimate of the liability that would accrue to the U.S. Government should a particular sales case or agreement be terminated prior to its normal anticipated completion date. For many agreements, potential contract termination costs will change regularly as contracts are awarded, work progresses, purchaser payments are received, and deliveries are made; therefore, reserves will be adjusted accordingly. All LOAs with sales from procurement require termination liability reserves to be included in the payment schedules. *

(2) The Director, DSAA will be informed of actions taken to determine and collect termination reserves by the submission of Termination Liability Worksheets. These worksheets are required as part of the financial analysis forecasts for LOAs with a total value of seven million dollars or more and will be provided to the DSAA when LOAs are forwarded for countersignature. Further guidance on this requirement and a worksheet format can be found in Section II.

E. DIRECT CHARGES TO FMS CASES. Program management costs, although generally overhead in nature, are to be charged directly to FMS cases rather than to be reimbursed from the FMS administrative funds.

1. Criteria for Charging Such Costs. Those costs which are incurred solely in support of a single FMS program should be charged directly to FMS cases. A single FMS program is an FMS case, or multiple FMS cases, written to satisfy a country request for a major force improvement or for major management assistance from the DoD. Examples of previous programs which involved program management costs include the Saudi Arabian National Guard Modernization (Army), Saudi Naval Expansion Program (Navy), and Peace Hawk V (USAF), Appropriate program management costs include temporary duty (TDY), the expenditure of the equivalent of one or more man-year of effort solely in support of a single FMS program, and supplies or materials. The criteria for determining whether such costs are chargeable directly to an FMS case are:

(a) TDY and other incremental costs must be incurred solely for implementation of the single FMS program (i.e., for a single FMS case or multiple cases related to a single country purchase). TDY and similar FMS costs incurred for overall program management, even if such costs are incurred only for one single country (e.g., for an overall review of an entire FMS country program), are chargeable to FMS administrative funds.

(b) At least one man-year equivalent of effort must be devoted solely in support of implementing a single FMS program. The effort may consist of either "full time" man-years or the sum of "part time" man-years, providing the charge meets the criteria of this subparagraph and subparagraph e. below. Personnel effort will not be charged against case management lines unless it can be demonstrated that the DoD organization involved has either increased its staff as a direct result of the program implementation, or has made an organizational change directly related to the need to rearrange manpower effort in order to implement the program involved. Such costs are most likely to be incurred in CONUS program management/weapons systems management offices as a result of significant additional workload caused by consummation of a major systems sale. General manpower efforts in behalf of FMS, even if incurred for one specific FMS purchaser (e.g., FMS country desk

officers), or less than one man-year of effort in implementation of a single program are reimbursable from the FMS administrative fund. General manpower efforts and those of less than one man-year will not normally be a direct charge to the FMS case. Additional criteria for identifying case management costs are included in subparagraph e., below.

(c) All costs of services performed overseas in support of specific programs are chargeable directly to appropriate line items on FMS cases. Examples of such costs include weapons systems liaison officers, quality assurance teams, and special overseas assignment of personnel for program management and contract administration. In the latter instance, costs of contract administration will be directly charged to cases at actual costs.

(d) The cost of supplies, material, and equipment is properly chargeable directly to the FMS case if it can be demonstrated that the procurement of such items was made solely for the purpose of administering and implementing the FMS case involved.

(e) It is recognized that the functions performed under case management lines are administrative efforts similar to the general types which are chargeable against the FMS administrative fund. The distinction is that case management charges not only are identifiable to a single FMS program, but also are clearly "over and above" routine management actions which must be taken to implement any FMS case; e.g., costs incurred in preparing a Letter of Offer. The establishment of a case management line, particularly one which contemplates charging at least one man-year costs directly against a case, requires a management judgment that an exceptional degree of management effort is necessary to assure successful program implementation. This judgment is a unilateral one on the part of the U.S. Government: i.e., the prospective purchaser is informed that the FMS program cannot be implemented unless extraordinary management costs are incurred. Since the inclusion of the special charge carries a degree of foreign policy connotation, the services to be provided under case management lines must be clearly defined within the LOAs. Additionally, the Director of Security Assistance of the Military Department involved, or his designee, must approve the inclusion of a case management line in excess of \$100,000.

(f) As defined above, case management costs exclude those DoD costs incurred to perform specific management or other services as a direct result of a country request to perform such services. They also exclude services (e.g., engineering support) directly related to providing the end product which the case is designed to produce. These latter costs, while chargeable directly to a FMS case, are considered to be technical assistance rather than case management costs. For cases which include costs for both case management and for DoD services which are inherent to the purpose of the case, the estimated costs may be presented as single line item identifiable to the specific description of the services inherent to the case.

2. DD Form 1513 Presentation. Program management costs will be included in the LOA as a separate line item. Cost estimates will be based on an analysis of the effort required for program management from inception to completion. The line item should be entitled "Case Management Costs" (cite Generic Code L8A and NSN 018100 Case Management), and explanatory notes as to

such costs should be included in the LOA to the extent required to explain them to the purchaser.

3. Military Department Delivery Reporting. MILDEPs will report actual costs incurred to the SAAC as "Services Performed". Personnel costs, including costs of man-days of effort performed while on TDY, will be priced in accordance with instructions in DoD 7290.3-M. The SAAC will submit billings to countries for such costs in accordance with normal FMS procedures.

F. GOVERNMENT-PROVIDED ENGINEERING SERVICES.

1. Criteria for Charging Such Costs. Government-furnished engineering services may be specifically requested by the purchaser, or costs may be incurred to provide such services as a necessary part of the management of the production run of certain items of equipment being sold under FMS. Those services specifically requested by the purchaser will be offered on LOAs, reported and billed in the same manner as any other service sold under FMS. The criteria for determining whether government-furnished engineering services associated with equipment purchases should be charged directly to an FMS case are:

a. While the service may not be requested by the purchaser, the performance of the service is necessary for the production, configuration control, or reliability of the item or families of items being sold. The costs to be charged for such services will be the proportionate share of man-years needed for the FMS items being produced. As a general proposition, the costs will be derived by pro-rating total engineering costs by the ratio of items being produced for FMS purchasers to the total items being produced in the same time frame.

b. These DoD costs must be allocable to a specific program rather than be performed to benefit the FMS program in general. Virtually all man-years associated with FMS-related engineering tasks are allocable; however, it is recognized that some engineering man-years may be required for general FMS administration and, upon proper documentation that the cost of such man-years cannot be allocated to FMS case lines, they may be charged to the FMS administrative budget or fund.

c. As indicated in DoD 7290.3-M, engineering costs are chargeable * directly to an FMS case only if they are recurring in nature, and are related to a current production run in which FMS materiel is being produced. Non-recurring costs are recoverable via policies and procedures included in DoDD 2140.2.

2. DD Form 1513 Presentation. Estimated costs of providing engineering services associated with production of purchased items will be included in the estimated unit costs of the item being purchased. Thus, the LOA item price will include not only the estimated contract cost to produce it (including government-furnished material) but also the cost of services required to assure its purchaser production in the correct configuration. Such costs will also include the pro-rata share of government-furnished testing and evaluation services.

3. Military Department Delivery Reporting. Military Departments will include the appropriate pro-rata share of applicable government-furnished engineering service costs in the reported unit price of the purchased item. SAAC will submit billings to countries at the full unit price reported by the Military Department.

G. ASSET USE CHARGES FOR ITEMS PROVIDED FROM INVENTORY.

1. Criteria for Charging Such Costs. DoD 7290.3-M, requires an asset use charge of 1% to be applied to the materiel base price for articles sold from DoD inventories.

2. DD Form 1513 Presentation. Whenever it is practicable to estimate the value of materiel to be furnished from DoD inventories, the amount of the estimated asset use charge will be included in Block 25 of the LOA. The following note will be included in all LOAs which include requirements which possibly could result in shipments from DoD inventories:

"An amount of 1% will be added to the price of items provided from DoD inventories, so as to cover costs incurred for use of U.S. Government facilities."

3. Military Department Delivery Reporting. The MILDEPs will report inventory item shipments to SAAC at stock list price or replacement price as applicable. The MILDEPs will not include the value of the asset use charge in such delivery reports. At case closure a certificate will be submitted from the MILDEP to SAAC exclusive of the asset use charge. SAAC will assure the 1% asset use charge is reflected in the final case value.

4. SAAC Billing and Reimbursement Procedures. SAAC will process reported deliveries of items from inventories (based on delivery source code) so as to add a surcharge of 1% to the value of the reported inventory shipments. Delivery documentation forwarded to purchasers as a part of billing data will reflect the charge separately, in the same general manner used for assessment of PCH&T charges. SAAC will take actions required to assure that proceeds received from the asset use charge are credited to the proper accounts. (NOTE: Effective 1 October 1983, 25% of the asset use charge is treated as an attrition charge to be used to finance replacement of damaged equipment beyond repair. Attrition charge collections are deposited by SAAC into the Attrition Cost Clearing Account. Use of these funds must be authorized by DSAA. When equipment is damaged beyond repair because of FMS student error, a report of the loss and request for funding to cover procurement of the replacement items shall be submitted to DSAA Comptroller for approval.) *

5. Applicability. These provisions do not apply to the application of rental charges made under the provisions of the FAR for items provided from procurement initiated to meet FMS customer requirements or to asset use charges for DoD services including training. FAR rental charges for items furnished from procurement will vary depending on the degree of use of DoD facilities and are included in contractor billings. Applicable asset use charges for items manufactured or assembled in government-owned and operated facilities will be included by the MILDEP in the unit cost of the item being produced. Asset use charges for FMS training are to be included in the

tuition rates billed to purchasers. Asset use charges of DoD services are to be included as part of the cost of performing the service.

H. REPLACEMENT PRICE FOR SECONDARY ITEMS.

1. Criteria for Charging Such Costs. The stock list price of procurement funded secondary items furnished from inventory will be increased by a surcharge published by the ASD(C). The surcharge will be included in the item's price and covers the increased costs, anticipated due to inflation, of replacing the item from procurement sources. The inflation factor will not be arbitrarily applied to the price of major items sold from inventories. Replacement prices for major items will be computed in accordance with DoD 7290.3-M.

2. DD Form 1513 Presentation. Most such items will be provided against "dollar lines" form blanket order FMS cases, etc. The dollar values offered in LOA should be in sufficient amounts to cover appropriate replacement pricing for secondary items.

3. Military Department Delivery Reporting. MILDEP Delivery reports will reflect the item selling price as a single price combining stock list price plus the ASD(C) published surcharge amount. SAAC will submit billings to countries in the price reported by the MILDEPs.

4. Applicability. This instruction does not apply to stock fund pricing, but only to central procurement secondary items provided from DoD inventories. As indicated in DoD 7290.3-M, all CLSSA (FMSO II) shipments will be priced at standard price.

I. FINANCIAL ADMINISTRATION OF FMS CREDIT PROGRAM.

1. The FMS credit appropriation and loans guaranteed by DoD provide two sources of initial funding of FMS or direct commercial sales. Annual requirements are defended before Congress by OSD/DSAA. The appropriation is administered by DSAA. Customer payments of principal and interest on the amounts loaned are based upon the terms of individual credit agreements. Specific details on FMS credit management are included in Chapter 9.

J. PREPARATION AND IMPLEMENTATION OF DD FORM 1513, LETTERS OF OFFER AND ACCEPTANCE (LOAs). MILDEPs and other implementing agencies are responsible for preparing LOAs and for establishing estimated price and availability of defense articles, defense services, and design and construction services offered for sale thereon; developing payment schedules; preparing and providing any required accompanying data, e.g., Financial Analysis, Termination Liability Worksheets, etc.; and initiating and processing such amendments or modifications as may be appropriate. Implementing agencies are responsible for negotiating terms of sale for cash sales, in accordance with policy guidance provided by DSAA. They are responsible for establishing management systems necessary to insure prompt implementation of FMS agreements upon receipt of obligational authority from the SAAC, including those systems required to finance, account, and report accomplishment for each individual case. Copies of all LOAs, amendments thereto and certain modifications will be provided to the Comptroller, DSAA, for countersignature prior to submission to the country. This requirement, however, does not satisfy other requirements regarding coordination with the DSAA Operations or Plans Directorates.

K. TERMS OF SALE AND TYPE OF ASSISTANCE CODES (REFER ALSO TO TABLE 7-III-1).

1. General.

a. Applicable Sections of FAA and AECA. An LOA for a sale of defense articles, defense services, or design and construction services may involve Section 503(a)(3) of the Foreign Assistance Act (MAP Merger) and/or one or more of the following sections of the AECA. *

- Section 21. Sale from DoD stocks (includes defense articles and services of DoD personnel except those services provided under Section 29).
- Section 22. Sale from DoD procurement (includes defense articles and services of DoD contractor personnel except those services provided under Section 29.).
- Section 23. DoD direct credit extended to a purchaser to finance a sale from DoD stocks or DoD procurement.
- Section 24. DoD guaranteed credit extended to a purchaser to finance a sale from DoD stocks or DoD procurement,
- Section 29. Sale of design and construction services from DoD stocks or procurement.

b. Use of Terms of Sale on LOAs. Terms of Sale indicate when payments are required and whether the agreement is to be financed on a cash, FMS credit (loan) or MAP funding basis. The implementing agency enters the appropriate Terms of Sale as specified by paragraph 3. below in the "Terms" block (27) of the LOA. If an LOA involves more than one of these terms, the implementing agency will cite on the LOA all of the applicable terms and (except for FMSO I, and Cash with Acceptance) insert the following: "Payment will be in accordance with the provisions of the Financial Annex subject to paragraph B.3.f. of Annex A." *

c. Use of Type of Assistance Codes on LOAs. The implementing agency will cite Type of Assistance codes, as specified in paragraph 4. below, in the "Availability and Remarks" block (18) of the LOA for each line item in the case.

2. Initial Deposits (Refer also to Table 7-III-1).

a. Determining Initial Deposit. The terms of sale and projected date of delivery or performance of services determine the requirement for initial deposit. If delivery of the defense article or service is within 90 days of an LOA acceptance, the purchaser must pay the full amount with acceptance or as demanded by DoD in advance of performance. Cash with acceptance is required when total performance is anticipated shortly after acceptance and before a billing for incremental deposits can be rendered and collected. Most sales of defense articles, defense services, and design and construction services require an initial deposit and incremental payments by the purchaser. Historically, such sales were referred to as "dependable undertaking." By law, however, only sales from procurement sources (Section 22 or Section 29 of the AECA) are dependable undertakings -- sales from DoD stocks require terms of sale of either "Cash with Acceptance" or "Cash prior to Delivery."

b. Payment of Initial Deposits. To accept an LOA, the purchaser may be required to make an initial deposit equal to a portion or all of the estimated value of the FMS agreement. The amount of the initial deposit will be as specified on the LOA and computed in accordance with paragraph c. below, except for FMSO I Agreements. DoD 7290.3-M provides special guidance for computing initial deposits for FMSO I. Where an initial deposit is required, the purchaser is responsible for forwarding payment to SAAC by check or wire transfer at the time of and as an integral part of accepting the DD Form 1513. In the absence of such payment, there is no binding agreement that can be implemented. If the purchaser has excess funds in his FMS Trust Fund Holding Account, he may request use of these funds to pay initial deposit requirements. For that portion of the value of the FMS agreement for which the purchaser need not make an initial deposit, the SAAC will bill the purchaser as required. For those purchasers not authorized direct arrangements for dependable undertaking (see Table 7-III-2), terms of sale on a cash sale from procurement will be "Cash with Acceptance," unless DSAA has provided approval for other financing terms.

c. Computation of Initial Deposit. Except for FMSO I, the implementing agency will compute the initial deposit as follows: The initial deposit must be sufficient to cover the potential charges to be incurred (e.g., contractor progress payments, contractor holdbacks, potential termination charges, deliveries from DoD inventories, etc.) from the expiration date of the offer set forth in the LOA through the day immediately preceding the calendar quarter to which the first bill applies. New FMS agreements can enter the billing system at the SAAC during a particular calendar quarter through the tenth day of the last month of that quarter. A bill is issued as of the close of business of that quarter with payment due 75 days later. The bill covers all costs incurred as of the date of the bill plus anticipated costs through the quarter following the payment due date. Therefore, if the agency anticipates that an LOA will be accepted by the purchaser and will be received by SAAC before the tenth day of the last month of the quarter, the implementing agency should require an initial deposit to cover only the estimated payments due through the end of the first full calendar quarter following the acceptance of the agreement. To illustrate, a new agreement with an expiration date of between 11 September through 10 December would first appear on the billing statement as of 31 December. The 31 December statement would request payment on 15 March for costs estimated to be incurred during the period 1 April through 30 June. Therefore, the initial deposit should cover only the estimated payments due from date of acceptance through 31 March. However, if the SAAC does not receive a new agreement until 11 December, the agreement would first appear on the billing statement as of 31 March. This 31 March statement would request payment on 15 June for costs estimated to be incurred during the period 1 July - 30 September. In this case, the initial deposit should cover all estimated payments due from date of acceptance through 30 June. The payment schedule set forth in a Financial Annex will be based on the foregoing and reflect the date that payment is due. Other than initial deposits, payment due dates are 15 March, 15 June, 15 September, and 15 December. An example is as follows:

Offer Expiration Date: 15 December
Initial Deposit: Costs to be incurred
 from date of acceptance through 30 June
First Forecast Quarter in Payment Schedule:
 1 July thru 30 September
"As of Date" of Billing: 31 March
Approximate Mailing of Billing: 15 April
Payment Due: 15 June

(1) Detail guidance for determining initial deposits and preparation of payment schedules is given in DoD 7290.3-M, Chapter 4. Figure 7-III-1 summarizes the above dates as viewed by the SAAC as the responsible authority for assuring the adequacy of cash deposits from FMS purchasers. *

3. Terms of Sale. Terms of Sale and related statements to be used on LOAs are as follows:

a. Terms.

(1) "Cash with Acceptance." This term applies when the initial cash deposit equals the amount in the "Estimated total Costs" block of the LOA. Paragraph B.3.a. of Annex A of the LOA defines this term. This term will also be used for FMSO I even though the initial deposit is less than "Estimated Total Costs."

(2) "Cash Prior to Delivery." Under this term, the U.S. Government collects cash in advance of delivery of defense articles and rendering of defense services and design and construction services from DoD resources. Section 21(b) and Section 29 of the AECA apply. Paragraph B.3.b. of Annex A of the LOA defines this term.

(3) "Dependable Undertaking." Under this term, the U.S. Government collects cash in advance of procurement contract payment requirements. Section 22 and Section 29 of the AECA apply. Paragraph B.3.c. of Annex A of the LOA defines this term. If Section 22(b) is applicable based on Presidential action (i.e., payment due 120 days after delivery), add "with 120 days payment after delivery." The countries identified in Table 7-III-2 are authorized to make direct arrangements with the cognizant DoD component for purchases under a dependable undertaking transaction.

(4) "Payment on Delivery." Under this term, the U.S. Government issues bills to the purchaser at the time of delivery of defense articles or rendering of defense services from DoD resources. The first sentence of Section 21(d) of the AECA applies. Paragraph B.3.d. of Annex A of the LOA defines this term. The implementing agency may use this term only pursuant to a written statutory determination by the Director, DSAA, who must find it in the national interest to do so. If the last sentence of Section 21(d), of the AECA is applicable, based on Presidential action, modify to read "Payment 120 days after Delivery."

(5) "FMS Credit (insert three digit loan number, e.g., '841,' '842,' etc.)." This term applies to payment for a Foreign Military Sale in whole or in part with FMS loan funds, extended or guaranteed by DoD under *

Sections 23 or 24 of the AECA or under other legislation. Paragraph B.3.e. of Annex A of the LOA defines this term. The implementing agency will determine initial deposit requirements in the same manner as in paragraph 3.a.(3), above. The purchaser may then request the drawdown of FMS loan funds in payment of the initial deposit and subsequent payments if any in accordance with the Financial Annex. If the sales agreement is to be financed only in part with FMS credit funds, the implementing agency will also cite in the "Terms" block (27) of the LOA the appropriate other Terms of Sale and the amounts applicable to each type of financing.

(6) "FY (insert two digit fiscal year of MAP program) MAP Merger." This term applies to payment for a Foreign Military Sale in whole or in part with Military Assistance Program (MAP) funds, authorized for transfer to the FMS trust fund for merger with country trust fund deposits. If the sales agreement is to be financed only in part with MAP funds, the implementing agency will also cite the appropriate other terms and the amounts applicable to each in the LOA. *

b. Related Information.

(1) If more than one of the above Terms of Sale apply to a particular LOA, the implementing agency will cite all of the appropriate Terms of Sale on the LOA. No attempt should be made to break out the estimated costs for each or some line items, except where FMS loan funds are cited in which case a dollar breakout will be shown. Applicable line items for credit will be coded "TAZ." Mixed line items will show "TAZ" and other appropriate "TA" code. (See paragraph 4, below).

(2) In addition to the applicable Terms of Sale, the implementing agency will enter the following statement in the "Terms" block of the LOA: "Payment will be in accordance with the provisions of the Financial Annex subject to paragraph B.3.f. of Annex A." However, this statement does not apply to Cash with Acceptance and FMSO I cases. If the purchaser is not authorized a Dependable Undertaking for Section 22 or Section 29 sales, the Term of Sale will be "Cash with Acceptance," unless specific DSAA approval is obtained. A Financial Annex is required for all LOAs except FMSO I agreements. Paragraph M.1.d., this section sets forth instructions for Financial Annexes. *

4. Type of Assistance (TA) Codes.

a. Codes Identified.

- Code 3: Sec 21 (b), AECA; Source of Supply "S", "R", "E".
- Code 4: Mixed Sec 21(b), 22(a), or Sec 29 AECA or source undetermined; Source of Supply "X".
- Code 5: Sec 22(a), AECA; Source of Supply "P".
- Code 6: Sec 21(d), AECA; Payment on Delivery; Source of Supply "S", "R", "E".
- Code 7: Sec 22(b), AECA; Dependable Undertaking with 120 days payment after delivery; Source of Supply "P".
- Code 8: Sec 21(d), AECA; Stock sales with 120 day payment Source of Supply "S", "R", "E".
- Code M: Sec 503(a)(3) Foreign Assistance Act, MAP Merger. *
- Code U: FMSO I, Source of Supply "P".
- Code V: FMSO II, Source of Supply "P".
- Code Z: Sec 23 or 24, AECA; FMS Credit.

b. Use with Source of Supply Codes. The type of assistance code may be interchanged when used in the "Availability and Remarks" block of the LOA. Example: TA3, TAZ. The Source of Supply codes shown in paragraph 3, Explanatory Notes, Annex A, to the LOA, must be determined and indicated independently of TA codes. For example, the source of supply coding for FMSO II should be "P(*)" and the TA code for FMSO II should be "TAV" with both designations being shown in the "Availability and Remarks" block of the LOA.

L. MULTIPLE SOURCES OF FINANCING.

1. Reasons for Use.

a. Inadequate Credit/MAP Funds. A purchasing nation may find, when procuring high-dollar-value, long-lead-time items, that the amount of credit/MAP funds currently available for such procurement is inadequate to finance the entire purchase. Therefore, since credit/MAP funds which are not yet available to the purchaser may not be cited on the LOA, that portion not covered by credit/MAP financing must be reflected as "cash" on the LOA. As additional credit/MAP funds become available to the purchaser, it may then request the military department to amend the LOA to convert the cash portion to credit/MAP to the extent that such financing is available. **

b. Inadequate Cash. A purchasing nation may accept an LOA which cites "cash" as the method of payment, only to find at some later date that its national funds are inadequate to pay subsequent billings from SAAC. In such an instance, the purchaser may request the military department to amend the LOA to cite credit/MAP funds, if available, to finance the remaining payments. **

M. FINANCIAL CONTROL OF FMS AGREEMENTS.

1. Accuracy of Pricing and Payment Schedules.

a. Need for Accuracy. Historically, a major area of purchaser concern has been the rapid change in pricing and financial commitments after acceptance of FMS agreements. Purchasers are concerned that the amounts they are required to pay on the DD Form 645, FMS Billing Statements, often differ significantly from the amounts estimated in the LOAs and related payment schedules. Inaccurate payment schedules hamper financial planning on the part of purchasers and, as a result, they must obtain emergency funds from (or must return monies to) their parliamentary bodies.

b. Effect of Inaccuracies on Customers. Since purchasing governments typically have budgetary practices that are as involved as our own, emergency funding may not be available in time to avoid penalty interest assessments on delinquent FMS debts. Interest charges for late payments are especially difficult for DoD to explain when the cause for delinquency is attributable to inaccurate pricing and inflated payment schedules provided to the purchasers by DoD. *

c. Policies for Pricing. The policies for pricing defense articles and services are set forth in DoD 7290.3-M. Each DoD component must strictly adhere to the policies prescribed. To assist in the pricing of FMS

agreements, Paragraph C.8.c.(1), Section II of this Manual, provides a systematic application of pricing policies to develop a "Financial Analysis." Use of this guidance should minimize subsequent revisions of price caused by erroneous cost elements or incomplete adherence to pricing policy.

d. Financial Annex to the DD Form 1513. To improve the quality of payment schedules attached to LOAs, Paragraph M.2, this section, provides criteria for payment schedule preparation. The financial annex payment schedule provides the purchaser with a reference to his financial commitment. A sample of the Financial Annex is shown at Figure 7-III-3.

(1) Payment Schedule. The payment schedule should project quarterly payments due as of the 15th day of the last month of each calendar quarter. Each deposit amount should be sufficient to cover all costs and contingencies anticipated to be incurred on the purchaser's behalf during the succeeding quarter, plus a reserve to cover termination liability (for sales from procurement). Specifically, the deposits should provide for incremental payment of materiel, services, administrative charges, accessorial charges, contractor holdback, termination liability, nonrecurring cost recoupment charges, asset use, and any other applicable contingency or add-on costs.

(2) Revisions to Payment Schedules. Implementing agencies will revise LOA payment schedules as necessary. A new payment schedule should be furnished whenever a substantive change in payment requirements is evident. Obviously, this condition varies by country and case. As a minimum, a DD Form 1513-2 providing a new payment schedule is required when costs are anticipated to vary (increase or decrease) from the existing payment schedule by more than \$500,000 or 10%, whichever is greater, during any 12 month period. This threshold should be reduced when the purchaser's FMS program is relatively small. Implementing agencies should establish procedures to insure that payment schedules on cases valued at \$7 million or more are reviewed against actual financial requirements at least once annually.

2. Preparation of Payment Schedules.

a. General. The preparation of payment schedules require budgetary estimates under conditions of inflationary uncertainty and uncertainty as to the specific dates when: purchasers will accept and return the LOA for implementation; requisitions for items will be initiated; contracts will be let; progress payments must be made to contractors; deliveries of items, particularly spare parts and support equipment, will occur; and personnel costs will be incurred.

b. Criteria. Actual outlays therefore, can be expected to vary from initial payment schedules. This does not negate, however, the requirement to develop a payment schedule for each case. In general, payment schedules will include estimates of outlays for sales from DoD stocks, sales from procurement, DoD services and training, administrative charges, accessorial and transportation charges. The paragraphs that follow provide criteria for developing payment schedules in anticipation of these costs:

(1) Timing and Amount of Payments. All payment dates on Financial Annexes other than initial deposits should be 15 days before the end

of each calendar year quarter (e.g., 15 December, 15 March, 15 June, 15 September). Payment amounts should equal the anticipated outlays for the next 90 days after payment date. The timing and amounts of claims for payment will coincide with existing FMS billing procedures as described in DoD 7290.3-M. The payment schedule should specify the initial deposit required at the time of case acceptance. The amount of initial deposit must be sufficient to cover outlays/deliveries anticipated until the first follow-on payment is scheduled for receipt.

(2) Uncertain Date of Acceptance. When the exact date a purchaser will accept an LOA is uncertain, and a payment is needed a specific number of days after that acceptance, assume that the purchaser will accept the LOA 60 days after it is offered, and specify the first payment date accordingly.

(3) Materiel from Stock. The schedule for payments related to materiel to be sold from stock will be based on estimated deliveries during each 90 day period as cited above. The basis of forecasting anticipated delivery will be the use of historical delivery information of specific generic codes and other materiel categories and should be supported by an analysis showing the means of forecasting.

(4) Materiel from Procurement. Payment schedules for materiel obtained through procurement requiring progress payments to the contractors will be estimated based on historical cost curves. These curves should be systematically developed for all major DoD weapon systems and should be reviewed periodically for validity. Payment schedules should include both the estimated disbursements to contractors as well as appropriate contract hold-back percentage.

(5) Concurrent Spare Parts. For case lines involving concurrent spare parts, estimate dollar deliveries consistent with the delivery of the end items being supported.

(6) Purchaser-Initiated Requisitions. For cases involving purchaser-initiated requisitions (i.e., open-end or blanket order cases expressed in dollars) over a one-year period, phase payments quarterly for one-fourth of the estimated case value. The first payment should be scheduled 90 days after the estimated date of case acceptance and initial deposit.

(7) Personnel Services. For cases involving personal services, develop a monthly phasing based upon the scheduled dates and elements of cost of the services being provided.

(8) Training Cases. For training cases involving foreign student entry into courses, schedule the payment in consonance with known or estimated entry into the training courses involved. Open-end or blanket order training cases will require an initial deposit of 25% when the case exceeds \$25,000.

(9) Royalties or Pro-Rata Nonrecurring Cost Charges. For cases involving royalties or pro-rata nonrecurring costs or asset use charges, schedule the payment in consonance with production schedules of the end item for which the payment is being collected.

(10) Administrative and Accessorial Charges. Schedule administrative and accessorial costs in consonance with payment schedules for the primary items or services being provided under the case. However, one percent of the administrative fee will normally be required with acceptance of the LOA.

3. Budgetary Authority for FMS Orders. To protect the integrity of the FMS purchaser's financial commitment and to ensure proper accounting for fiscal resources of the DoD components, the DoD uses a series of uniform, DoD-wide budgetary controls for FMS agreements. Budgetary control of an FMS agreement begins after acceptance of the sales offer by the purchaser. The purchaser forwards three signed copies of the accepted agreement to the SAAC together with any required initial deposit. If the terms of sale have been observed by the purchaser, the SAAC records acceptance of the LOA and releases to the appropriate DoD agency specific values of obligational authority. The DoD agency must then account for, control, and report all obligations incurred against the authority received. The essence of the budgetary control system is the "FMS Planning Directive" (DD Form 2061) and the "Request and Approval of FMS Obligational Authority" (DD Form 2060). Each of these documents form a building block of fiscal data in support of the "FMS Status of Budget Execution Report" (DD Form 1176). Specific detailed controls for use of these forms for FMS sales are prescribed in DoD 7290.3-M.

4. Collection of FMS Payments.

a. Trust Fund Accounts. The AECA requires FMS monies to be collected in advance of delivery, service performance, or contractual progress payments. The SAAC performs accounting operations for these monies from two parent FMS trust fund accounts: (1) 978242, (Deposits, Advances, Foreign Military Sales, Defense) and (2) 97-11X8242, (Advances, Foreign Military Sales, Executive, Defense). The 978242 account is used for "receipt" of payments from customers for FMS sales. Account 97-11X8242 is for "disbursements" made to suppliers on behalf of the FMS purchasers.

b. Integrity of Payment Identification. Cash collections into the FMS Trust Fund are the result of initial deposits at acceptance or are based on requests for funds (billings) prepared by the SAAC. Each deposit made is recorded to the appropriate FMS case accepted by the purchaser. If the deposit is not identifiable at time of payment it is recorded in the FMS customers' "Holding Account" pending identification. Throughout the life of the FMS case, the integrity of case-level accounting for deposits will be maintained by the SAAC.

c. Holding Accounts. Cash payments often are received cumulatively which are in excess of the final value of a particular case. With purchaser approval, these surplus funds can be transferred into a Trust Fund "Holding Account" similar to a pseudo-case. Monies on deposit in the holding account are available to the purchaser for application to other FMS cases. However, upon purchaser demand these overpayments will be refunded provided there are no collection delinquencies for other FMS cases for that purchaser.

d. Payment Office. All payments, whether cash or credit, must be made to the Security Assistance Accounting Center, Denver, Colorado, 80279,

for deposit to the FMS Trust Fund account for the purchaser. All payments should identify the specific reason for the payment.

5. Disbursement Authority for FMS Agreements.

a. Case-Level Accounting. FMS monies collected in advance of delivery, service performance, or contractual progress payments are available for reimbursement to U.S. appropriations or direct-cite payment to U.S. producers. Although these disbursements are controlled on an FMS country basis, accounting for FMS transactions is on an individual case basis. In other words, country cash deposits may be disbursed for the financial requirements associated with any of that country's cases with its consent, expressed or implied, but the integrity of deposit and disbursement accounting for individual cases will be maintained.

b. Disbursement Authorities. The total DoD disbursement authority for each FMS purchaser is equal to the amount of undisbursed monies on deposit for the purchaser in the FMS Trust Fund. Any subdivision of this authority must be requested by the DoD components. Based on the amount of a request and of available monies, the SAAC will formally release advice of disbursement authority in a specified amount at FMS country level to the DoD component. The DoD component must exercise prudent control to ensure the disbursement limitation is not exceeded when paying contractors or reimbursing U.S. appropriations.

6. Accounting for Contractual Progress Payments.

a. Incremental Payments. Most of the materiel furnished on FMS orders is procured by the DoD on behalf of FMS purchasers. Associated with these procurement actions are incremental, contractual progress payments for work in process. It is to the benefit of DoD and of the FMS purchaser that contractors receive incremental payment as fabrication and assembly of new materiel progresses under an FMS case. Installment payments reduce the impact on customers budgets and reduce contractors' investment in work in process. Similarly, it reduces mutual exposure and risk of case cancellation. It provides also for continuing assessment of case requirements and pricing to update any elements of inaccurate price estimation that may have occurred at time of case offer.

b. Segregating and Accounting for FMS Costs. Sections 22 and 29 of the AECA necessitate accurate and prompt segregation and accounting for incremental costs to ensure that DoD appropriations are not adversely impacted by contractual payments on behalf of FMS orders. DoD policy is that contractors separately request progress payments when more than one country's requirements or U.S. requirements are included in the same contract. The DoD agency that makes the progress payment must promptly report these costs to the SAAC to insure that billings accurately reflect the rates at which disbursements are made. As stated previously, the SAAC is responsible for ensuring sufficient monies are collected in advance to cover forecasted costs by the DoD agencies. If the payment schedule appears to be inadequate, the DoD agency should modify it (DD Form 1513-2) with notification to both the FMS purchaser and the SAAC.

FIGURE 7-III-1

KEY DATES IN FMS BILLING AND COLLECTION

<u>Offer Expiration/ Acceptance Dates of LOAs*</u>	<u>SAAC "Cut-off" for Delivery Performance Reports from Implementing Agences</u>	<u>As of Date on FMS Bill- ing Statement</u>	<u>Approximate Date of FMS Billing Statements</u>	<u>Payment Due at SAAC</u>
11 Sep - 10 Dec	16 Dec	31 Dec	15 Jan	15 Mar
11 Dec - 10 Mar	16 Mar	31 Mar	15 Apr	15 Jun
11 Mar - 10 Jun	16 Jun	30 Jun	15 Jul	15 Sep
11 Jun - 10 Sep	16 Sep	30 Sep	15 Oct	15 Dec

*Accepted LOAs received and implemented between these dates will appear on the next quarterly FMS Billing Statement.

FIGURE 7-III-1. Key Dates in FMS Billing and Collection.

FIGURE 7-III-2

CONTRACT ADMINISTRATION RECIPROCAL AGREEMENTS

<u>COUNTRY</u>	<u>EFFECTIVE DATE</u>	<u>COST WAIVED</u>	
Canada (CN)	27 Jul 1956	Contract Audit Quality Assurance and Inspection	
United Kingdom (UK)	30 Oct 1979	Contract Audit	
France (FR)	17 Jul 1981	Contract Audit	
Netherlands (NE)	9 Apr 1982	Quality Assurance and Inspection	
Italy (IT)	7 Jan 1983	Quality Assurance and Inspection	
Belgium (BE)	26 Apr 1983	Quality Assurance and Inspection	*
Germany (GY)	6 Dec 1983	Quality Assurance and Inspection	*
European Participating Group (EP)	19 Dec 1980	Contract Audit Quality Assurance and Inspection (F-16 Follow-on Buy)	* * *
NATO Integrated Communication System Management Agency (NIC SMA) (N2), (K4)	30 Sep 1981 6 May 1980	Contract Audit Quality Assurance and Inspection	
NATO (All infra- structure programs administered by a NATO Command or NATO Agency)	30 Sep 1981 28 Oct 1980	Contract Audit Quality Assurance and Inspection	
NATO (All other infrastructure pro- grams administered by a host country)	10 Feb 1981	Quality Assurance and Inspection	
NATO E-3A (N1), (K7) (K8), (W1)	Program Conception	Full waiver of all contract Administration	

FIGURE 7-III-2. Contract Administration Reciprocal Agreements.

FIGURE 7-III-3

FINANCIAL ANNEX

**

SUPPLEMENTARY FINANCIAL TERMS AND CONDITIONS

1. This agreement is financed entirely with cash, FMS loan funds, MAP funds, or any combination thereof as indicated in Block 27 of DD Form 1513, Letter of Offer and Acceptance (LOA), or Block 28 of DD Form 1513-1, Amendment to Offer and Acceptance. The Purchaser agrees to make payments in such amounts and at such times as may be specified by the U.S. Government, including any initial deposit indicated on the LOA required to meet financial requirements arising from this case.

2. The Foreign Military Sales Billing Statement, DD Form 645, will serve as the statement of account and billing statement. An FMS Delivery Listing identifying items physically or constructively delivered, and services performed during the billing period, will be attached to the billing statement. The Security Assistance Accounting Center (SAAC) forwards billing statements to Purchasers not later than 45 days before payments are due, and Purchasers will forward payments in U.S. dollars (cash or request for advance of loan funds) to the U.S. Government in time to meet prescribed due dates. Questions concerning the content of DD Form 645 billing statements and requests for billing adjustments should be submitted to the Security Assistance Accounting Center (SAAC/FS), Lowry AFB, Colorado 80279.

3. Cash payments in U.S. dollars for initial deposits and amounts due and payable on Quarterly Billing Statements (DD Form 645) are to be forwarded to the SAAC or other formally-agreed-upon depository in time to meet prescribed payment due dates. The preferred method for forwarding cash payments is by bank wire transfer. The following addresses apply for cash payments:

- a. Bank Wire Transfer to SAAC:
Federal Reserve Bank of Kansas City, Denver Branch
FRB/DVR (3801) Air Force AFAFC/SAAC
- b. Bank Wide Transfer to Federal Reserve Bank of New York:
Federal Reserve Bank of New York
Foreign Accounts Control Staff
33 Liberty Street
New York, New York 10045
- c. Check mailing address to SAAC:
AFAFC/SAAC
Lowry AFB
Denver, Colorado 80279

FIGURE 7-III-3. Supplementary Financial Terms and Conditions

4. To authorize payments of initial deposits required on LOAs or amounts due and payable on FMS billing statements from funds available under loan agreements, the Borrower will submit a letter of request for each advance of loan funds addressed to the Secretary, Federal Financing Bank, c/o U.S. Department of the Treasury, Washington D.C. 20220. Each request to the Federal Financing Bank for an advance will be forwarded to the Defense Security Assistance Agency, DSAA-COMPT-FR&CPD, Pentagon, Room 4B659, Washington, D.C. 20301, with a letter requesting DSAA approval. Letter formats and specific instructions for processing loan advance request are included in applicable provisions of each loan agreement. Questions pertaining to status of loans and associated balances should be directed to the above DSAA address.

5. If full payment is not received by SAAC by the prescribed due date, interest shall be charged as outlined in General Conditions, Paragraph B.3.g. of Annex A to the LOA. The principal of the arrearage will be computed as the excess of cumulative financial requirements over cumulative collections (cash and loan) shown in the FMS Billing Statement after the payment due date.

6. The initial deposit of \$ _____ required to accompany this LOA is an integral part of the Purchaser's acceptance. If the advance payment is made from loan funds, the Credit Programs Division, DSAA, will submit payments to the SAAC in accordance with Borrower requests for loan advances described above.

7. The payment schedule provided below is for planning purposes. The SAAC shall request Purchaser payment in accord with the payment schedule, unless DoD costs (including 90-day foreecasted requirements) exceed the amounts required by the payment schedule. Should this occur, DoD would be unable to comply with the advance payment requirement of the Arms Export Control Act and the U.S. will use its best efforts to provide a revised payment schedule (DD Form 1513-2) at least 45 days prior to the next payment due date. The Purchaser is required to make payments in accordance with quarterly billings (DD Form 645) issued by the SAAC regardless of the existing payment schedule.

8. It is understood that the values on the LOA are estimates, and that the final amount to be charged for items or services furnished will be equal to the final total cost to the U.S. Government. When final deliveries are made and all known costs are billed and collected, the SAAC will provide a "Final Statement of Account" which will summarize total final costs of this agreement. Should the final total costs be less than the funds collected, such excess funds will be available for payment of unpaid billings for other agreements. If there are no such unpaid billings, excess funds will be disposed of as agreed upon between the Purchaser and the Comptroller, DSAA.

9. To assist the Purchaser in developing fiscal plans and annual budgets, the U.S. Government provides its best estimate of anticipated costs of this agreement in the following estimated payment schedule:

ESTIMATED PAYMENT SCHEDULE

PAYMENT DATE

QUARTERLY

CUMULATIVE

Initial Deposit:

FIGURE 7-III-3. (Continued)

TABLE 7-III-1
SUMMARY OF TERMS OF SALE AND TYPE OF ASSISTANCE CODES

TYPE OF SALE	TYPE OF ASSISTANCE CODE	SOURCE OF SUPPLY CODE	AVAILABILITY	TERM(S) OF SALE	INITIAL DEPOSIT
1. Article(s) sold only from stock, Secs. 21(b)/29	3	S, E, R*	Anytime	Cash with Acceptance	100% of total estimated cost
2. Article(s) sold only partially from stock, Secs. 21(b)/29	3	S, E, R*	Anytime	Cash Prior to Delivery	100% of "S", "E" and "R" coded article(s)
3. Service(s) sold only from stock, Secs. 21(b)/29	3	S	To be performed in a period requiring 100% initial deposit	Cash with Acceptance	100% of total estimated cost
4. Service(s) sold only from stock, Secs. 21(b)/29	3	S	To be performed in a period not requiring 100% initial deposit	Cash Prior to Delivery	As shown in the Financial Annex
5. Service(s) sold partially from stock, Secs. 21(b)/29	3	S	a. To be performed in a period requiring 100% initial deposit	Cash with Acceptance	100% of "S" coded services
			b. To be performed in a period not requiring 100% initial deposit	Cash Prior to Delivery	As shown in the Financial Annex
6. Article(s)/service(s) sold only from procurement, Secs. 22(a)/29	5	P	To be delivered/performed in a period requiring 100% initial deposit	Cash with Acceptance	100% of total estimated costs

* Contractor rebuild/repair modification must be coded "P"

TABLE 7-III-1. Summary of Terms of Sale and Type of Assistance Codes.

7-101

Change No. 2, 2 Jan 1985

TYPE OF SALE	TYPE OF ASSISTANCE CODE	SOURCE OF SUPPLY CODE	AVAILABILITY	TERM(S) OF SALE	INITIAL DEPOSIT
7. Article(s)/service(s) sold only from procurement, Secs. 22(a)/29	5	P	To be delivered/performed over a period not requiring 100% initial deposit	Dependable Undertaking	As shown in the Financial Annex
8. Article(s)/service(s) sold partially from procurement, Secs. 22(a)/29	5	P	a. To be delivered/performed in a period requiring 100% initial deposit	Cash with Acceptance	100% of "P" coded article(s)/service(s)
			b. To be delivered/performed in a period requiring initial deposit of less than 100%	Dependable Undertaking	As shown in the Financial Annex
9. Mixed stock and procurement or source not predetermined, Secs. 21(b)/22(a)/29	4	X	Not predetermined	Dependable Undertaking/ Cash Prior to Delivery	As shown in the Financial Annex
10. Article(s) and/or service(s) sold from stock, Secs. 21(b) and first sentence of 21(d)**	6	As Required	Anytime	Payment on Delivery	None
11. Article(s) and/or service(s) sold from procurement, Sec. 22(b)***	7	As Required	Anytime	Payment 120 days after Delivery	None

** Requires approval of Director, DSAA.

*** Requires approval of the President.

TABLE 7-III-1. (Continued)

7-102

Change No. 2, 2 Jan 1985

TYPE OF SALE	TYPE OF ASSISTANCE CODE	SOURCE OF SUPPLY CODE	AVAILABILITY	TERM(S) OF SALE	INITIAL DEPOSIT
12. Article(s) and/or service(s) sold from stock, final sentence of Sec. 21(d)***	8	As Required	Anytime	Payment 120 Days After Delivery	None - -
13. FMSO I, DoDI 2000.8	U	P	N/A	Cash with Acceptance, \$ _____, balance as billed.	5/17th of estimated cost plus 100% of Administrative charges
14. FMSO II, DoDI 2000.8	V	P	N/A	Cash Prior to Delivery Dependable Undertaking	As shown in the Financial Annex
15. Any, Sec. 23 or 24	Z	As required	N/A	Loan agreement with _____, NR. _____, Dated _____, (_____ line items)	As shown in the Financial Annex
16. Combination of above resulting in more than one term of sale				(Show two or more terms as appropriate)	As shown in the Financial Annex
17. Federal Republic of Germany				The DoD will draw required payments from the FRG's US Treasury Deposit Account as specified in the monthly statement of fund requirements in accordance with DoDI 2110.32	

*** Requires approval of the President.

TABLE 7-III-1. (Continued)

7-103

Change No. 2, 2 Jan 1985

DOD 5105.38-M

TABLE 7-III-2

FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS AUTHORIZED
DIRECT ARRANGEMENTS FOR DEPENDABLE UNDERTAKING

COUNTRIES

<u>Africa</u>		<u>Near East and South Asia</u>	
Botswana	Morocco	Bahrain	Pakistan
Cameroon	Nigeria	Bangladesh	Oman
Kenya	Sudan	Egypt	Qatar
Liberia	Tunisia	India	Saudi Arabia
		Israel	The United Arab Emirates
		Jordan	Yemen Arab Republic
		Kuwait	
		Lebanon	
		Nepal	
<u>Europe</u>		<u>Western Hemisphere</u>	
Austria	Malta	Argentina	Haiti
Belgium	Netherlands	Bahamas	Honduras
Denmark	Norway	Barbados	Jamaica
France	Portugal	Brazil	Mexico
Germany (Fed. Rep. of)	Spain	Canada	Panama
Greece	Sweden	Colombia	Peru
Iceland	Switzerland	Costa Rica	St. Lucia
Ireland	Turkey	Dominica	St. Vincent
Italy	United Kingdom	Dominican Republic	Surinam
Luxembourg	Yugoslavia	Ecuador	Trinidad and Tobago
		El Salvador	Uruguay
		Guatemala	Venezuela
<u>Far East</u>			
Australia	New Zealand		
Brunei	Philippines		
Indonesia	Singapore		
Japan	Taiwan		
Korea	Thailand		
Malaysia			

International Organizations

NATO (North Atlantic Treaty Organization and its agencies)

TABLE 7-III-2. Foreign Countries and International Organizations Authorized Direct Arrangements for Dependable Undertaking.

<p>SECTION IV - CONGRESSIONAL SECTION 36(b) NOTIFICATIONS AND SECTION 133b REPORTS OF FOREIGN MILITARY SALES</p>
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A. PURPOSE. The purpose of this section is to provide DoD components with the procedures to be followed during the processing of a Letter of Offer and Acceptance (LOA) - DD Form 1513 - when that LOA meets or exceeds the thresholds established for Congressional notification in the Arms Export Control Act (AECA) and Congressional reporting in title 10, United States Code (USC). This section enumerates the requirements of the AECA, Section 36(b), and the USC, title 10, Section 133b under which Congressional notifications and reports must be submitted; defines the criteria, responsibilities, and procedures established for the submission of these Congressional notifications and reports; and prescribes the data elements, format (to include classification), and procedures for the submission of information to the Defense Security Assistance Agency (DSAA) required for Congressional notifications and reports.

B. STATUTORY PROVISIONS, EXECUTIVE REQUIREMENTS, AND EXCEPTIONS.

1. Statutory Provisions. Provisions of the AECA and the USC, title 10 require the following submissions to Congress:

a. Governmental Military Export (Section 36(b)) Notification.

(1) Section 36(b) of the AECA requires that, in the case of any LOA to sell any defense articles or services under the Act for \$50,000,000 or more, any design and construction services for \$200,000,000 or more, or any major defense equipment (MDE) for \$14,000,000 or more, before such an LOA is issued, a numbered certification must be submitted to the Congress indicating (a) the foreign country or international organization to which the defense article or service is to be offered for sale, (b) the dollar amount of the offer to sell and the number of defense articles to be offered, (c) a description of the defense article or service to be offered, and (d) the United States Armed Forces or other agency of the United States which is to make the offer to sell or, in the case of a sale of design and construction services, the following must be shown: (a) the purchaser, (b) the U.S. Government department or agency responsible for implementing the sale, (c) an estimate of the dollar amount of the sale, and (d) a general description of the real property facilities to be constructed pursuant to such sale. In either type of submission, the certification must contain 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 LOA, including (a) the name of the person who made or will make such payment, contribution, gift, commission, or fee; (b) the name of any sales agent or other person who is to receive or has received such payment, contribution, gift, commission, or fee; (c) the date and amount of such payment, contribution, gift, commission, or fee; (d) a description of the sale in connection with which such payment, contribution, gift, commission, or fee was or will be paid; and (e) the identification of any business information considered confidential by the person submitting it which is included in the report. Such numbered certifications shall also contain an item, classified if necessary, identifying the sensitivity of technology contained in the defense articles defense services,

or design and construction services proposed to be sold. The AECA, Section 36(b), paragraph (4) requires that each certification cite any quarterly report under Section 28 of the Act which listed a Price and Availability (P&A) estimate or a request for LOA, which was a basis for the proposed sale. The FAA, Section 620C(d), requires a special certification for notifications of proposed sales to either Greece or Turkey.

(2) The AECA, Section 36(b) states that the LOA shall not be issued to the North Atlantic Treaty Organization (NATO), any NATO member country, Japan, Australia, or New Zealand, if the Congress, within 15 calendar days after receiving such certification, or to any other country or organization, if the Congress within 30 calendar days after receiving such certification, adopts a concurrent resolution stating that it objects to the proposed sale, unless the President states in his certification that an emergency exists which requires such sale in the national security interests of the United States. If the President states in his certification that an emergency exists he shall set forth in the certification a detailed justification for his determination, including a description of the emergency circumstances which necessitate the immediate issuance of the LOA and a discussion of the national security interests involved.

(3) In addition, the President shall, upon the request of the Committee on Foreign Relations of the Senate or the Committee on Foreign Affairs of the House of Representatives, transmit promptly to both such committees a statement setting forth:

(a) A detailed description of the defense articles, defense services, or design and construction services to be offered, including a brief description of the capabilities of any defense article to be offered;

(b) An estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel expected to be needed in such country to carry out the proposed sale;

(c) The name of each contractor expected to provide the defense articles, defense services, or design and construction services proposed to be sold (if known on the date of transmittal of such statement);

(d) An evaluation, prepared by the Director of the Arms Control and Disarmament Agency in consultation with the Secretary of State and the Secretary of Defense, of the manner, if any, in which the proposed sale would:

1. Contribute to an arms race;
 2. Increase the possibility of an outbreak or escalation of conflict;
 3. Prejudice the negotiation of any arms controls;
- or
4. Adversely affect the arms control policy of the United States;

(e) The reasons why the foreign country or international organization to which the sale is proposed to be made needs the defense articles, defense services, or design and construction services which are the subject of such sale and a description of how such country or organization intends to use such defense articles, defense services, or design and construction services;

(f) An analysis by the President of the impact of the proposed sale on the military stocks and the military preparedness of the United States;

(g) The reasons why the proposed sale is in the national interest of the United States;

(h) An analysis by the President of the impact of the proposed sale on the military capabilities of the foreign country or international organization to which such sale would be made;

(i) An analysis by the President of how the proposed sale would affect the relative military strengths of countries in the region to which the defense articles, defense services, or design and construction services which are the subject of such sale would be delivered and whether other countries in the region have comparable kinds and amounts of defense articles, defense services, or design and construction services;

(j) An estimate of the levels of trained personnel and maintenance facilities of the foreign country or international organization to which the sale would be made which are needed and available to utilize effectively the defense articles, defense services, or design and construction services proposed to be sold;

(k) An analysis of the extent to which comparable kinds and amounts of defense articles, defense services, or design and construction services are available from other countries;

(l) An analysis of the impact of the proposed sale on United States relations with the countries in the region to which the defense articles, defense services, or design and construction services which are the subject of such sale would be delivered;

(m) A detailed description of any agreement proposed to be entered into by the United States for the purchase or acquisition by the United States of defense articles, defense services, or design and construction services or defense equipment, or other articles, services, or equipment of the foreign country or international organization in connection with, or as consideration for, such LOA, including an analysis of the impact of such proposed agreement upon United States business concerns which might otherwise have provided such articles, services, or equipment to the United States, an estimate of the costs to be incurred by the United States in connection with such agreement compared with costs which would otherwise have been incurred, an estimate of the economic impact and unemployment which would result from entering into such proposed agreement, and an analysis of whether such costs and such domestic economic impact justify entering into such proposed agreement;

(n) The projected delivery dates of the defense articles, defense services, or design and construction services to be offered;

(o) A detailed description of weapons and levels of munitions that may be required as support for the proposed sale; and

(p) An analysis of the relationship of the proposed sale to projected procurements of the same item.

b. Impact on Current Readiness (Section 133b) Report.

(1) The USC, title 10, Section 133b has replaced the Congressional reporting requirement specified in former Section 813 of the DoD Appropriation Authorization Act, 1976.

(2) The USC, title 10, Section 133b requires that, for any LOA to sell or any proposal to transfer defense articles which are valued at \$50,000,000 or more from the United States active military forces' inventories or from current production, a report shall be submitted to the Congress setting forth:

(a) The impact of such sales or transfers on the current readiness of United States forces;

(b) The adequacy of reimbursements to cover, at the time of replenishment of United States inventories, the full replacement costs of those items sold or transferred; and

(c) For each article to be sold (i) the initial issue quantity requirement for United States forces for that article, (ii) the percentage of such requirement already delivered to such forces or contracted for at the time of the report, (iii) the timetable for meeting such requirement absent the proposed sale, and (iv) the timetable for meeting such requirement if the sale is approved.

2. Executive Requirements.

a. Preparation and Submission of Notifications and Reports. Under Executive Order 11958, the Secretary of Defense is delegated the responsibility of implementing Section 36(b) of the AECA in consultation with the Secretary of State. The DSAA is responsible for preparing and submitting the Congressional notifications under the AECA, Section 36(b) and reports under USC, title 10, Section 133b. To minimize delays in processing such notifications, consistent with the legislative and other requirements, the procedures in this section are placed in effect.

b. Advance Section 36(b) Notification. In order to provide Congress with sufficient time to review the proposed sale about to be notified under Section 36(b), DSAA has agreed to provide Congress with advance notification of such offer at least 20 days prior to the submission of the statutory notification. Offers to NATO, any NATO member country, Japan, Australia, and New Zealand are exempt from the advance notification agreement.

c. Sensitivity of Technology.

(1) The AECA, Section 36(b), as amended by Section 20(b) of the International Security Assistance Act of 1979, requires a Sensitivity of Technology Statement concerning the extent to which the items to be included in the proposed sale contain sensitive technology or classified information.

(2) 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.

(3) 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 National Disclosure Policy procedures and Under Secretary of Defense Research & Engineering review) or the foreign policy implications of authorized use by the proposed recipient (covered by Arms Export Control Board (AECB) procedures).

(4) Whenever the transfer of sensitive technological information is involved, the equipment components, types of documentation, or technical data containing the sensitive information are to be identified, and the reasons for considering them as sensitive information must 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 must be identified and the reasons for the classification are to be provided.

(5) The DSAA will forward the required Sensitivity of Technology Statement by a separate classified annex since the public disclosure of such information could adversely affect the foreign and defense policy interests of the United States.

d. Congressional Objection to a Proposed Sale. 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, based upon constitutional grounds, reserved the right to proceed with a sale notwithstanding the adoption of a concurrent resolution of objection by Congress.

3. Exceptions.

a. Impact on Current Readiness (Section 133b) Report Exceptions. No Section 133b report is required if a proposed foreign military sale of defense articles valued at \$50,000,000 or more is to be taken from other than a regular military component (active forces) inventories, nor is such report made if such sale is to be executed through a U.S. Government procurement contract and no concurrent procurement for the U.S. Government's own

requirements is expected to be underway at the time the LOA is accepted by the purchaser.

b. Price and Availability (P&A)/Planning and Review (P&R). No Section 36(b) notification is required for the provision to a prospective purchaser of separately stated P&A or P&R data even though applicable notification thresholds are met or exceeded. However, P&A data meeting threshold requirements which are later transferred to a DD Form 1513 must be notified to the Congress under Section 36(b) procedures before the LOA containing such P&A data may be provided to the prospective purchaser.

C. CRITERIA AND RESPONSIBILITIES FOR CONGRESSIONAL SUBMISSIONS.

1. Processing Letters of Offer for \$50 Million or More or for Major Defense Equipment (MDE) of \$14 Million or More, or for Design and Construction Services for \$200,000,000 or More.

a. In compliance with the AECA, Section 36(b), Congress must be provided with a notification of all "Letters of Offer" to sell any defense articles or services for \$50 million or more, any MDE of \$14 million or more, or for design and construction services for \$200,000,000 or more, before such LOA is issued. The Defense Security Assistance Agency has been designated to submit this notification to the Congress.

b. The OSD General Counsel has determined that the term "Letter of Offer" used in the AECA pertains to any proposed sale of defense articles or services to any foreign government or entity, whether or not the initial document (or set of documents) to be used to consummate the sale is a DD Form 1513 "Letter of Offer and Acceptance," 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. If there is a conflict between the terms of the agreement and the DD Form 1513, the agreement shall provide that the DD Form 1513 will govern.

c. The statutory requirement for notification, as well as the requirement for advance notification to the Congress extend 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 into between the Army Corps of Engineers and the Saudi Arabian Government in 1965.

d. The AECA, Section 36(b), notifications to the Congress are to be made when:

- (1) An LOA under preparation is expected to meet or exceed the thresholds;

(2) A Letter of Intent (LOI), meeting or exceeding the thresholds, is authorized to be accepted by a DoD component; or

(3) An LOA amendment is prepared adding \$50 million or more to an existing FMS case unless such amendment results solely from identifiable inflationary cost increases, and to any amendment adding MDE valued at \$14 million or more. These provisions also apply to any amendment which would increase the value of an existing case from under \$50 million to a value of \$50 million or more, and any amendment which would increase the value of MDE in an existing case from under \$14 million to a value of \$14 million or more. New LOAs will be processed to cover the new requirements unless such amendments are absolutely necessary and justified, in writing, to the Director, DSAA.

e. The following are examples of MDE FMS cases that must be notified under Section 36(b):

(1) An FMS case for a single line item of MDE totalling \$14 million or more.

(2) An FMS case for two or more line items of MDE totalling \$14 million or more.

(3) An amendment to an FMS case for additional units of MDE if that portion of the amendment totals \$14 million or more.

f. MDE FMS cases that do not require notification under Section 36(b) are:

(1) An FMS case for one line item of MDE totalling less than \$14 million. The case does not contain any other MDE; however, other defense items are included which bring the total case value to more than \$14 million but less than \$50 million.

(2) An FMS case for one line item of MDE totalling less than \$14 million. The case does not contain any other MDE; however, spare parts, publications, and training associated with the MDE are included which bring the total case value to more than \$14 million but less than \$50 million.

g. The following special considerations apply to Foreign Military Sales Order (FMSO) cases:

(1) An amendment to an LOA for a FMSO I transaction, the result of which brings the total case value of that LOA and related amendments to \$50 million or more, does not require prior Section 36(b) notification to the Congress.

(2) A FMSO I transaction for \$50 million or more, or an amendment to a FMSO I transaction which adds \$50 million or more to the previous case total, or a LOA for a FMSO II transaction for \$50 million or more does require prior Section 36(b) notification to the Congress.

h. The above exception to Section 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 activities and new LOAs for this purpose are not practicable, and

(2) FMSO I cases reflect customer equity in the U.S. 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. Issuing Letters of Offer for \$50 Million or More or for MDE of \$14 Million or More.

a. The AECA provides that the LOA shall not be issued if Congress, within 30 calendar days (15 calendar days for NATO, NATO member nations, Japan, Australia, or New Zealand) after receiving the notification, adopts a concurrent resolution stating that it objects to the proposed sale, unless the President, in his notification to Congress, had certified that an emergency exists which requires such sale in the national security interests of the United States.

b. If Congress adopts a concurrent resolution objecting to a proposed sale, the Director, DSAA will promptly notify the applicable DoD component of that fact, seek the guidance of the President as to the course of action which should be taken, and advise the cognizant DoD component of the action to be taken (see paragraph B.2.d. above).

3. Additional Required Congressional Submission Relating to Letters of Offer for \$50 Million or More. In compliance with the USC, title 10, Section 133b, the Secretary of Defense is required to submit a report to the Congress when there is a LOA to sell or a proposal to transfer defense articles that are valued at \$50 million or more from the inventories of a regular component of the armed forces or from current production.

D. PROCEDURES.

1. Categories of Purchasers.

a. The AECA makes a distinction between exempted purchasers (i.e., NATO, NATO countries, Japan, Australia, and New Zealand) and non-exempted purchasers (all others).

b. For exempted purchasers:

(1) Advance notification is not required.

(2) The waiting period after statutory notification is 15 days.

2. State and Defense Relationship, Staffing Agreement, and Timing.

a. Prior to any advance or statutory notification to Congress under the AECA, Section 36(b), the DSAA must receive clearance from the Department of State for that notification.

b. Representatives of the State and Defense Departments have agreed that State policy deliberations, intra-agency coordination, and submission for Presidential approval (if required) and Defense preparation of the Section 36(b) notice, Section 133b report, and the LOA all aim toward the common objective of completing these actions within 60 days after receipt of the prospective purchaser's complete request. The procedures established in this section are designed to meet these objectives.

c. Under normal circumstances the milestones indicated in Figures 7-IV-1 and 7-IV-2 should be met by all functional areas involved in the processing of Section 36(b) notifications and LOAs.

3. Submission of Supporting Data.

a. Concurrent with LOA or LOI preparation the cognizant DoD component must submit the supporting data required for Congressional notification to the DSAA/Comptroller-Foreign Military Sales Division (DSAA/Compt-FMSCD). A Letter of Request (LOR) card (one card) will be attached to each initial submission of supporting data. If the LOR case information has not been previously entered into the 1200 system, DSAA will make the entry. Supporting data are to be submitted, using the prescribed formats, within ten days of notification by the DSAA (either written or oral) for significant combat equipment or within ten days of the receipt for nonsignificant combat equipment request from the purchaser. This submission is to include a statement as to whether or not a Section 133b report will be required to be sent to the Congress.

b. Appropriate steps will be taken by the DoD components to obtain field inputs as necessary to meet the ten day objective. Additionally, cost estimates will include separate identification of the estimated dollar value and specific items of the MDE portion of the proposed sale. Should it be impractical to meet the ten day deadline, approval for extension must be sought from Chief, FMS Control Division, DSAA.

c. Requests from exempted prospective purchasers require the submission of supporting data for statutory Congressional notification specified in Table 7-IV-2 (Military Justification), Table 7-IV-3 (Statutory Notification), one copy of the unsigned LOA (without financial analysis or termination liability worksheets), DSAA 1200 system LOR and ("card one"), and, as required, Table 7-IV-4 (Sensitivity of Technology) and Table 7-IV-5 (Impact on Current Readiness Report).

d. Requests from non-exempted prospective purchasers require the submission of supporting data for advance Congressional notification specified in Table 7-IV-1 (Advance Notification), Table 7-IV-2 (Military Justification), DSAA 1200 system LOR and ("card one"), and, as required, Table 7-IV-4 (Sensitivity of Technology).

e. To the extent possible for non-exempted prospective purchaser requests, the submission should also include the supporting data required to meet the statutory notification requirement as specified in Table 7-IV-3 and one copy of the unsigned LOA (without financial analysis or termination liability worksheets). If these data can be provided during the initial submission, and no Section 133b report is required, no further data are needed

in order for personnel of the FMS Control Division to process the advance and statutory Section 36(b) notifications.

f. To the extent that it is not possible for the DoD component to provide statutory notification Table 7-IV-3 data with the initial submission, these data along with data in support of Section 133b reporting requirement (Table 7-IV-5), if appropriate, and one copy of the unsigned LOA (without financial analysis or termination liability worksheets) will be forwarded to DSAA/Compt-FMSCD as early as possible but no later than ten days after the start of the 20 day advance notification period so that the follow-on statutory notification will not be delayed. Should it be impractical to meet the ten day deadline, approval for extension must be sought from Chief, FMS Control Division, DSAA.

g. As the process evolves, the cognizant DoD component will be informed via message of each Congressional notification and provided with a copy of the letters which transmit the advance and statutory Section 36(b) notifications to the Congress.

h. Following completion of the 20 day advance notification period and after State clearance, the Director, DSAA, will provide the statutory Section 36(b) notification of the proposed sale to the Congress. At this time, and after receiving express authority from the Comptroller, DSAA, and coordination with DSAA Operations, the cognizant DoD component will furnish a copy of the unsigned LOA to the purchaser as an enclosure to a transmittal letter in the format of Table 7-IV-6 (Transmittal Letter for the Unsigned LOA). If Congress adopts a concurrent resolution objecting to a proposed sale, the Director, DSAA will promptly notify the applicable DoD component of that fact, seek the guidance of the President as to the course of action which should be taken, and advise the cognizant DoD component of the action to be taken.

i. DoD components will submit signed LOAs to the DSAA/Compt-FMSCD, Countersignature Branch no later than five working days prior to completion of the statutory 15 or 30 day Congressional review period. Unless there are appropriate reasons to do otherwise, the expiration date assigned by the DoD components will allow for normal country review periods beyond the final date of the Congressional review. When the signed LOA is submitted to the DSAA it will include in Block 11 under "DSAA Accounting Activity" the identifying DSAA Transmittal Number used for the statutory Congressional notification (e.g., 80-15). This number will be shown on the message sent to the DoD component advising of the dispatch of the statutory notification.

j. Cases for \$7 million or more must be submitted to the Countersignature Branch with a termination liability worksheet -- except for FMSO I and II 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 7290.3-M.

k. Upon the expiration of the statutory 15 or 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 DoD component and forward a copy to SAAC. Upon receipt of the DSAA countersigned LOA, the cognizant DoD component may forward the original signed LOA to the prospective purchaser.

E. CLASSIFICATION.

1. Advance Section 36(b) Notifications. All data, information, and advance Congressional notifications of proposed sales to all prospective purchasers will be treated as, and marked "SECRET" or "CONFIDENTIAL" until the statutory notification is provided to the Congress. The following classification guidelines apply to all inputs of supporting data required for advance notifications by the Foreign Military Sales Control Division:

a. If none of the data presented is classified, the documents will be stamped "SECRET" or "CONFIDENTIAL" on the top and bottom of each page, all paragraphs will be preceded by "(U)," and the following marking will be shown on the bottom of the first page of each submittal:

"CLASSIFIED BY SMM (DOD 5105.38-M) (CHAPTER 7, SECTION IV)
DECLASSIFY ON STATUTORY NOTIFICATION TO
CONGRESS UNLESS REQUIRED OTHERWISE
BY COMPETENT AUTHORITY."

b. If any of the data presented is classified, the documents will be stamped with the required level of classification on the top and bottom of each page, each classified paragraph will be marked with the required classification, and the appropriate "classified by" and "declassify on" data are to be entered on the bottom of the first page of each submittal. The marking indicated in paragraph 1.a. above will not be used on these submittals.

2. Statutory Section 36(b) Notifications. As specified in the AECA, Section 36(b), each statutory notification provided to the Congress is to be unclassified except that the dollar amount and quantity of the offer and details of the description of the defense articles or services offered may be classified. Furthermore, the justification may also be classified. However, if any of the items are to be classified, the rationale must be provided, fully justified, and the justification attached to the statutory notification data submission (Table 7-IV-3). Supporting data inputs pertaining to statutory notifications will be submitted to DSAA/Compt-FMSCD in accordance with the following classification guidelines:

a. If none of the data presented is classified, the procedures indicated in paragraph 1.a. above are to be followed.

b. If any of the data presented is classified, the procedures indicated in paragraph 1.b. above are to be followed.

3. Sensitivity of Technology Statements. Classification guidance indicated in paragraph 1.a. or 1.b. above is to be followed in submitting Sensitivity of Technology statement supporting data to the DSAA/Compt-FMSCD.

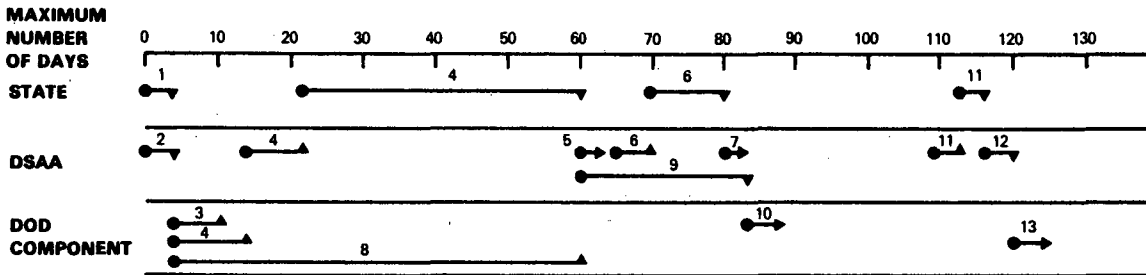
4. Impact on Current Readiness Section 133b Reports. Classification guidance indicated in paragraph 1.a. or 1.b. above is to be followed in submitting the USC, title 10, Section 133b, supporting data to the DSAA/Compt-FMSCD.

FIGURE 7-IV-1

MILESTONES FOR LOA REQUESTS FOR SIGNIFICANT COMBAT EQUIPMENT

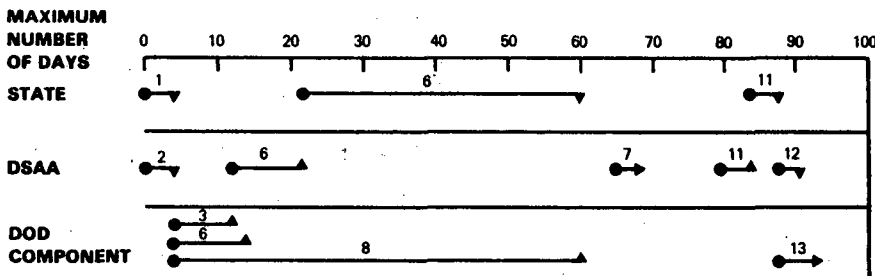
MILESTONES FOR LOA REQUESTS FROM NON-EXEMPTED PURCHASERS FOR SIGNIFICANT COMBAT EQUIPMENT WHICH REQUIRE 36 (b) NOTIFICATION

ACTION FROM PURCHASER: Message request from in-country via U.S. Embassy jointly addressed to Sec State/PM and Sec Def/DSAA. Info copy to appropriate DOD Component (Mil Dep), Unified Command, and Arms Control and Disarmament Agency (ACDA).
or
Letter request from Purchasing Mission, Embassies, or Military Attaches in U.S. jointly addressed to Sec State/PM and Sec Def/DSAA.



MILESTONES FOR LOA REQUESTS FROM EXEMPTED PURCHASERS FOR SIGNIFICANT COMBAT EQUIPMENT WHICH REQUIRE 36 (b) NOTIFICATION

ACTION FROM PURCHASER: Message request from in-country via U.S. Embassy jointly addressed to Sec State/PM and Sec Def/DSAA. Info copy to appropriate Unified Command and ACDA.
or
Letter request from Purchasing Mission, Embassies, Military Attaches in U.S. jointly addressed to Sec State/PM and Sec Def/DSAA.



PROCESSING FOREIGN MILITARY SALES LETTERS OF OFFER

1. Preliminary review and approval.
2. Tasking of the preparation of the Letter of Offer and Acceptance and 36(b) information, as appropriate.
3. Input of 36(b) data to DSAA/FMSCD and case identifier information into the DSAA 1200 system.
4. Preparation, review, and approval of the advance 36(b) notification to the Congress, including interagency and Executive Office staffing, as necessary.
5. Transmittal of the advance 36(b) notification to Congress.
6. Preparation, review, and approval of the statutory 36(b) notification to the Congress, including interagency and Executive Office staffing, as necessary.
7. Transmittal of the statutory 36(b) notification to Congress.
8. Letter of Offer and Acceptance preparation.
9. Review and approval of unsigned Letter of Offer and Acceptance.
10. Dispatch of unsigned Letter of Offer and Acceptance to the customer.
11. Final review and approval.
12. Countersignature.
13. Dispatch of the signed Letter of Offer and Acceptance to the customer.
14. DoD component to notify Sec State/PM and Sec Def/DSAA, which will initiate the appropriate procedures.

MILESTONES FOR LOA REQUESTS FOR SIGNIFICANT COMBAT EQUIPMENT WHICH DO NOT REQUIRE 36 (b) ACTION

ACTION FROM PURCHASER: Message request from in-country via U.S. Embassy jointly addressed to Sec State/PM and SEC Def/DSAA. Info copy to appropriate Unified Command and ACDA.
or
Letter request from Purchasing Mission, Embassies, Military Attaches in U.S. jointly addressed to Sec State/PM and Sec Def/DSAA.

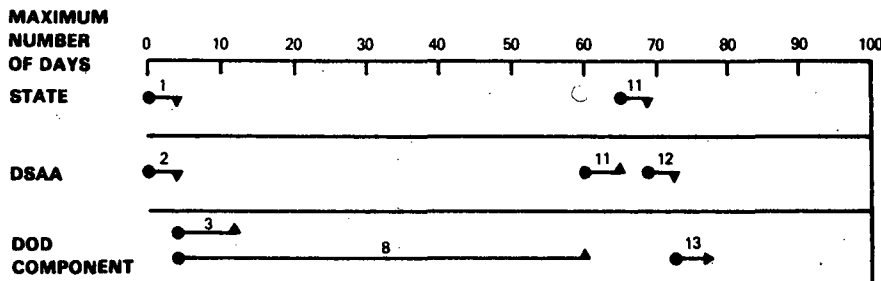


FIGURE 7-IV-1. Milestones for LOA Requests for Significant Combat Equipment Which Require 36(b) Notifications.

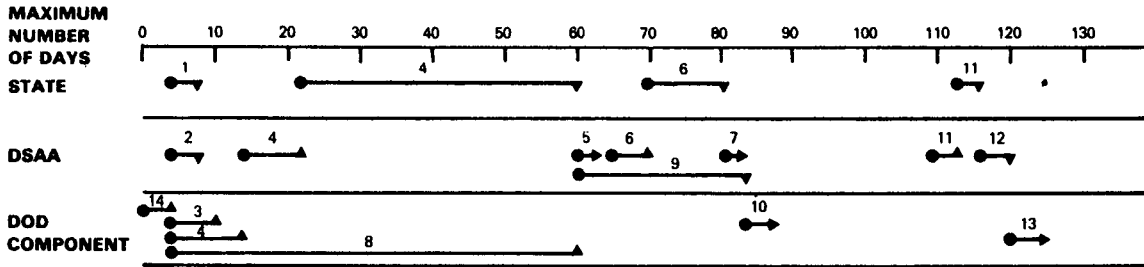
FIGURE 7-IV-2

MILESTONES FOR LOA REQUESTS FOR NON-SIGNIFICANT COMBAT EQUIPMENT

**MILESTONES FOR LOA REQUESTS FROM NON-EXEMPTED PURCHASERS
FOR NON-SIGNIFICANT COMBAT EQUIPMENT WHICH REQUIRE 36 (b) NOTIFICATION**

ACTION FROM PURCHASER: Message request from in-country through country's representatives in the U.S. or through U.S. country team directly to the cognizant DoD Component. Info copy to Sec State/PM and Sec Def/DSAA.

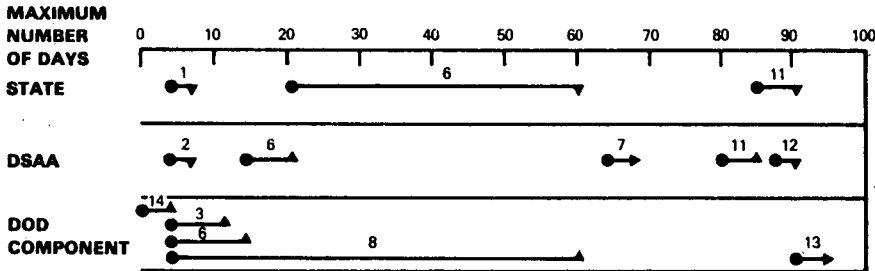
or
Requests originating from foreign country representatives in the U.S. should be sent directly to the cognizant DoD Component. Info copy to Sec State/PM and Sec Def/DSAA.



**MILESTONES FOR LOA REQUESTS FROM EXEMPTED PURCHASERS
FOR NON-SIGNIFICANT COMBAT EQUIPMENT WHICH REQUIRE 36 (b) NOTIFICATION**

ACTION FROM PURCHASER: Message request from in-country through country's representatives in the U.S. or through U.S. country team directly to the cognizant DoD Component. Info copy to Sec State/PM and Sec Def/DSAA.

or
Requests originating from foreign country representatives in the U.S. should be sent directly to the cognizant DoD Component. Info copy to Sec State/PM and Sec Def/DSAA.



**PROCESSING FOREIGN
MILITARY SALES
LETTERS OF OFFER**

1. Preliminary review and approval.
2. Tasking of the preparation of the Letter of Offer and Acceptance and 36(b) information, as appropriate.
3. Input of 36(b) data to DSAA/FMSCD and case identifier information into the DSAA 1200 system.
4. Preparation, review, and approval of the advance 36(b) notification to the Congress, including interagency and Executive Office staffing, as necessary.
5. Transmittal of the advance 36(b) notification to Congress.
6. Preparation, review, and approval of the statutory 36(b) notification to the Congress, including interagency and Executive Office staffing, as necessary.
7. Transmittal of the statutory 36(b) notification to Congress.
8. Letter of Offer and Acceptance preparation.
9. Review and approval of unsigned Letter of Offer and Acceptance.
10. Dispatch of unsigned Letter of Offer and Acceptance to the customer.
11. Final review and approval.
12. Countersignature.
13. Dispatch of the signed Letter of Offer and Acceptance to the customer.
14. DoD component to notify Sec State/PM and Sec Def/DSAA, which will initiate the appropriate procedures.

**MILESTONES FOR LOA REQUESTS FOR ALL OTHER FOREIGN MILITARY SALES
WHICH DO NOT REQUIRE 36 (b) ACTION**

ACTION FROM PURCHASER: Message request from in-country through country's representatives in the U.S. or through U.S. country team directly to the cognizant DoD Component. Info copy to Sec State/PM and Sec Def/DSAA.

or
Requests originating from foreign country representatives in the U.S. should be sent directly to the cognizant DoD Component. Info copy to Sec State/PM and Sec Def/DSAA.

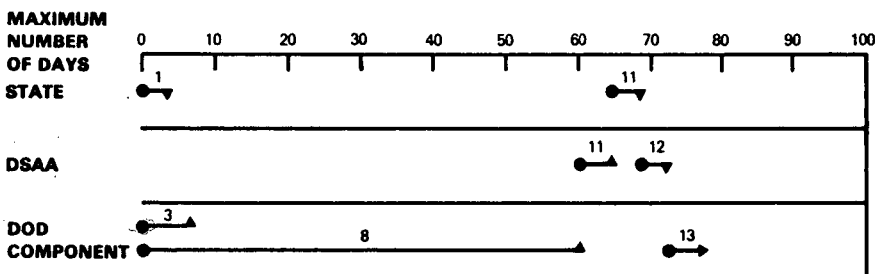


FIGURE 7-IV-2. Milestones for LOA Requests for Non-Significant Combat Equipment Which Require 36(b) Notifications.

TABLE 7-IV-1
ADVANCE NOTIFICATION DATA
(CLASSIFICATION)

MEMORANDUM FOR (or LETTER TO) THE COMPTROLLER, DSAA (ATTENTION: FMSCD)

SUBJECT: Data for a Possible Advance Section 36(b) Notification (U)

1. (U) The following supporting data are provided in accordance with Chapter 7, Security Assistance Management Manual:

- a. (*) Prospective purchaser:
- b. (*) Description and quantity or quantities of all articles and/or services under consideration for purchase (to include all MDE and non-MDE items, segregating the MDE items and indicating the MDE value):
- c. (*) Estimated dollar value of this case (to include all costs associated with this proposed sale e.g., packing, crating, handling, transportation, administrative changes, etc.):
- 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 case designators, descriptions, values, acceptance dates, etc.):
- g. (*) DoD component:
- h. (*) Estimated date LOA will be 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:

CLASSIFIED BY: (See DoD 5105.38-M, Chapter 7, Section IV.)

(CLASSIFICATION)

TABLE 7-IV-1. Advance Notification Data.

(CLASSIFICATION)

(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 the AECA, Section 39 to the Secretary of State:

k. (*) Sensitivity of technology contained in the defense articles or defense services proposed to be sold (see Section B.2.c. of this section for definitions, Note 1 below for entry requirements, and Table 7-IV-4 for details of required data and format):

1. (*) Previously reported under DSAA(A) 1138 Report requirements? If so, for which fiscal year quarter?

m. (*) Third party transfer certification:

(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. (*) Expected security classification of the case and LOA after statutory notification (If the case and LOA will be classified, cite rationale and attach justification.):

o. (U) Action officer's name, office, and telephone number (For individuals located in the Washington area provide commercial number, others are to provide AUTOVON and commercial numbers.):

2. (*) Impact on Current Readiness (Section 133b) Report will/will not be required. (If deemed as not required, provide rationale and attach justification.)

Attachments (see Note 2 below.):

(CLASSIFICATION)

TABLE 7-IV-1. (Continued)

(CLASSIFICATION)

(*) Indicate required security classification paragraph markings per Chapter 7, Section IV.

NOTE: 1. 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 Attachment _____" will be entered under the heading and the data specified in Table 7-IV-4 will be attached to the submission.

NOTE: 2. Attach the Military Justification (Table 7-IV-2), a copy of the DSAA 1200 system LOR card ("one card"), and if required the Sensitivity of Technology (Table 7-IV-4), justification for security classification of the case and LOA after statutory notification, and the rationale why Section 133b report will not be required. If data is available and Section 133b report will be required, the data required by Table 7-IV-5 may also be attached.

TABLE 7-IV-1. (Continued)

TABLE 7-IV-2

MILITARY JUSTIFICATION DATA

(CLASSIFICATION)

MILITARY JUSTIFICATION (U)

(*) One-sentence paragraph identifying all defense articles and/or services proposed for sale and the estimated total cost of the offer to be made to the prospective purchaser.

(*) 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 prospective purchaser needs the articles and how it intends to use them. This paragraph is to address the ability of the prospective purchaser to absorb the articles and the effect of the sale on the prospective purchaser's military capabilities. If the sale was due in part to the results of a U.S. survey, this is to be brought out in this paragraph.

(*) Identification and location of the prime contractor or principal contractor, if not applicable, provide rationale.

(*) Estimate of the number of additional U.S. Government personnel and U.S. contractor representatives required in the territory of the prospective purchaser to implement the proposed sale and the length of time during which they will be needed.

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

CLASSIFIED BY: (See DoD 5105.38-M, Chapter 7, Section IV.)

(CLASSIFICATION)

(*) Indicate required security classification paragraph markings per Chapter 7, Section IV.

NOTE: The above outline is a guide for preparing the typical justification. It need not be followed rigidly when variations will produce a clearer presentation; however, each aspect listed is to be considered and addressed.

TABLE 7-IV-2. Military Justification Data.

TABLE 7-IV-3
 STATUTORY NOTIFICATION DATA
 (CLASSIFICATION)

MEMORANDUM FOR (or LETTER TO) THE COMPTROLLER, DSAA (Attention: FMSCD)

SUBJECT: Data for a Possible Statutory Section 36(b) Notification (U)

1. (U) The following supporting data are provided in accordance with Chapter 7, DoD 5105.38-M:

- a. (*) Prospective purchaser;
- b. (*) DoD component;
- c. (*) Case designator;
- d. (*) Total dollar value (amount to be the same as that entered in block 26 of the DD Form 1513);
- e. (*) Description and quantity or quantities of all articles and/or services under consideration for purchase (to include all MDE and non-MDE items, segregating the MDE items and indicating the MDE value);
- f. (*) Expected security classification of the sale after statutory notification (If the sale is to be classified, cite rationale and attach justification.);
- g. (*) Sales commission, fee, etc. paid, offered, or agreed to be paid (See Note 1);
- 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;

CLASSIFIED BY: (See DoD 5105.38-M, Chapter 7, Section IV.)

(CLASSIFICATION)

TABLE 7-IV-3. Statutory Notification Data.

(CLASSIFICATION)

k. (*) Sensitivity of technology contained in the defense articles or defense services proposed to be sold (see Section B.2.c. of this chapter for definitions, Note 2 below for entry requirements, and Table 7-IV-4 for details of required data and format);

l. (*) Previously reported under DSAA(Q) 1138 Report requirements? If so, for which fiscal year quarter?

m. (*) Third party transfer certification;

(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. (*) Security classification of the LOA after statutory notification (If the LOA will be classified, cite rationale and attach justification.);

o. (U) Action officer's name, office, and telephone number (For individuals located in the Washington area provide commercial number, others are to provide AUTOVON and commercial numbers.).

2. (*) Impact on Current Readiness (Section 133b) Report will/will not be required. (If deemed as not required, provide rationale and attach justification.)(See NOTE 3 below.)

Attachments (See Note 4 below.):

(CLASSIFICATION)

(*) Indicate required security classification paragraph markings per Chapter 7, Section IV.

NOTE: 1. Information supplied under g. shall be in the same detail as is required to be supplied under l.j. of Table 7-IV-1.

NOTE: 2. 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 Attachment _____" will be entered under the heading and the data specified in Table 7-IV-4 will be attached to the submission if required and previously not provided.

TABLE 7-IV-3. (Continued)

NOTE: 3. If the advance notification data submission addressed this subject by either providing the rationale for not reporting Section 133b data or by submitting the data required for this report as specified in Table 7-IV-5 state: "Information has been provided." However, if the prospective purchaser is an exempted entity this paragraph must be completed and, if required, the data required in Table 7-IV-5 attached.

NOTE: 4. If the prospective purchaser is an exempted entity attach the Military Justification (Table 7-IV-2) a copy of DSAA 1200 system LOR card ("one card"), and if required, the Sensitivity of Technology (Table 7-IV-4) and Section 133b report data (Table 7-IV-5). Also, if case and LOA are to be classified per paragraph f. and/or n. above, attach the required justification.

TABLE 7-IV-3. (Continued)

TABLE 7-IV-4

SENSITIVITY OF TECHNOLOGY DATA

(CLASSIFICATION)

SENSITIVITY OF TECHNOLOGY (U)

(*) A description, in as many paragraphs as required, of the sensitive as well as classified components of any equipment, technical data, training, services, or documentation (to include the specific classification of each) required to be conveyed in connection with the proposed sale. The input will address not only sensitive technological information contained in equipment components or technical documentation contained in 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. The equipment components, types of documentation, or technical data containing the sensitive information are to be identified and the reasons for considering it sensitive information 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 are to be identified and the reasons for the classification be provided. A brief description of the anticipated consequences of this technology being lost to a technologically advanced or competent adversary is also to be provided.

(*) As the final paragraph of the submission, one of the following statements must be included: "(C) Release of this technology is within the classification guidelines for disclosure to (indicate country) as stipulated in National Disclosure Policy (NDP-1)." or, "(C) An exception to National Disclosure Policy (NDP-1) was granted for (indicate country) on (indicate date) for the release of (indicate security classification level) information pertaining to (indicate item)."

CLASSIFIED BY: (See DoD 5105.38-M, Chapter 7, Section IV.)

(CLASSIFICATION)

(*) Indicate required security classification paragraph markings per Chapter 7, Section IV.

NOTE: For explanation of terms and details see Chapter 7, paragraph B.2.c.

TABLE 7-IV-4. Sensitivity of Technology Data.

TABLE 7-IV-5
 IMPACT ON CURRENT READINESS REPORT DATA
 (CLASSIFICATION)

DATA FOR POSSIBLE IMPACT ON CURRENT READINESS (Section 133b) REPORT (U)

1. (U) The following supporting data are provided in accordance with Chapter 7 of the Security Assistance Management Manual:

- a. (*) Prospective purchaser:
- b. (*) Selling DoD component:
- c. (*) Type and quantity of equipment:
- d. (*) Total estimated dollar 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) requirements 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 for U.S. forces absent this proposed sale:
 - (4) The timetable for meeting the requirement for U.S. forces if this sale is approved:

2. (U) Action officer's name, office, and telephone number:

CLASSIFIED BY: (See DoD 5105.38-M, Chapter 7, Section IV.)

(CLASSIFICATION)

(*) Indicate required security classification paragraph markings per Chapter 7, Section IV.

TABLE 7-IV-5. Impact on Current Readiness Report Data.

TABLE 7-IV-6

TRANSMITTAL LETTER FOR THE UNSIGNED LOA

Dear

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

Section 36(b) 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 \$50,000,000 or more, or (2) sell major defense equipment, the estimated total costs of which are \$14,000,000 or more. Section 36(b) further provides that the offer to sell not be issued if the Congress, within (*) 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 has transmitted the required notification of the enclosed proposed FMS case (case designator) to the Congress on (date). Assuming that the Congress does not object to this proposed FMS case, enclosed DD Form 1513 will be signed and issued to your Government by the authorized Department of Defense representative on or about (date). In the event that the Congress should object to this proposed sale, you will be notified promptly of that fact.

Should your Government wish to accept this proposed FMS case, wait until receipt of the signed DD Form 1513 (forwarded after the Congressional notification period is completed) 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,

- * For non-exempted purchasers enter: thirty (30)
- For exempted purchasers enter: fifteen (15)

TABLE 7-IV-6. Transmittal Letter for the Unsigned LOA.

SECTION V - CASE MANAGEMENT

**

A. THE SCOPE OF CASE MANAGEMENT.

**

1. The Military Departments and Agencies will, according to Paragraph 70002H, DOD 7290.3-M, "assign a case manager to each active FMS case." The FMS case manager is to be designated by the DoD Component responsible for implementing sales agreements (DD Form 1513) and leases. The case manager is defined as that individual who is designated to accomplish the task of integrating functional and inter- and intra-organizational efforts directed toward the successful performance of a Foreign Military Sales case.

2. Cases will vary in dollar magnitude and complexity. For example, a \$2 billion sale of a major weapon system is extremely complex. A \$100 million case for off-the-shelf replacement spares is less complex. While the two are different in complexity and dollar value, they both require emphasis and special management attention (even a very low value case may involve many different functional activities), and both are managed in accordance with well-defined guidelines.

3. The case manager is the focal point for management activity on a case. The task of the case manager is to ensure the objectives of the assigned case are achieved while adhering to applicable laws and regulations.

4. These objectives are threefold: (1) to accomplish the case (performance) on schedule, (2) to accomplish the case within the case value, and (3) to close the case as planned. Successful performance is realized when the objectives of the case are met.

5. The case manager acts as the focal point for case activities by coordinating and integrating organizational actions and resources assigned to Security Assistance functions. Critical decisions involving managerial prerogatives must be coordinated with the case manager.

6. The case manager has a role in each of the major elements of the case: acquisition, programming, logistics and finance, and shall be involved in every aspect of planning and executing assigned cases.

7. The case manager functions as an integrator and a generalist. There are no definite ground rules for determining where the case manager is placed in the organization. This must be decided by the DoD Component responsible for the management of the case. Case management begins during P&A and LOA preparation and should include total package concept/total package approach. Each FMS case must be assigned a case manager no later than case implementation.

B. CASE MANAGEMENT AUTHORITY, RESPONSIBILITY, ACCOUNTABILITY, AND CONTROL.

**

1. The case manager should be guided by existing policies and management directives, and case activities should be governed by these regulatory documents. Direct communications with participating organizations

is essential for day-to-day management; however, the case manager's final authority is limited to the chain of command, which means that the case manager must use the established lines of communication and authority.

a. Authority

An FMS case is an undertaking which requires concentrated management effort. Such an undertaking involves complex and interdependent organizational activities and requires that a case manager be designated as the single focal point. The case manager should have the authority to take actions and task inter- and intra-organizational areas relating to financial, logistics, procurement and administration matters in the day-to-day operation of a case. A Charter for Case Manager is at Figure 7-V-1.

b. Responsibilities

The case manager is responsible for all management aspects of the case. Integration of the tasks to support the case objectives is the responsibility of the case manager. Responsibilities of the case manager include:

- (1) Establish initial and long-range goals and objectives for case execution.
- (2) Prepare a case master plan.
- (3) Develop a financial and logistics management plan.
- (4) Approve plans of execution, scope, and schedule of work.
- (5) Review and verify funding/program requirements.
- (6) Integrate the program and logistics financial plan with the execution of the case.
- (7) Initiate requirements.
- (8) Validate that costs are accurate and billed.
- (9) Respond to requirements of counterpart managers, functional activities, and other supporting agencies in the resolution of interface or operating problems.
- (10) Initiate, when necessary, working agreements with supporting activities as appropriate.
- (11) Analyze case performance in relation to required performance specifications.
- (12) Maintain a complete chronological history (significant events and decisions).
- (13) Provide status, progress and forecast reports.
- (14) Develop and execute case closure plan.
- (15) Ensure Defense Integrated Financial System (DIFS) and DoD Component case records are in agreement.
- (16) Ensure records are retained in accordance with DoD 7290.3-M and DoD 5105.38-M.
- (17) Ensure schedules are accurate and timely.

The documents listed below reflect the type of work that the case manager ensures are prepared and submitted. Each of the documents shall specifically identify the case manager by name and organization:

DD Form 2061	Case Master Plan Case Progress/Status/Performance Reports
DD Form 2060	Case Directives
Financial Analysis	Case Closure Certificate

c. Accountability

(1) Effective case management is dependent upon the performance and interaction of many organizations. If the performance of a supporting activity is deficient in regard to a case, the case manager may not be able to meet case objectives. The case manager shall initially attempt to resolve problems with the supporting activity and if this proves unsuccessful, then the problem shall be escalated.

(2) The case manager is accountable for accomplishing the case on schedule within case value and for closing the case as planned. As a minimum, the case manager is accountable for all documents listed below:

Case Master Plan
Financial Analysis
Case Directives
Case Progress/Status Performance Reports

d. Control

(1) An appropriate master plan shall be developed which separates the case into management components; indicates significant activities requiring coordination; and, in general, establishes a time-sequence schedule for case implementation. The plan will also specify the participants and their assigned responsibilities. It should be prepared by the case manager at the onset of the case and updated as required.

(2) The case master plan will be tailored by the case manager to fit the complexity of the case. The case master plan will consist of a case summary sheet as required by DoD 7290.3-M and other documentation deemed appropriate to manage the case. This is one control mechanism for the case manager to ensure events conform to the plan. Other mechanisms to be used are:

-- Case manager doing periodic comparisons of actual versus programmed deliveries and associated costs.

-- Case manager updating the case master plan's program, supply/delivery and financial schedules.

-- Case manager facilitating the flow of funds from the case to the supporting activities.

These control procedures are designed to identify and isolate problem areas. When problems are surfaced, corrective action initiated by the case manager is essential to avoid potential program impacts.

(3) Changes to the LOA or the implementation plan must be coordinated with the case manager. There may be situations whereby higher authority may preempt the authority of the case manager, such as in the case of final negotiations with FMS purchasers or diverted deliveries. The preemptions should be promptly communicated to the case manager and potential impacts should be documented for future reference.

C. REPORTING REQUIREMENTS

**

1. The case manager is responsible for keeping others informed of the progress, status, problems and resource requirements of the case. The case manager must use the normal channels of communications to higher authorities and supporting activities to let them know what is needed and how the case is progressing.

2. Existing information and reporting systems should be used to the maximum extent possible in directing and controlling functions of case management. For optimum control of the case, DoD Components shall determine information needed for case management based on the needs of the case manager. The case manager should consider the following among other key items essential for the information package: logistics performance versus case specifications, availability of funds versus planned expenditures, actual cost of work performed versus budget cost of work performed, programmed values of work remaining versus funds available in the case, schedule revisions, and problems areas. A recommended listing of data elements is at Table 7-V-1.

3. The DoD Component shall ensure procedures are established with supporting activities to provide management information in support of the case. DoD Components should develop an internal document that allows Service senior managers to easily review the status of a case against established performance requirements and the LOA. The internal status document should address the following four areas:

- a. Deliveries. Are deliveries on scheduled as outlined in the LOA?
- b. Pricing. Are the prices of the ordered articles and services for each line of the case compatible with the LOA estimates (within 10%)?
- c. Funding. Does the payment schedule accurately reflect financial requirements?
- d. Closure. Can the case be closed within one or two years from supply completion date, depending on the type of case involved?

D. THE CASE MANAGER'S ROLE IN THE ASSIGNMENT OF TASKS

**

1. The case manager shall have direct communication from the case manager's office to key participants involved in support of a case. The direct line in communication is intended to facilitate the resolution of day-to-day problems. It is emphasized that the case manager must still operate within the organization's normal chain of command. Informal discussions may be necessary between the case manager and supporting activities, followed by appropriate documentation. Case managers cannot commit the case implementing agency except through coordinated written direction.

2. Tasks in the areas of acquisition, logistics and finance will be assigned to supporting activities using normal operating rules. The supporting activity which accepts the work assignment agrees to specific, measurable objectives and to detailed task descriptions, specifications, milestones, and budgets for the work assignment. The supporting activity is then responsible for the work effort in terms of meeting its objective on time and within the available budget.

E. PERFORMANCE SPECIFICATIONS AND MEASUREMENT STANDARDS

**

1. The case manager's performance will be monitored by comparing actual output with that planned. The idea of assigning responsibility to the case manager for a time schedule, specific set of outputs, and funding limitation tends to establish a performance specification which is useful in judging the effectiveness of case managers. In other words, the case manager's performance specifications that could be considered for the purpose of measurement standards are primarily the three objectives:

- a. To accomplish the case (performance) on schedule.
- b. To accomplish the case within the case value.
- c. To close the case as planned.

2. The case progress shall be reviewed on a recurring basis to verify that the case activities are proceeding according to planned events.

F. FORMAL TRAINING TO MEET SPECIAL REQUIREMENTS OF THE CASE MANAGER

**

1. The DoD Component must ensure that individuals assigned as case managers receive adequate training. The following Defense Institute of Security Assistance Management (DISAM) courses, as applicable are suggested as a part of a training plan for a case manager:

- Core
- Financial Management
- Case Management
- Training Management

2. In addition, internal training should be conducted within the implementing agencies to cover the organization's FMS procedures and to rectify any perceived case management inadequacies.

FIGURE 7-V-1

**

CHARTER FOR CASE MANAGER

**

The case manager has responsibility for total case management from assignment through case closure. The case manager operates within the chain of command to direct the necessary action to satisfy case requirements. The case manager ensures that the case (performance) is accomplished on a schedule, within case value, and closed as planned. The case manager manages the case through reviews, visits, surveillance of reports, and correspondence. The case manager integrates the efforts and ensures timely resolution of problems surfaced by supporting activities.

FIGURE 7-V-1, Charter for Case Manager

TABLE 7-V-1

CASE MANAGER DATA ELEMENTS

**

**

**

RSN Level Program

- Direct Program Value
 - Section 21 (specify Publications/Training)
 - Section 22 (specify GFM/GFE)
- Indirect Program Value
 - R&D
 - Rental
 - Asset Use
 - CAS
 - Nonrecurring Production
 - Administrative Fee
- Accessorial Value/Costs
- Type of Financing
- Commitments/Obligations
- Transportation
- Performance Sources
- Requisition Status
- Contract Data

Contract Closure Date

- Reports of Discrepancies
- Repair Data
- Training Data
- Obligational Authority
- Commitments by Fund Cite
- Obligations by Fund Cite
- Physical Deliveries Quantity/Value
- Financial Deliveries
- Work-in-Process
- Expenditure Authority
- Payment Schedule
- Billed to Date
- Delivered to Date
- Collections
- Accounts Receivable
- Disbursements

NOTE: This is a representative list of potentially useful data elements. It is not all inclusive and some data elements listed may not be required for a specific case.

TABLE 7-V-1, Case Manager Data Elements

CHAPTER 8

FMS CASE PERFORMANCE

SECTION I - CASE IMPLEMENTATION AND EXECUTION

A. IMPLEMENTATION.

1. After receiving the initial deposit, together with a copy of the accepted LOA and the applicable request for obligational authority (O/A), SAAC issues O/A to the cognizant implementing agency (I/A), e.g., MILDEP. The O/A is evidence that proper acceptance, including cash deposit, has been received and the FMS case may be implemented.

2. The DD Form 1513 provides the basic information concerning, and authority for, a given FMS case. However, a DD Form 1513 by itself may not be sufficient to permit an FMS case to be implemented. In this regard, I/As may issue case implementing instructions to applicable activities within the DoD. Implementing instructions will state that implementation is subject to receipt of O/A. *

3. The following procedures have been developed to handle requests for emergency obligational authority (O/A): **

a. Implementing Agencies (IA) will limit requests for emergency O/A to true emergency situations (e.g., where normal O/A processing time would exceed training start dates, contract award dates, etc.). **

b. Requests for emergency approval of O/A will be directed to SAAC/FSRC. **

c. IA's will establish official points of contact to receive, evaluate and relay to SAAC legitimate request for emergency approval of O/A. **

(1) IA's will provide the name, office symbol, and telephone numbers of their point(s) of contact to SAAC/FSRC. **

(2) All IA requests will be relayed to SAAC through these offices. **

(3) Any requests received by SAAC from other persons will be referred by SAAC to the appropriate IA point of contact. **

d. IA's will provide SAAC with any available documentation to support the emergency approval request (e.g., copies of signed LOAs, messages from security assistance organizations (SAO) stating that LOA and/or initial deposit are in USG hands). **

e. IA's will insure that DD Form 2060, "FMS Obligational Authority," has been provided SAAC via the IA Customer Order Control System prior to requesting emergency approval of O/A. **

f. Upon confirmation of an emergency O/A requirement from an authorized point of contact, SAAC will immediately enter the required O/A ceiling in the applicable COCs. Subsequently, based on SAAC receipt of DD 1513 (facsimile acceptable) and initial deposit (if required), the associated FMS case will be implemented in DIFS and O/A ceiling released via automated DD 2060 (R5) transaction within two work days. **

g. Exception to this procedure may be granted on a case-by-case basis by DSAA-COMPT-FMD. **

B. EXECUTION.

1. The execution phase of the case is usually the longest in terms of time. It is that phase during which the articles and/or services purchased on the DD Form 1513 LOA are actually produced/performed by the military department under the authority granted by the LOA.

2. The means by which the USG fulfills the requirements of the FMS program depend on the nature of the materiel and services being furnished. A typical program involves the procurement of items from new production, as well as providing selected items from government stocks. The complete system then may be composed of both contractor-furnished and government-furnished equipment, subsystems and materiel. Items to be procured are contracted for by cognizant DoD buying activities. FMS requirements may be consolidated with USG requirements or placed on a separate contract, whichever is more expedient and cost effective. Federal Acquisition Regulation (FAR) provisions applicable to DoD also apply to procurements for FMS customers. *

3. The actual acquisition and performance actions for the FMS program are carried out by USG activities in the same manner and using largely the same internal management organizations as for USG programs.

4. Logistics is the discipline that incorporates the functional areas which carry out the execution of the FMS case. These functional areas are acquisition, supply, transportation, maintenance and training. The concurrent discipline of financial management closes the loop of the execution phase.

5. As a part of the discussion of the Execution phase, it is advisable to re-visit the Total Package Approach/Total Program Concept. The Total Package Approach (TPA) is a means of insuring that the FMS customers are aware of and are afforded the opportunity to plan for obtaining all necessary support items, training and services required to efficiently introduce and operationally sustain major items of equipment/systems considered for purchase. The key word is "sustain." Any one who has responsibility for P&A or case preparation must be able to offer the complete package for sustainability to the purchaser. In addition to the system itself the four major categories that we should consider in the TPA include: Training, Technical Assistance, Initial Support and Follow-on Support.

6. DoD 7290.3-M, Chapter 6, requires the orderly maintenance of case files. It is emphasized that well-organized files provide an audit trail for FMS management reviews and other planning actions.

SECTION II - ACQUISITION FOR FMS

A. DOD REGULATIONS AND PROCEDURES.

1. Compliance with DoD Regulations. In keeping with the DoD policy, acquisition for FMS purchasers will be in accordance with U.S./DoD regulations and procedures. This affords the foreign purchaser the same benefits and protection that apply to DoD procurement and is one of the principal reasons why foreign governments and international organizations prefer to procure through FMS channels.

2. Federal Acquisition Regulation (FAR). The DoD is authorized to enter into contracts for the purpose of resale to foreign governments or international organizations. The FAR shall apply to all purchases and contracts made by the DoD for acquisitions in support of FMS. Some of the most pertinent sections of the FAR and the DOD FAR supplement relative to FMS are listed below:

	<u>FAR</u>	<u>DOD FAR SUPP</u>	
a. Agents Fees and Commissions	3.400 thru 3.404	25.7305	*
b. Contractor Options - FMS		Subpart 17.2	*
c. Contractor Risk for FMS (Weighted Guidelines)	--	15.905-1(b)(7)(E)	* *
d. Costs of Doing Business with a Foreign Government	--	25.7304(c)	* *
e. FMS Rental and Asset Use Charges	45.405	45.405(f)	* *
f. FMS Selling Costs and Allocations to Contracts	31.205-38(b)	31.205-38	* *
g. Foreign Acquisitions	Part 25	Part 25	*
h. Recovery of NonRecurring Costs	--	25.7306, Subpart 35.71	* * *
i. Sole Source Designation	15.210	25.7307	*

3. Acquisition Notification of FMS Requirements. In accordance with Section 25.7303(b) of the DOD FAR Supplement, when the acquisition for FMS is expected to involve a contract in excess of \$10,000 which cannot be placed on the basis of price competition (for example when the FMS purchaser requests a specific sole source), prices, delivery data and other relevant information shall be requested from the prospective source and the request shall indicate that the information is for the purpose of a potential sale under FMS and shall identify the prospective FMS purchaser(s).

B. FMS CUSTOMER REQUESTS FOR SPECIFIC SOURCE.

1. Sole Source Designation. With regard to the source selection process, the FMS purchaser may request that a defense article or defense service be obtained from a particular source. In such cases, FAR 15.210 provides authority for the U.S. Government to negotiate on a sole source basis. Such requests may be honored (see DOD FAR Supplement 25.7307) when the sole source designation is based upon the objective needs of the FMS purchaser as stated by the purchaser. In this regard, the purchaser is required to provide the basis and justification for a sole source request. The request shall not be honored in any case of patently arbitrary, capricious or discriminatory exclusion of other sources. *

2. Subcontractor Sole Source Designators. The FMS purchaser may also request that a sole source subcontract be placed with a particular firm. The DoD Contracting Officer will honor such a request for subcontract placement on the same basis as indicated above for prime sources. It should be noted that the designation of subcontractors carries a risk which should be brought to the attention of the FMS purchaser. Clearly, the sole source designation of a component constitutes a warranty by the U.S. 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 be 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 purchaser, the purchaser should be advised of this potential expense at the time the sole source designation is requested.

3. FMS Purchaser Involvement. The purchasing activities of defense components and prime contractors shall implement FMS requirements using normal procurement and contract management procedures as set forth in the FAR, other directives and pertinent contractual provisions. Representatives of the FMS purchaser shall not be permitted to review bidder's 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. Representatives of the FMS purchaser will not normally participate in contract negotiations. The defense components shall not accept directions from the FMS purchaser as to source selection decisions or contract terms (other than the special contract provisions and warranties referred to in Condition A.2. of the LOA), nor shall the FMS purchaser 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 purchaser'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 the DoD to meet its own needs. *

4. Timing of Specific Source Requests. To avoid the additional delay and workload involved in revision of an LOA, requests for sole source placement should be made when the request for preparation of the LOA for the

defense articles or defense services is transmitted to the U.S. 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 LOA by the FMS purchaser.

C. SALES COMMISSIONS AND AGENTS FEES.

1. Determination of a Bona Fide Agent. FAR 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 FAR, 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 country or international organization 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 LOA 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 LOA. 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 country or international organization. The Note will also include a statement that acceptance of the LOA by the purchaser, with inclusion of the Note, will constitute the purchaser's approval of the sales commissions and fees involved.

b. Ex-Post Facto Notification to Purchasing Country or International Organization. When it is not possible to determine prior to presentation of the LOA whether the price quoted for the articles or services includes sales commissions and fees, the purchasing country or international organization 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 country or international organization within 30 days of the date of the notification, the Department of Defense will determine whether 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 the DSAA.

(1) All LOAs which specify that a sales commission or fee is included in the case will be coordinated with DSAA Operations, regardless of the dollar value of the case, prior to an LOA dispatch to the requesting country or international organization. LOAs which carry the notation that no

sales commissions and fees are included in the case do not require coordination with the DSAA except as may be required by other policies and procedures which may be in effect.

(2) All correspondence with a foreign country or international organization on the subject of agents fees relative to P&A, P&R, or a LOA will be coordinated with DSAA Operations prior to dispatch.

(3) All ex-post facto notifications of an agent fee to a foreign country or international organization will be coordinated with DSAA Operations prior to dispatch.

(4) The submission to DSAA Operations 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 FAR, and shall provide the rationale for reasonableness or an explanation if the reasonableness of the fee cannot be determined.

2. FMS Agents Fee Ceiling. Allowable costs for sales commissions and fees applicable to contracts for FMS shall not exceed \$50,000 per contract (including all modifications and subcontracts thereto), per country. Although commissions and fees may be less than \$50,000 per contract, all such commissions and fees must be justified and supported based on the criteria cited in the FAR. *

3. Disallowance of Agents Fees.

a. No fee shall be accepted by the contracting officer if such fees are disapproved by the purchasing country or international organization.

b. If, in making the determination required by FAR, 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 LOA will be tendered pending withdrawal by the prospective contractor of the fee for such agent from his proposal. *

4. Exceptions to Notification Procedures.

a. The procedure contained in paragraph c.1. above will not be followed in the case of Australia, Egypt, Greece, Iran, Israel, Japan, Jordan, Korea (Republic of), Kuwait, Pakistan, Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, and the Venezuelan Air Force. At the request of these governments all LOAs issued to these countries will include the following statement:

"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:"

(1) 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 supplies or services called for by this contract to the Government of (_____)."

(2) For all other types of contacts:

"Notwithstanding any other provision of this contract, any direct or indirect costs of sales commissions or fees for contractor (or subcontractor) sales representatives for the solicitation or promotion or otherwise to secure the conclusion of the sale of any of the supplies or services called for by this contract to the Government of (_____) shall be considered as an unallowable item of cost under this contract."

b. Accordingly, approval of sales commissions and fees must be sought and obtained prior to contract award unless the contractor certifies that no such fee or commission is included in the cost of the contract.

5. Proprietary Information. Inclusion of a "Note" to the LOA with respect to sales commissions and fees shall not be deemed, with respect to distribution and availability of LOAs, as altering the proprietary nature, if any, of such data for the purpose of 18 U.S.C. 1905.

6. Quarterly Report. A report to DSAA shall be made on a quarterly basis, submitted 30 days after the end of each quarter, which lists all FMS cases in which an agent fee was included and all correspondence which advised a foreign country or international organization of the inclusion of an agent's fee. This report should include a copy of the LOA for each case, including pertinent special notes, which will show the amount of the fee, the name of the agent, and the DoD position as to reasonableness of the fee, together with any correspondence with the purchaser concerning the fee. In addition, a statement should be provided describing the current status of the fee, i.e., accepted by country, rejected by country and still under review with contractor, withdrawn by contractor, or other similar information. Cases for which the question of country acceptance of the fee is still under review shall continue to be reported until the matter is decided, and final report closing the issue has been made. The number which has been assigned this report in the Reports Control System is DSAA(Q)1127.

7. Agents Fees for Commercial Contracts. Agents fees for direct commercial contracts financed with FMS credit funds will be limited to \$50,000 per contract. It is the responsibility of the contractor to prove that payments of any agents fees in excess of \$50,000 are not financed with FMS credit funds.

D. APPOINTMENT OF AN AGENT.

1. Policy. It is U.S. Government policy to deal directly with a foreign government or international organization for the purchase of defense articles via Foreign Military Sales procedures. An agent may be designated by

a foreign government for the accomplishment of the following purpose only: to act as an agent for the receipt of FMS Government Furnished/Spares/Support items which are required by that agent to enable the (manufacture/assembly) (repair/rehabilitation) of defense items purchased on a direct basis by the foreign purchaser. The following form letter, which designates such an agent, should be used and a foreign government request signed at the Minister or Deputy Minister of Defense level.

2. Form Letter.

Director
 Defense Security Assistance Agency
 Room 4E837, The Pentagon
 Washington, D.C. 20301

Dear Sir:

The Government of _____ hereby appoints
 _____ whose address is _____
 _____ as its Agent for the purpose of re-
 ceiving deliveries of the following items: Above items
 will be used for the (manufacture/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 (Gen-
 eral Conditions) of the DD Form 1513 until transferred
 by such Agent of the Government of _____.

Yours Very Truly,

Such agency is acknowledged.

 (Signature of Agent)

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

SECTION III - LOGISTICS

A. FOLLOW-ON SUPPORT.1. Blanket Order.

a. Description. Blanket Order FMS cases represent an agreement between a foreign country or international organization and the U.S. Government for a specific category of material or services (normally identifiable to one or more end items) with no definitive listing of items or quantities. Utilization of a Blanket Order FMS case does not change the requirement for authorization/approval of material, training, or services which may be required by other provisions of the SAMM or by other DoD directives. Blanket Order FMS cases are not to be used as a substitute for Cooperative Logistics Supply Support Arrangements (CLSSAs) since the customer must normally wait the normal procurement leadtime, unlike matured CLSSAs. Blanket Order FMS cases are established to facilitate and simplify procedures for foreign purchasers. In addition, DoD components are able to standardize logistics supply operations and promote operational economies for commodities most susceptible to high volume processing. The foreign purchaser or DoD component may place orders during the ordering period of the case, which normally will not exceed 24 months. Orders which would exceed the established dollar ceiling in the LOA will not be processed. When established, the Blanket Order FMS case permits the purchaser to submit either MILSTRIP requisitions, letter, or message requests for articles or services directly to the cognizant Military Department International Logistics Control Office (ILCO) or appropriate Defense Agency without a defined order LOA being prepared on each occasion. Related administrative lead time is substantially reduced.

b. LOA Preparation. Supplementary notes will be incorporated in each LOA to sufficiently elaborate on the duration of the case, method of input of requirements, and delivery instructions. LOAs will normally cite type of assistance to permit maximum flexibility to allow either stock issue or procurement. Estimated prices for items identified by NSN can be obtained from the applicable U.S. Military Services' Management List. Normally two factors will influence this price; one is a high probability that procurement will be required and the second is a price escalation will be very likely. To avoid long and costly delays, purchasers should be encouraged to include a cost escalation factor to current management list prices and to consider any additive factors identified in DoD 7290.3-M. Requisition preparation and formats are contained in the DoD 4140.3-M, Military Standard Requisitioning and Issue Procedures.

c. Price and Availability Information. Normally Price & Availability information is not required for Blanket Order FMS cases because the purchaser estimates requirements and requests an appropriate case value. The aforementioned policy may be altered at the discretion of the cognizant DoD component. Implementation of Blanket Order FMS cases is accomplished by establishing case records and awaiting submission of requirements generally forwarded by the foreign purchaser. Based on purchaser agreement, requirements may occasionally be generated by the DoD component concerned.

Requirements for defense articles (excluding services and training) should be mechanically transmitted in MILSTRIP format, but may be forwarded to the DoD component using other means when advantageous and acceptable to the foreign purchaser and the DoD component concerned. Requisitions are recorded, edited and processed to the inventory manager. Transmission will be via AUTODIN or the International Logistics Communications System (ILCS) whenever possible. Stock levels are mechanically reviewed and issue from stock is made if DoD assets are above the reorder point. Procurement actions are initiated depending on inventory availability. Billing data, processed by DoD component activities, are furnished to the SAAC, Denver, and supply/shipment status is furnished to the purchaser or his authorized representative by the applicable DoD component. Billings are processed against the case in accordance with standard practice and U.S. Government appropriations are credited accordingly.

d. Items Normally Covered by Blanket Order Cases. Details of policy and procedures for blanket order cases are in Chapter Seven, Section I, paragraph B.3.b. This includes a summary of the types of articles and services normally authorized for such cases, as well as those normally excluded from supply under blanket order cases.

2. Cooperative Logistics Supply Support Arrangements (CLSSAs). A specialized arrangement for follow-on support of spare and repair parts is the Cooperative Logistics Supply Support Arrangement (CLSSA). The arrangement involves the investment by the purchaser in the DoD logistics system to establish an equity representative of the anticipated support requirements of specific major end items/systems. The investment permits the U.S. service to acquire stocks in anticipation of the country's actual demands and entitles the country to support equal to that provided U.S. forces assigned the same Force Activity Designator (FAD). Such arrangements are negotiated on a service-to-service basis and normally renegotiated annually. Two FMS cases are required for a CLSSA: Foreign Military Sales Order (FMSO) I, and Foreign Military Sales Order (FMSO) II. Both cases must be executed in order for CLSSA requirements to be anticipated and satisfied.

a. Foreign Military Sales Order (FMSO) I Case. The FMSO I covers the estimated dollar value of the items and quantities to be stocked and maintained on order from procurement sources for the support of U.S. furnished equipment. This case is subdivided into two parts: Part A, an on-hand portion normally representing the items required to be on hand to support the purchaser's anticipated requisitions, and Part B, an on-order dependable undertaking based on 12 months, or on the representative leadtime for the commodity to be supported. Part B is required to enable the military departments to have materiel at various stages of the procurement cycle to insure that the materiel in Part A is available upon demand. The country's obligation includes the value of both Part A and B; however, upon acceptance the country is only required to pay for Part A, the on-hand portion, plus a 5% administrative charge based on the value of Part A.

b. Foreign Military Sales Order (FMSO) II Case. The FMSO II covers the estimated annual withdrawals from the U.S. supply system of the items covered by the purchasing country. FMSO II cases are undefined in terms of items and quantities, reflecting instead a dollar amount of an estimated demand for an agreed upon period. Each MILDEP treats FMSO II cases slightly different and the appropriate departmental regulations and directives should

be consulted before any definitive action is taken. The case includes the materiel value that the country is expected to requisition during the ordering period covered by the case, plus the appropriate accessorial, administrative, and asset use charges. In addition, a storage charge of 1.5% annually based on the value of Part A, the on-hand portion, of the FMSO I case is included in the FMSO II case.

3. Excess Property.

a. General. Excess property procedures afford still another method for limited materiel support. Property that is excess to U.S. service requirements and cannot be utilized by other DoD components may be provided to eligible foreign governments through FMS programs. Providing excess materiel is accomplished either through the Major Item Materiel Excess (MIMEX) program or the Defense Property Disposal Service (DPDS) system.

b. Major Item Materiel Excess (MIMEX). Major Item Materiel Excess (MIMEX) is a system of screening to determine foreign customer requirements for major items above the Approved Force Acquisition Objective (AFAO) of the Military Departments. MIMEX screening is based on a determination by the Inventory Manager that assets are above the AFAO, therefore not required to fill existing U.S. force, MAP, or FMS requirements. The system is operated by DSAA with participation by each of the Military Departments. Major item assets above the AFAO are designated as "transferrable assets" and made available for screening through the system for transfer to FMS customers at reduced cost using the formula prescribed in DoD 7290.3-M which is based on reported condition of the assets. These items are made available "as-is/where-is." The MIMEX system is also used for screening major items reported as Redistributable MAP property to determine redistribution requirements. When the U.S. Military Department has requirements for any of these, a statement to that effect is included in the offer and usually results in authority to return the assets to U.S. control with reimbursement to the MAP account. Assets that meet the MIMEX condition criteria of R-3 or better (estimated repair costs of not more than 40% of standard price) are placed on a numbered MIMEX offer message dispatched to U.S. elements in countries designated by DSAA to receive MIMEX offers. The offers identify the items and quantities available, their condition, location, estimated repair costs, supportability information, the standard price and FMS price for each item. MIMEX offers request that customer's requirements be furnished to DSAA within 20 days of the offer date. The customer response to DSAA must include the rationale behind the request for allocation and whether the requirement is to be processed under MAP or FMS. When requirements have been received by DSAA from all interested customers (occasionally an extension of the 20-day suspense will be granted by DSAA), allocation advice is provided to the customer and military department. The allocation message includes authority for preparation of the DD Form 1513 for FMS allocation.

c. Defense Property Disposal Service (DPDS). The Defense Logistics Agency (DLA) conducts sales of certain declared excess materiel to eligible Foreign Military Sales countries. This is DoD/MAP generated property which either the U.S. military services have declared excess to their requirements due to long supply or obsolescence resulting from technological advancements or it is property reported as no longer required by current or former MAP/Grant Aid program recipients. The objective of the DLA FMS program is to

maximize the reuse of excess property in a manner where such sales favorably contribute to both the U.S. and host country's national security objectives and comply with foreign policy as set by Department of State. However, it should be noted that all DoD/MAP generated excess property is purchased in an "as-is where-is" basis, with no provision or guaranty for its follow-on support on the part of DLA or the U.S. Government.

d. Sale of U.S. DoD Excess Personal Property.

(1) Responsibility. The Defense Logistics Agency (DLA) has assigned to the Defense Property Disposal Service (DPDS) the responsibility for conducting the sales of DoD excess personal property and disposable MAP property to foreign governments and international organizations. Headquarters, Defense Property Disposal Service exercises operational management of the FMS program throughout the DPDS and conducts the FMS of property located in the Continental United States (CONUS) and all of North America and Latin America. Defense Property Disposal Region, Europe, conducts the FMS of property located in Europe. Defense Property Disposal Region, Pacific, conducts the FMS of property located in Hawaii, the islands of the Pacific Ocean and Eastern Asia.

(2) Contact Points. The DPDS has established FMS contact points at three locations for the purpose of providing information and assistance to enable FMS customers to make use of the DPDS FMS Program in the most advantageous and beneficial manner. The contact points are:

(a) Headquarters DPDS.

Commander
 Defense Property Disposal Service
 ATTN: DPDS-UCM
 Federal Center
 Battle Creek, Michigan 49016
 Commercial Telephone - (616) 962-6511, ext. 6911/6918
 AUTOVON - 369-6911/6918

(b) DPDS-Europe.

Commander
 Defense Property Disposal Service
 ATTN: DPDS-EU
 Building B04, Lindsey Air Station
 APO New York 09633
 Commercial Telephone - 49-6121-82-3537/6666
 AUTOVON - Wiesbaden Germany - 314-472-1110, ext. 3537/6666

(c) DPDS-Pacific.

Commander
 Defense Property Disposal Service
 ATTN: DPDS-PU
 Camp H. M. Smith, Hawaii 96861
 Commercial Telephone - (808) 477-5242
 AUTOVON - Pearl Harbor - 431-0111, ext. 477-5242

(3) DPDS Status. DPDS is an element of the DoD. As such, it has absolutely no connection with commercial firms which offer surplus U.S. military supplies and equipment for sale to the general public.

(4) Relation to Other Agreements. The FMS policies and procedures promulgated by DPDS are not intended to repeal or circumvent existing or proposed direct support agreements between other DoD components and foreign governments or international organizations, or any other government-to-government agreements. Where such agreements are in effect, it is expected that the governments concerned will continue to requisition or otherwise procure materiel and services covered by the agreements from the U.S. DoD components with which the agreements have been concluded.

(5) References. The DPDS publishes two documents which provide information on the specifics of the DPDS excess program and on articles which are available for sale.

(a) Foreign Military Sales Customer Information Guide. This document provides information on how to use this service and specifics of the program.

(b) Declared Excess Personal Property List. This is a weekly listing of excess property published by the DPDS. Countries eligible to receive the DPDS Declared Excess Personal Property Lists are identified at Table 8-III-1 of this section.

(6) MDE and SCE. All MDE and SCE excess items being sold under FMS procedures must be clearly defined in the LOA. Accordingly, only defined order type cases will be utilized for sales of MDE or SCE.

B. REQUISITION PROCEDURES.

1. Use of MILSTRIP.

a. Standard Items. Once an FMS case has been established and funded, MILSTRIP requisitions may be initiated either by the purchaser or by a designated DoD component. For standard material 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). 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. Service designated RCOs are:

(1) Army. U.S. Army Security Assistance Center, New Cumberland, PA 17070.

(2) Navy. Navy International Logistics Control Office (NAVILCO), Philadelphia, PA 19111.

(3) Air Force. Air Force Logistics Command, Wright-Patterson AFB, Ohio 45433.

b. Non-Standard Items. Although purchasers are encouraged to procure material which is standard to the U.S. Armed Forces, non-standard equipment may be requisitioned after mutual agreement with the DoD component concerned. Such requisitions, as well as requisitions for services (e.g., training, etc.), will be in a letter format rather than under MILSTRIP procedures.

2. Uniform Material Movement Priority System (UMMIPS).

a. Use in Requisitioning Process. 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 and international organizations. Component activities will take the necessary steps to assure that participating foreign countries and international organizations are properly instructed in the establishment of the Issue Priority Designator. SAOs, if they process FMS requisitions, will verify country and international organization established Issue Priority Designators to assure accuracy.

b. Correction of Erroneous Designators. Erroneous designators will be corrected by the reviewing activity. Doubtful cases will be referred to the appropriate U.S. or purchaser representative for clarification or correction.

3. Delivery Commitment Date (DCD).

a. Use. 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 LOA. (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.)

b. Report of DCD Slippage. A report will be submitted to DSAA on a quarterly basis, 45 days after the end of each quarter of the fiscal year, and will include 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 LOA or from that previously reported to DSAA, together with a brief explanation of the reason for the slippage. In the event it is determined that a slippage in delivery date in excess of 90 days will occur, but a firm alternative delivery date cannot be established with a reasonable time, a DD Form 1513-2 will be provided to the purchaser deleting the previous delivery date, providing an explanation of the circumstances involved, and containing a statement that an additional DD Form 1513-2 will be provided as soon as the new delivery date has been established. 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 will be submitted for each item. The number assigned this report in the reports control system is DSAA(Q) 1123. (See Figure 8-III-1 for format to be used.) This report will be submitted with the report on price increase notifications required by Section V, paragraph C.9., of this chapter.

4. Delivery Forecast Date (DFD). The DFD is developed by the ICPs of the MILDEPs, and represents the estimated date of delivery of the total quantity of the line item. 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 above. The DFD is not a gross lead time estimate such as the MASL leadtime. It is a true estimate by the ICPs of the forecast of deliveries based on procurement/supply studies.

5. Economic Order Quantities. MILDEPs and other DoD components should offer to provide customer countries and international organizations 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 and international organizations. SAOs will advise and assist customer countries and international organizations to assure understanding and use of EOQs. SAOs, in those cases where they review FMS requisitions, should screen requisitions to confirm utilization of the EOQ concept.

C. MANAGEMENT REVIEW.

1. Notification of Delivery Forecasted Date. Within 120 days after acceptance of an FMS case, DoD components will advise the SAO of the forecast delivery date of each major item. No less frequently than quarterly thereafter, until deliveries are complete, the SAO will be advised by the DoD components of any changes in these forecasts.

2. SAO Responsibility for Delivery Forecast Date. SAOs are responsible for review of delivery forecasts and for advising the DoD components 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 SAOs and the DoD components should be referred to the DSAA.

3. MILSTRIP Report. A quarterly MILSTRIP requisition status report will be prepared by the DoD components and made available to the purchaser 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.

4. Delivery Performance.

a. Importance of Prompt and Effective Service. The quality of delivery performance 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 purchaser must be continually emphasized to assure overall success in the attainment of FMS program objectives.

b. Reporting Discrepancies. Every effort must be made to impress upon the purchaser the importance of reporting discrepancies as soon as possible but no more than one year after shipment or billing, whichever is later. Since this time standard exceeds time standards previously expressed by the DoD components the time limitation of one year after shipment or billing applies to all shipments made subsequent to the date of this manual.

c. Significant Political or Readiness Impact. Wherever significant political or readiness impact is involved, the SAO 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 DoD component concerned and, in significantly important cases, DSAA.

D. ADHERENCE TO STATED CONDITIONS. The DoD components authorized to make offers will assure that the LOA fully describes the condition of the defense material and that the authorized representative of the foreign government or international organization who accepts and signs the LOA understands the condition of the defense material. DoD components shall require that FMS material conform to the material offered, 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.

E. SYSTEM SUPPORT BUY OUT.

1. DoD Component Responsibility. When it is determined that a weapon system/end item is or will become obsolete to the U.S. forces and the items are not covered under a CLSSA, the actions identified below are required to be effected by the Military Department responsible for logistics support of the end item.

a. Foreign Country/International Organization Inventory. Determine the foreign countries and international organizations which have previously purchased the weapon system or end item and still have them in their inventory.

b. Notification to Foreign Country/International Organization. Advise the foreign countries and international organizations of a proposed system support buy out. This may be done by offering a list of items or by identifying the weapon systems to be phased out, depending on the circumstances. On equipment phase out, the country may, if possible, place a final order for spares in sufficient range and quantity to support the equipment for its probable remaining useful life.

c. Timeframes. Provide the foreign country or international organization with sufficient time to budget for and fund the system support buy out. This should be a minimum period of two (2) years.

2. Actions Subsequent to System Support Buy Out. Subsequent to the expiration of the system support buy out the following is authorized.

a. Inventory to be Processed for Disposal. All inactive items with zero demand for a period of four years (which include two years of the system support buy out) will be routinely processed for disposal and deleted from the DoD component inventory.

b. Inventory to be Retained. DoD component inventories of active items which have continued to show demands during the past four year period may be retained and managed in support of Security Assistance requirements.

F. TRANSPORTATION OF FMS MATERIEL.

1. Introduction.

a. The purpose of this part is to provide information to FMS customers about how their materiel is handled. The narrative describes the materiel movement process, defines the respective roles of U.S. Government activities and private manufacturers, and provides helpful information about situations that have previously caused problems for freight forwarders. Knowledge of these procedures should assist the customer both in selecting a qualified freight forwarder, and in subsequently evaluating the freight forwarder's performance.

b. Basic DoD policy with respect to deliveries of Foreign Military Sales (FMS) materiel is that each procuring government/international organization (hereinafter referred to as "customer" or "purchaser") shall be responsible for transportation and delivery of its own materiel. In application of this policy, each customer shall utilize its own contract or in-house agency (freight forwarder) to manage all aspects of transportation and delivery to the ultimate in-country destination. DoD will, as necessary, assure delivery of FMS materiel to the customer's agent at the designated delivery point.

c. Most purchasing country staffs in the U.S. do not have the capability of accomplishing all of the actions required to effect in-country delivery of FMS materiel. The freight forwarder undertakes these responsibilities as an agent for the customer and its function is an essential and integral element of the transportation cycle. (Table 8-III-2 contains potential sources from which listings of freight forwarders may be obtained.)

d. Freight forwarder companies occupy a key role in the delivery of materiel to FMS customers. These companies, as a minimum, receive, consolidate, and stage materiel and arrange for its onward shipment to the customer. The freight forwarder normally is not the carrier (i.e., rail, air, truck or ship company). A freight forwarder is a private firm which serves as contractual agent for the FMS customer. Because the freight forwarder is under contract to a customer, the specific functions performed may differ somewhat from those noted above. The freight forwarder may perform a greater or lesser range of functions depending upon the agreement with its respective customer.

e. It is important to note that the freight forwarder, as an agent of a customer, is not a part of or under the direction of any element of the U.S. Department of Defense. However, because most FMS materiel will be shipped to the freight forwarder utilizing U.S. transportation system procedures, it is important that FMS customers ensure that their freight forwarder understands the Uniform Materiel Movement and Issue Priority System (UMMIPS).

Knowledge of these procedures should allow the freight forwarder to effectively interface the U.S. Government procedures with its own operation. It is essential that the customer provide advice of shipping requirements to their freight forwarder, particularly regarding compliance with U.S. provisions for shipment of MAP or FMS credit financed material.

f. Shipping activities, both government and commercial, pack the materiel and arrange for its pick up at point of origin and delivery to designated destinations. Government sources of supply identify the proper "Freight Forwarder" and "Mark For" address by translating certain MILSTRIP codes from the requisition number and supplemental address. These codes are converted to full clear text addresses in the U.S. Department of Defense Military Assistance Program Address Directory (MAPAD), DoD 5105.38-D. The appropriate "Freight Forwarder" Code and "Mark For" Code is annotated on the DD Form 1513, Letter of Offer and Acceptance (LOA) document, by the customer and perpetuated in the MILSTRIP data. Department of Defense contractors are provided the clear text address of the "Freight Forwarder" and "Mark For" through the Cognizant Transportation Office (CTO) of the Administrative Contracting Office (ACO).

g. Trucking companies, airlines, railroads, U.S. Postal Service (USPS) or small parcel carriers, may be utilized for FMS shipments. The normal method of shipment for FMS materiel enroute to the designated purchaser government agent is by Collect Commercial Bill of Lading (CCBL). Exceptions to this policy are noted in Paragraphs 2.i. and 2.j. of this Section. The selection of a mode of shipment by the shipping activity is dependent upon a variety of factors. Normally, non-premium surface mode is utilized.

2. Foreign Military Sales (FMS) Transportation Policies and Procedures.

a. Point of Delivery. The point of origin of FMS materiel is normally the point of delivery to the customer.

(1) If items are procured for shipment directly from a contractor, this point will be the contractor's loading facility.

(2) If items are supplied from DoD stocks, this point will be DoD depot loading facility or the nearest post office facility in the case of parcel post.

(3) When circumstances dictate, designation of other points of delivery must be clearly specified in DD Form 1513, Letter of Offer and Acceptance (LOA).

b. Transfer of Title. Title to equipment and materiel will pass at the initial point of shipment, unless otherwise specified in the LOA.

(1) For defense articles sold from stock, this normally will be at the U.S. depot, whether in CONUS or overseas.

(2) For items procured for the purchaser, this normally will be at the contractor's loading facilities.

(3) In the case of excess materiel (DoD Directive 4160.21), this normally will be the location at which the materiel is being offered for sale.

(4) When the DD Form 1513 specifies that the U.S. Government will provide for movement of aircraft to the point of delivery, one of two conditions prevail with regard to title:

(a) Where additional ferrying is specified and the aircraft are not purchaser-owned (title not passed), the U.S. Government will accept title to the aircraft from the contractor, and title to the aircraft will remain with the U.S. Government until arrival at the point of delivery, at which time title passes to the purchaser.

(b) Where purchaser-owned aircraft are being ferried under the terms of the DD Form 1513, the purchaser grants the U.S. Government possession of the aircraft. Under this condition, the title to the aircraft remains with the purchaser. The LOA will contain prescribed indemnification clauses.

(c) The purchaser assumes all risk of loss or damage since this is a U.S. Government service being provided at no cost to the U.S. Government.

(5) The provisions of this title transfer policy apply to all FMS shipments regardless of the mode of transportation, type of transportation, documents utilized, or delivery code.

c. Consolidation. FMS shipments will be consolidated for shipment purposes to the greatest extent possible. Consolidation criteria are contained in Chapter 6, DoD 4140.17M (MILSTRIP).

d. Packaging and Marking. Shipping activities (U.S. Government facilities or contractor) are responsible for the proper packaging and marking of FMS materiel in accordance with Mil Standards 794 and 129, respectively. The materiel will be packaged as prescribed by Mil Standard 794 (preservation Level "A"/packed to not less than Level "B") and will be marked as prescribed by Mil Standard 129 with the following minimum information:

- FMS Case Identifier (e.g., XX-B-ABC)
- TCN
- Transportation Priority
- Project Number (if applicable)
- Shipped From Address
- Shipped to Address
- Ultimate Consignee/Mark For (coded and clear text, if applicable)

e. Cost of Transporting Materiel to the Freight Forwarder.

(1) Shipments of materiel may occur under conditions where the sales price does not include the cost of transportation to the freight forwarder. These shipments, with delivery terms "Free-On-Board" (FOB) origin, will be transported under Collect Commercial Bills of Lading (CCBL).

(2) Shipments of materiel may occur under conditions where the sale price includes cost of transportation to the freight forwarder. This is the case for stock fund type items. Stock fund items should be transported under CCBLs as is generally the case with non-stock funded items. The primary concern, however, is that the DoD component assures that the purchaser is not double-billed for transportation services rendered, i.e., transportation costs are excluded from the stock fund price of the item. Therefore, all non-excess stock funded materiel sold to FMS customers will be priced less the second destination transportation surcharge which is included in the established standard price.

(3) Shipments will be accomplished in accordance with conditions prescribed in the DD Form 1513 except when the nature of the shipment dictates the provision of added protection and/or control during movement. When added protection and/or control is provided for the movement of an FMS shipment, it generally denotes an added cost to the U.S. which is reimbursable by the purchaser. The cognizant DoD component is responsible for making such arrangements and for assuring that applicable costs are charged to the FMS purchaser.

(4) Accessorial costs billed to FMS cases will be charged in accordance with DoD 7290.3-M. Normally, these costs will be included below the line on the DD 1513 and billed to the purchaser by the Security Assistance Accounting Center in accordance with the standard rate in DoD 7290.3-M. However, when dedicated transportation is required, e.g., a Special Assignment Airlift Mission, the costs will be computed based on the actual costs to the USG and included as a separate line on the DD Form 1513.

f. Offer Release Code "A", "Y", and "Z" Shipments (Refer to Table 7-II-2).

(1) FMS materiel will be shipped to the freight forwarder from either U.S. Government or commercial sources of supply. The customer negotiates with the DoD component to determine whether materiel will be automatically released for shipment or requires Notices of Availability (NOA) prior to release. This results in the assignment of a specific "Offer/ Release" Code in block 19 of the LOA. Assignment of Code "A" authorized automatic shipment, while assignment of codes "Y" and "Z" indicates that Notices of Availability (NOA) will be sent before the materiel is shipped (DoD 4140.17-M MILSTRIP).

(2) U.S. representatives should not commit the U.S. Government to provide NOAs when initiating LOAs. The normal "Offer/Release" Code for all FMS transactions is "A". "Offer/Release" codes "Y" and "Z" should be negotiated only under special circumstances, such as for the delivery of sensitive, hazardous or classified cargo and large end items. Use of codes "Y" and "Z" for other than hazardous or classified cargo and large end items must be approved by the DoD component concerned on a "case-by-case" basis.

(3) NOAs are not normally used for direct delivery transactions from contractor's facilities. If contract production schedules do not provide sufficient information and the customer requires NOAs be provided or the offer/release code for the item(s) "Y" or "Z," special arrangements must be made and placed in the LOA and in the contract. The purchaser will be liable for the costs incurred. Such cost will not be a part of the

administrative surcharge, but will be separately negotiated with the contractor as contractor-furnished data and charged to the purchaser.

(4) Items stored or staged as a result of specific instructions in response to an NOA or for which no shipping instructions are received, accrue storage costs as specified in DD Form 1513, Explanatory Note 7.

g. Discrepancies.

(1) There are two groups of discrepancy shipment conditions to which the freight forwarder and/or customer must react:

(a) Materiel Discrepancy. This includes shortages (including non-receipt) due to incorrect quantity counts, improper packing/marking, duplicate shipments, incorrect items and damage sustained prior to shipment or release to the carrier by the origin shipper. The DoD component in conjunction with the US supply source or private contractor retains responsibility for resolving these problems and determining financial responsibility.

(b) Transportation Discrepancy. This includes complete or partial loss and/or damage caused by the carrier (when properly annotated on the bill of lading) or freight forwarder. Resolution of transportation discrepancies depends upon a variety of factors. If the materiel is shipped on a Government Bill of Lading (GBL) or Commercial Bill of Lading (CBL), (prepaid or collect) to a freight forwarder and damage and/or loss occurs, the freight forwarder must file a claim with the carrier. Damage resulting to materiel shipped to the customer by a freight forwarder must be resolved by the customer and/or the freight forwarder in a claim action with the carrier. Damage or loss of materiel while in the custody of the freight forwarder must be resolved between the customer and the freight forwarder. Such discrepancies will not be subject to reporting to the USG, under paragraph 2.g.(2). The USG does retain responsibility for processing and filing claims with carriers for shipments made on GBLs to DoD activities. Benefits of such claims will be reimbursable to the customer (See Table 8-III-3).

(2) Processing Discrepancies. The U.S. Government will document, process and file claims when shipment moves on GBL to or in care of a DoD activity, water or MAC aerial terminal. If shipment moves on a GBL to a freight forwarder or country representative at a commercial port, the U.S. Government assumes no responsibility for reporting, processing or filing claims against the carrier. The purchaser's representatives and freight forwarder have this responsibility. The purchaser may desire to purchase insurance in order to minimize potential losses for all material ordered. The U.S. source of supply or private contractor does retain responsibility for other discrepancies. These include shortages (including non-receipt) due to incorrect quantity counts, incorrect items, improper packing/marking, duplicate shipments, and damage sustained prior to shipment release to the carrier by the original shipper.

(3) Discrepancies identified in paragraph 2.g.(1)(a) must be documented in accordance with Processing Discrepancy Reports Against Foreign Military Sales Shipments (DLAR 4140.60, AR 12-12, NAVMATINST 4355.72, AFR

67-7, MCO 4140.1B) with the Report of Discrepancy (ROD) sent to the DoD component.

h. Small Parcel Shipments.

(1) Small Parcel Defined. Although basic policy prescribes consolidation of shipments, it is frequently necessary to ship small items or packages on an individual basis. More information may be found in Chapter 206, Military Traffic Management Regulation.

(2) Authorized Transportation Modes. Transportation officers are authorized to utilize either the U.S. Postal Service parcel post facilities or commercial small parcel carrier equivalents.

(3) Use of Commercial Package Carriers. Shipments through such commercial carriers as United Parcel Service (UPS) may be made when such shipment mode is responsive and cost-effective. Charges for such shipments will be assessed the FMS purchaser. Commercial shipments will be addressed to the agents or representatives specifically designated by the purchaser in the MAPAD. When shipment is to be via domestic parcel post or commercial package carrier equivalents, the transportation officer should consult the various tariffs or package carriers to ensure that the desired service is available and meets the following criteria:

(a) Cost. Shipments will be made at the least cost for the service required.

(b) Audit Trail. The transportation service selected must provide a proof of entry into the transportation network.

(c) Speed of Service. The service selected must be responsive to required delivery date and priority.

(4) Proof of Delivery. To preclude extensive DoD component involvement in FMS claim submissions, small parcel shipments should be made by traceable means and sufficient records kept to enable proof of delivery. Insured shipments are authorized, if appropriate. Mode of shipment will be governed by the cost, evidence of shipment, and speed of service requirement criteria. Complete guidance for processing FMS RODs is provided in DLAR-4160.60 and this Manual.

(5) Shipments Beyond CONUS. If movement is directed beyond CONUS, international parcel post, if specifically authorized by an FMS case, may be utilized and the purchaser charged pursuant to DoD 7290.3-M, if a better means of shipment is not available. As a rule, Military Postal Service (MPS) through APO or FPO will not be used for FMS shipments; however, exceptions to policy are authorized for classified shipments when the purchaser does not have approved facilities to receive classified items in the U.S., or where the sales order specifies delivery in country through the resident U.S. Security Assistance Organization (SAO). Such exceptions will be kept to the minimum and the cost of such shipments will be assessed to the purchaser.

i. Use of the Defense Transportation System (DTS).

(1) When Required. Exceptions to delivery policy will be noted on the LOA on a case-by-case basis and approved by DSAA Operations with concurrence of OSD/MI&L. Procedures for shipment via the DTS are contained in the Military Traffic Management Regulation and MILSTAMP, DoD 4500.32R. Shipment through the DTS to the point indicated for the shipment of the following types of items is authorized on a reimbursable basis with pricing in accordance with DoD 7290.3-M:

(a) Hazardous Sensitive Material. Firearms, explosives, lethal chemicals, and when required certain other hazardous material will be moved within the DTS or other U.S./DoD-arranged transportation under U.S./DoD control on a Government Bill of Lading (GBL). To meet these requirements, the LOA will require, delivery FOB vessel/aircraft, CONUS port of exit delivery term code 8. The onward movement of these items may be effected by purchaser-owned or controlled aircraft or purchaser-owned, operated or controlled surface vessels (see para (c) below).

(b) Oversize Air Cargo. Air cargo of such size that the item exceeds commercial capability may be delivered to the overseas port of discharge through the DTS using military aircraft.

(c) Use of DoD Controlled Ports. FMS material which requires exceptional movement procedures, such as sensitive and as required certain hazardous material (as defined in DoD 4500.32-R, Vol. 1, Chapter 2, paragraph 12-15 Military Traffic Management Regulation Chapter 226 and Title 49 CFR Part 170-179 and 397, and DoD 5100.76M), will be shipped through CONUS water or aerial port facilities controlled by DoD. All material entering the DTS must be documented under DoD 4500.32-R, Vol. I and Vol. II. This will require that the terms of delivery of the LOA cite as a minimum, delivery FOB Vessel/Aircraft, CONUS Port of Exit Delivery Term Code 8.

j. Classified Shipments.

(1) It is the policy of the United States Government to release classified military information to foreign governments and international organizations, when considerations relating to the foreign policy and military objectives of the U.S. indicate that the national interest will benefit from such action. Such releases must be consistent with the U.S. National Disclosure Policy (NDP).

(2) The United States national interest requires that foreign recipients of U.S. classified military information and materiel provide substantially the same degree of security protection, to include transmission and transit storage procedures, given to the same information and materiel by the Department of Defense.

(3) Classified shipments of FMS materiel usually will be made within the DTS or by other U.S./DoD-arranged transportation modes which will provide the required security and enable the U.S./DoD to maintain control and custody of the materiel until delivery to the purchaser is made. DoD Directory 5105.38-D (MAPAD), however, lists certain freight forwarders who have been cleared to receive classified materiel which could be shipped FOB origin

on a Commercial Bill of Lading (CBL). (See Chapter Five for additional security information.)

k. Discharge of FMS Materiel Moving Through the DTS.

(1) The local U.S. military representative is responsible for supervision of the discharge at destination of FMS materiel and equipment moving through the DTS. This responsibility includes, but is not limited to:

- (a) Making arrangements for reception of the cargo,
- (b) Assuring the establishment by the purchaser of adequate procedures for checking the equipment and materiel against manifests and shipping documents,
- (c) Providing technical advice regarding proper discharge of cargo, and
- (d) Initiating transportation discrepancy actions and documents prescribed in AR55-28/NAVSUPINST 4610.33C/AFR 75-18/MCO 4610.19D, DLAR 4500.15, Reporting of Transportation Discrepancies in Shipments.

(2) Where there are U.S. military forces positioned or deployed in areas that are receiving FMS materiel, and where these forces are supported by U.S. Military Terminal Units or Support Activities, arrangements may be initiated by the local U.S. military representative who may designate these units to act as the agent or representative of the local U.S. representative to accomplish the functions incident to the delivery of FMS materiel to the recipient country via the DTS.

(3) If compliance with Paragraphs k(1) or (2) above is not feasible or possible, the responsible DoD components will amend all agreements for FMS materiel to provide that custody shall pass within CONUS and that transportation support beyond CONUS will be the responsibility of the purchaser.

1. Re-delivery Policy and Use of the DTS.

(1) When a DoD component solicits the buy back of a defense item from an FMS purchaser, use of the DTS may be authorized if deemed appropriate by the cognizant DoD component with funding by that DoD component.

(2) When a DoD component is requested by an FMS purchaser to buy back previously purchased defense articles, transportation normally should be arranged and funded by the FMS purchaser. Unsolicited buy backs of sensitive, hazardous and classified cargoes may be moved within the DTS, with reimbursement from the FMS customer, if deemed appropriate by the cognizant DoD component.

m. Government Bill of Lading (GBL).

(1) Shipment via GBL is not authorized except when specified in the LOA and approved by the cognizant DoD component as an exception.

(2) When the GBL is used, the DoD retains responsibility for the associated administration of processing claims against carriers or for obtaining proof of delivery at destination on movements to freight forwarders/country representatives, military controlled terminals, and commercial ports.

(3) When a GBL is used, the DoD is performing a reimbursable service for the FMS purchaser and custody must not be construed to mean retention of title or acceptance by DoD of the risk of loss or damage.

n. Collect Commercial Bill of Lading (CCBL) or Prepaid Shipment to Freight Forwarder/Country Representatives. This procedure normally will be used for FMS shipments on movements to freight forwarders and country representatives. Purchasers will be informed by the DoD component concerned that they are responsible for: (1) acceptance and payment of CCBL shipments made in accordance with DD 1513 terms, (2) providing appropriate insurance coverage from the point of delivery to the carrier, and (3) in-transit accounting and settlement of claims against carriers. When shipment cannot be effected by collect CBL, due to tariff restrictions, refusal of carriers to accept collect freight shipments, or other reasons, the following are applicable:

(1) Only when the LOA so authorizes may the shipping transportation office guarantee payment of charges on collect CCBLs, or;

(2) The purchaser representative/freight forwarder may be requested to make "prepaid" arrangements with the carrier vice "collect."

3. Responsibilities of the U.S. Government.

a. Initiation of Shipments. The U.S. Government will normally initiate shipments to freight forwarders, country representatives, or the CONUS Port of Exit in accordance with the transportation instructions inserted on the LOA.

b. Evidence of Shipment. The U.S. Government is required only to provide evidence of shipment. Any movement document or receipt, duly signed by a carrier representative, which shows that the U.S. has shipped or released the materiel in question to a carrier for shipment to the country's designated representative, constitutes evidence of shipment. Such documents generally show the quantity, national stock number, mode, date, transportation control number, notice of availability number/bill of lading/parcel post insured or registered number, addressee, vessel, or flight number (to the extent possible), name of shipper and carrier, etc. This information is essential for adjudication of Reports of Discrepancy (ROD). If the freight forwarder has not received the advance copy of the bill of lading, and proof of delivery to a carrier is requested, a duplicate of the bill of lading or other appropriate documents establishing evidence of shipment will be provided to the customer representative.

c. Proof of Delivery. The term "proof of delivery" is construed to mean "constructive delivery" (tender of the materiel to a designated carrier at point of origin). Establishment of proof of delivery to a country destination is not the responsibility of the U.S. Government under a CCBL. The U.S. Government can only provide proof of delivery when movement was

effected within the Defense Transportation System or other transportation provided under U.S. Government auspices.

d. Materiel Shipment. Shipment of materiel is made by the U.S. DoD in accordance with the provisions of the implemented case and delivery term codes therein (including mode of shipment, if specified, and the offer/release code, at customer expense to the customer representative/freight forwarder designated in the MAPAD).

e. Processing of Claims. The applicable DoD component will provide necessary shipping information to assist customer representatives/freight forwarder in processing claims that may arise for lost or damaged shipments in the same manner it processes claims for U.S. Government-owned materiel. On all CCBL shipments, this assistance will be limited to administrative advice and provision of evidence of shipment and constructive delivery to the carrier, when requested by the purchaser representative/freight forwarder. When the discrepancy is determined attributable to the shipper, the Transportation Office that originated the shipment will initiate action to recover reparation for losses, damage, or destruction of property incident to shipment.

f. Liaison Assistance. The DoD components concerned will provide technical assistance and guidance to purchaser representative/freight forwarders in order to assist in any manner that will improve the transportation support in the best interests of the FMS program. Such assistance will include, but is not limited to, purchaser representative/freight forwarder orientation in FMS transportation policies and procedures, MAPAD information, MILSTRIP/MILSTAMP documentation, ROD processing, and resolution of specific transportation problems incident to U.S./DoD sponsored shipments. It is emphasized that the DoD components have no intervening authority in resolving purchaser/freight forwarder disputes or problems, nor in prescribing the manner in which freight forwarder activities are managed.

4. Responsibilities of the Purchaser. When the purchaser request has been established as a firm FMS case by acceptance of an LOA, the following management action should be accomplished by the purchaser:

a. Employment of a Freight Forwarder. If not established, the service of an international freight forwarder should be employed to accomplish those actions required to effect movement of FMS materiel to destination. The responsibilities which the purchaser elects to delegate to the freight forwarder should be clearly defined in the contract between the parties, and the action and operations of the freight forwarder, as pertain to the handling of FMS shipments, should be closely managed by purchaser representatives.

b. Receipt, Handling, and Processing of Materiel. These functions are the responsibility of the purchaser and are normally accomplished by the freight forwarder. The purchaser should assure that the freight forwarder has adequate receiving and storage facilities for processing shipments of various configurations for onward movement, with materiel handling equipment required for loading/unloading of commercial carrier conveyances. Specific authorization must be received from the DoD to receive and store classified, hazardous, or sensitive materiel.

c. Export License. The customer must obtain an Export License from the Department of State to authorize lawful export movement of purchased FMS materiel from the U.S. to the country, whenever the items sold are to be in the custody of a freight forwarder or other non-governmental party. This must be among the first management actions accomplished in order to assure that materiel is not delayed when ready for shipment. When shipments originate from a third country the purchaser will normally be required to obtain the necessary licenses and export documents.

d. Title Transfer. The U.S. Government normally transfers title to equipment and materiel to the purchaser at the CONUS point of origin where U.S. Government responsibility terminates. Movement from this point onward to the country destination is the responsibility of the purchaser.

e. Export Declaration and Customs Clearance. The purchaser must assure that export declaration (U.S. Department of Commerce Form 7525-V, Shipper's Export Declaration) are prepared for all FMS shipments and that such declarations are filed and validated by a Collector of Customs. After the declaration has been prepared, the shipment must be cleared through U.S. Exit Customs by submission of documents to the Collector of Customs or Export Control Officers. These actions are normally accomplished by the freight forwarder.

f. Transportation. The purchaser is responsible for arranging onward movement of materiel to destination, either by its own government carrier or commercial carrier. Cargo space must be obtained from and the shipment booked with an air or surface commercial carrier, materiel delivered to and loaded aboard the carrier, and applicable ocean bill of lading, air waybill, and/or manifests prepared. These actions are normally accomplished by the freight forwarder.

g. Carrier Selection. It is the purchaser's responsibility to clearly designate to the freight forwarder the mode of transportation and type of carrier desired for onward movement of materiel. Some purchasers prefer all movement aboard an air or surface carrier of the purchaser's flag registry. However, Public Resolution 17, 46 USC 1241-1, expresses the sense of Congress that export cargo generated as a result of loans made by Federal instrumentalities should be carried in U.S. flag vessels. FMS Loan Agreements, both DoD Direct and Federal Financing Bank (FFB) guaranteed, executed between the United States and foreign governments require that all items financed with these funds shall be shipped on U.S. flag vessels, unless an exception has been obtained by the purchaser from the DSAA or the Maritime Administration of the U.S. Department of Transportation. See Chapter 9 for detailed instructions on Marine Transportation Waiver Procedures. It is the customer's responsibility to notify its freight forwarder of the FMS case identifier related to the LOA utilizing loan funds and of any charges to accepted offers resulting in the use of loan funds, and to ensure that the shipment of materiel under these case identifiers is made on U.S. flag vessels. Cargo not purchased with U.S. loans may be moved utilizing purchaser-owned/operated aircraft or vessels when conditions permit this type of delivery (i.e., pilot pick-up by country-owned military aircraft or by naval vessels). In accordance with standard loan terms no loan proceeds may be used to pay ocean or air freight costs of carriage of defense items on vessels or

aircraft of non-United States Registry, nor may such standard loan terms be waived.

h. Overseas Customs Clearance. Upon receipt of formal documentation, the purchaser is responsible for effecting overseas customs clearance of all FMS materiel through its customs agencies upon receipt at the aerial or water port of discharge, and for arranging delivery to the appropriate destination.

i. Notice of Availability (NOA). If the authorized offer/release code specifies that the freight forwarder/country representative will be notified when materiel is ready for shipment, the purchaser will assure that the freight forwarder responds promptly to each NOA requesting shipping instructions. This will preclude undue holding and storage at the point of origin and will facilitate timely and orderly flow of materiel to the freight forwarder. Delays in response to NOA cause storage problems at origins and may result in storage charges to the purchaser.

j. Payment for Transportation Services. Many U.S. domestic carriers are reluctant to accept shipments on a commercial collect basis due to difficulty experienced in collecting freight charges, or are prohibited from accepting collect shipments for export due to carrier tariff bureau restrictions. The purchaser will assure that the freight forwarder effects prompt settlement of these freight charge accounts, through payment of charges upon delivery or establishment of credit arrangements with delivering carriers. The purchaser may consider the establishment of a specific address for payment of transportation charges in accordance with DoD 5105.38-D (MAPAD).

k. Follow-Up on Shipping Status. When the materiel manager furnishes shipping status, and materiel has not been received, the purchaser is responsible for conducting its own tracer action. Such action should be directed to the purchaser's freight forwarder to determine if the item has been received. If the item has been received and transshipped by the freight forwarder, it should be traced to the addressee. If the item has not been received by the freight forwarder, a request for shipping information should be sent to the activity from which shipment status was received to ascertain evidence of shipment. That activity will provide a copy of the bill signed by the carrier and all shipping information such as Transportation Control Number (TCN), bill of lading number, carrier, date of shipment, etc. Further follow-up should then be made to the freight forwarder to ascertain if the item has, in fact, been received. If the item is still missing, the purchaser should assure that the freight forwarder either starts tracer action with the carrier to locate the materiel, obtains proof of delivery, or makes a claim against the carrier for loss of the shipment on behalf of the purchaser.

l. Claims for Loss or Damage. The purchaser should assure that the freight forwarder can place claims for loss or damage of FMS materiel while in custody of the carrier, and that the purchaser is credited with an amount recovered. RODs covering shortages (non-receipt) should be submitted by the purchaser to the freight forwarder for review and response prior to submitting them to the appropriate DoD Component's Security Assistance Organization.

m. Claims Against the DoD for Incorrect Shipment. The purchaser agrees by acceptance of the LOA, to provide complete and timely supporting documentation for claims, if any, against DoD for those alleged improper or in complete shipments which are not the responsibility of commercial carriers.

n. Reparable Return Materiel. All materiel returned to the U.S. Government for repair and return (repair, overhaul, servicing, etc.) should normally be shipped at purchaser expense and handled outside the Defense Transportation System (DTS) unless use of the DTS is authorized on the LOA. Shipments are normally moved through the freight forwarder, who is responsible for clearing the shipment through U.S. Customs and transshipping materiel prepaid to the designated CONUS repair facility. The purchaser should assure that all such reparable shipments are accompanied by appropriate shipping documents and a customs declaration, and that the purchaser's freight forwarder has the capability for receiving and transshipping such materiel.

o. Insurance. Unless a purchaser is self-insured, commercial insurance should be obtained to provide coverage against loss and damage of property, injury to or death of persons, or other transportation risks incurred while the purchaser's property is in custody of the freight forwarder, aboard any carrier, or transiting any port facility. This includes shipment of reparable materiel. It is recommended that any commercial insurance be placed with United States private firms, to the extent possible. Freight forwarders will normally be covered for liability insurance against injury or death of persons. Purchase of separate liability insurance by the customer would be a duplication.

p. Updating Military Assistance Program Address Directory (MAPAD). This is a directory of purchaser representatives and freight forwarder addresses and codes ("Ship to," "Mark for") used by DoD shipping activities. It is essential that the purchaser maintain this directory in current status to assure delivery.

5. Responsibilities of the Freight Forwarder.

a. General. The services of an international freight forwarder are procured under contract by the purchaser for the purpose of receiving, processing, and transshipping FMS materiel. The purchaser is responsible for negotiating with the freight forwarder for services and for management of the functions related to handling of FMS materiel. The U.S. Government has no jurisdiction, nor responsibility for, accomplishing these functions. This paragraph lists actions and responsibilities considered by the U.S. Government as essential to provide the purchaser with the most effective transportation support required for delivery of its FMS materiel. Requirement of these services and delegation of responsibility for accomplishment are entirely at the discretion of the purchaser. The freight forwarder should be provided appropriate export and import licenses for all FMS cases for materiel expected to be handled.

b. Warehousing and Storage Facilities. Adequate warehousing facilities should be available for segregated receipt, processing, and temporary storage of materiel from the time of delivery from one carrier until transshipped by another. Suitable materiel handling equipment is required for

off-loading and loading commercial carrier equipment. This is required since most shipments will be offer release coded "A" for automatic release/shipment.

c. Receipt or Staging of Materiel. When materiel is delivered by the commercial carrier, inspection should be made immediately to assure that the number of pieces and identification of materiel corresponds with items listed on the shipping documents. If there is shortage, damage, or pilferage, the transportation documentation should be annotated accordingly to substantiate claim action against the carrier. If there are discrepancies, hold the materiel in a designated area, pending resolution of claim action. If the shipment checks out with no apparent discrepancy, the carrier will be released and materiel moved to staging area or designated collection point for further processing.

d. Processing Materiel for Transshipment. The processing of materiel for onward delivery should include, but not be limited to, the following:

(1) Advance Copies of DD Form 1348-1.

(a) Hold advance copies of DD Form 1348-1 and DD Form 250 in suspense file pending receipt of materiel.

(b) Match the advance copies of DD Form 1348-1/DD Form 250, or those received after receipt of materiel, with the actual case contract (i.e., items ordered) or with documentation received with the shipment, by TCN/document number, stock number, quantity, case number, "Mark for" address, or any other element of identification that will assure that shipment received is fully identified with an appropriate FMS case and actually destined for movement to the purchaser represented.

(2) Discrepancies. Document materiel discrepancies on Standard Form 364, Report of Discrepancy (ROD) for submission to the customer representative.

(3) Marking Verification. Examine exterior markings on the shipping containers to ascertain that markings are correct and adequate to fully identify the shipment upon receipt of the materiel by the requisitioner at the destination.

(4) Documentation. Assure that the accompanying documents remain intact in the Packing List Envelope affixed to the exterior of the containers to facilitate ready identification and processing by the in-country recipient. Appropriate documentation should be prepared for each shipment, i.e., bills of lading, air waybills, air or ocean manifests, customs declaration and clearance documents, or other required documentation.

(5) Shipping Container Adequacy. Examine all shipping containers for adequacy to withstand handling, storage, and movement risks incurred for the air or surface over-ocean type of transportation selected.

(6) Recooperage. Repackage, recrate, or reinforce inadequate containers. The freight forwarder should have a recooperage capability in connection with the processing facility for accomplishing these actions.

Although an export pack is prescribed for FMS shipments, some shipments may be domestic pack for CONUS delivery only, or small parcel post shipment may not conform with export packaging specifications. Some packages may burst open, be crushed, or weakened due to rough handling but with no apparent damage to contents. When, in the opinion of the freight forwarder, the shipment will not withstand further handling and over-ocean movement, it should be repackaged. This is normally a freight forwarder service to provide adequate onward protection to the property, and the purchaser is responsible for any legitimate costs.

(7) Package Consolidation. Small packages should be consolidated into larger containers, by case, priority, and final destination, to the extent possible. The new shipping container should have proper markings for identification at destination.

(8) Priority Transportation. Packages marked for priority delivery normally should be air transported.

e. Containerization. Cargo should be loaded in Seavan or Sealand type containers to minimize loss, damage, and pilferage, if the freight forwarder or the purchaser at the overseas port of discharge can offload from containers and forward cargo to its destination. A complete listing of all shipments containerized should be provided.

f. Transportation Arrangements.

(1) Book Cargo Space. Cargo space should be obtained and shipment booked with the selected air or surface carrier.

(2) Delivery to Carrier. Cargo should be delivered to and loaded aboard the air or surface carrier.

(3) Documentation. All movement documentation should be provided upon tender of the shipment to the designated carrier. When materiel has been loaded aboard the carrier, copies of all documentation should be sent to the purchaser as expeditiously as possible.

(4) Sensitive, Hazardous or Classified Materiel. Arrange with all shippers to have customer representative on hand to sign, at the site of or aboard ship or plane, for sensitive, applicable hazardous cargo, or classified cargo that is marked for Delivery Term Codes 3 and 8.

(5) Shipment via U.S. Carrier. Arrange for shipment via U.S. flag vessel when materiel to be shipped has been identified as being funded under a loan arrangement.

g. Customs Clearance.

(1) U.S. Department of Commerce Form 7525-V. Export declaration (U.S. Department of Commerce Form 7525-V, Shipper's Export Declaration) must be prepared for all FMS shipments (except DTS).

(2) Customs Clearance. After the declaration has been prepared, exit customs clearance must be effected by submission of documents to

the Collector of Customs or Export Control Officers. Assistance should be rendered to the purchaser in the provision of documentation to effect clearance through the purchaser customs agencies. Customs clearance is addressed further in Chapter 5, Section IV, this Manual.

(3) Bills of Lading. The freight forwarder is responsible for obtaining and submitting bills of lading connected with the export and attending to certain other formalities, such as consular invoices, certificates of origin, and other required documents.

(4) Reporting to Department of Commerce. All export of FMS materiel will be reported to the U.S. Department of Commerce as required by federal statute.

h. Payment for Transportation Services. When FMS materiel is shipped to the freight forwarder on a CCBL, prompt settlement of freight charge accounts should be effected. This should be through payment of charges upon delivery or establishment of credit arrangements with delivering carriers.

i. Claims. The freight forwarder/country representative is responsible for filing claims against commercial carriers on behalf of the purchaser for loss, damage, shortages (non-receipt), and pilferage of materiel while in their custody. The purchaser will be credited with any reparation claim action.

j. Return of Reparable Materiel. There should be the capability to receive materiel returned from the purchaser for repair, overhaul, or servicing, clear it through U.S. Customs, and forward it prepaid to the designated CONUS repair facility. After repair, materiel will be shipped to or through arrangement of freight forwarder in accordance with normal delivery procedures.

k. Insurance. Commercial insurance coverage should be provided for protection of all purchaser-owned FMS materiel while in custody of the freight forwarder, aboard any carrier, or transmitting any port facility unless the purchaser is a self-insurer.

l. Notice of Availability (NOA). If the offer/release code specifies prior notification when materiel is ready for shipment, the freight forwarder should provide expeditious response to each NOA requesting shipping instructions. Any alternate shipping instructions, such as a different carrier mode, shipping address, port or consignee other than that specified in the MAPAD, will be observed. Instructions for holding the materiel until a specified future delivery or until availability of a vessel will not ordinarily be honored, as the DoD shipping activities should not be used as storage facilities for the convenience of freight forwarders or the purchaser. Items held for over 15 days are subject to a U.S. Government storage charge.

m. Tracer Action. Every assistance possible will be provided the purchaser on follow-up tracing of specific materiel shipments. The purchaser should be provided all receipt and transshipment data. If no record of receipt is indicated and the purchaser provides evidence of shipment from the

shipping activity, tracer action will be initiated with the carrier and the purchaser informed of findings.

n. Multiple Delivery Addressees. Shipments will be made only to the single address specified in the MAPAD or in the official response to the NOA. Delivery is authorized only to the consignee indicated on the bill of lading. Any further reconsignment, diversion, storage, or other deviation directed by a freight/forwarder that results in additional costs will be at the freight forwarder/purchaser expense.

o. Discrepancy Reporting. The purchaser representative will advise by means of SF Form 364, Report of Discrepancy (ROD) of any discrepant shipments, i.e., misaddressed shipments, erroneous documentation, faulty marking that precludes identification, or any other discrepancy that appears to be the responsibility of the USG. Faulty packaging will be reported with pictures if possible, to accompany the SF 364. The purchaser representatives will take action with the appropriate MILDEP security assistance activity.

p. Pilot Pick-up of Materiel. When the freight forwarder is advised that a purchaser-owned/operated aircraft is scheduled into the CONUS to pick-up purchaser-owned property from the freight forwarder, arrangements should be made with the DoD Aerial POE for loading the purchaser's aircraft. Materiel will be transported at freight forwarder expense Free-Along-Side (FAS) the aircraft. Any loading, off-loading, or handling services performed by DoD personnel will be reimbursed by the purchaser. If storage of materiel is necessary prior to loading date/time, off-base storage facilities will be required. Under no circumstances will U.S. military facilities or personnel be used for storage and handling of purchaser-owned property, or loading/unloading of the purchaser aircraft, unless specifically authorized by the applicable Military Department and funding is arranged.

o. Administrative Responsibility. The freight forwarder is responsible for accurate files on all FMS transactions. This includes, but is not limited to, due-in files, advance shipping documents, NOA and response, receiving documents, shipping manifests, bills of lading, customs clearance documents, tracer actions, claims actions, container listings, accurate listings of reimbursable expense, invoices, and other documents or correspondence related to the shipments. Sufficient information should be on file to respond to query of the customer on any shipment.

r. Reporting System. A reporting procedure should be devised by the freight forwarder to keep the purchaser representative advised of the current status of FMS shipments. The system should include advance notice of shipments due-in, receipt of shipment, processing status, anticipated forwarding date, vessel name, voyage number, itinerary, and estimated date of arrival at port of discharge. When shipments identified to a specific case, this will enable the purchaser to plan the receipt in advance and minimize the necessity of tracking individual shipments.

s. Control of Shipments. The freight forwarder should maintain complete visibility control over each FMS shipment, from the date of receipt from the carrier, through processing and staging, until finally shipped to the purchaser. This will provide the location and status of the shipment in the system at all times and facilitates immediate response to any query concerning

the materiel. In effect, the freight forwarder acts as a traffic manager for the movement of FMS materiel for the purchaser.

t. Notice of Address Change for MAPAD. This is the only source directive in use by DoD shipping activities to determine current shipping addresses. The freight forwarder should immediately advise the purchaser representative when any address for receipt of materiel or documentation is to be changed, preferably 60 days in advance of the change. This will enable the purchaser representative to initiate action with Defense Automatic Addressing System Office (DAASO) to have the revised addresses immediately disseminated to shipping activities and published in the MAPAD. Direct requests from the freight forwarder to shipping activities for address changes are not authorized. It is important that address changes be made immediately to keep the MAPAD current and preclude misdirected shipments.

REPORT ON PRICE AND DELIVERY SCHEDULE CHANGES - DSAA(Q) 1123

FOREIGN MILITARY SALES CASES

COUNTRY _____

AS OF _____

PART I - PRICE CHANGES					
CASE	ORIGINAL TOTAL CASE VALUE	REVISED TOTAL LAST REPORT	CURRENT REVISED TOTAL	DATE 1513-2 FORWARDED TO CUSTOMER	EXPLANATORY REMARKS

FIGURE 8-III-1
(page 1 of 2 pages)

FIGURE 8-III-1. Report on Price and Delivery Schedule Changes - DSAA(Q) 1123
Foreign Military Sales Cases

REPORT ON PRICE AND DELIVERY SCHEDULE CHANGES - DSAA(Q) 1123
 FOREIGN MILITARY SALES CASES

**

COUNTRY _____

AS OF _____

PART II - DELIVERY SCHEDULE CHANGES							
CASE/RAD MRC	NSN/ITEM	QUANTITY	ORIGINAL DELIVERY SCHEDULE	REVISED DLVR SCD LAST REPORT	CURRENT REVISED DELIVERY SCHEDULE	DATE CUSTOMER NOTIFIED	EXPLANATORY REMARKS

FIGURE 8-III-1 (Continued)

FIGURE 8-III-1
 (page 2 of 2 pages)

TABLE 8-III-1

FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS AUTHORIZED
RECEIPT OF DLA EXCESS PROPERTY LISTINGS

COUNTRIES

<u>Africa</u>		<u>Near East and South Asia</u>	
Botswana	Sudan	Bahrain	Pakistan
Kenya	Zaire	Bangladesh	Qatar
Liberia		Egypt	Saudi Arabia
		India	Sri Lanka
		Israel	(Ceylon)
		Jordan	Tunisia
		Kuwait	United Arab
		Lebanon	Emirates, The
		Morocco	Yemen Arab Rep.
		Nepal	
		Oman	
<u>Europe</u>		<u>Western Hemisphere</u>	
Austria	Malta	Bahamas	Honduras
Belgium	Netherlands	Barbados	Jamaica
Denmark	Norway	Brazil	Mexico
France	Portugal	Canada	Panama
Germany (Federal Republic of)	Spain	Colombia	Paraguay
Greece	Sweden	Costa Rica	Peru
Iceland	Switzerland	Dominica	St Lucia
Ireland	Turkey	Dominican Rep.	St Vincent
Italy	United Kingdom	Ecudaor	Trinidad and
Luxembourg	Yugoslavia	Guatemala	Tobago
		Haiti	Uruguay
			Venezuela

Far East

Australia	Malaysia
Burma	New Zealand
Brunei	Philippines
Indonesia	Singapore
Japan	Taiwan
Korea	Thailand

International Organizations

NATO (North Atlantic Treaty Organization and its agencies)

TABLE 8-III-1. Foreign Countries and International Organizations Authorized
Receipt of DLA Excess Property Listings.

TABLE 8-III-2

POTENTIAL SOURCES FOR LISTING OF FREIGHT FORWARDERS

American Import & Export Bulletin
North American Publishing Company
41 East 42nd Street
New York, New York 10017

Shipping Digest, Inc.
25 Broadway
New York, New York 10004

Department of Transportation
400 Seventh Street SW
Washington, DC 20590

National Customs Brokers & Forwarders
of America, Inc.
One World Trade Center, Suite 1109
New York, New York 10048

Civil Aeronautics Board
1825 Connecticut Avenue NW
Washington, DC 20428

TABLE 8-III-2. Potential Sources for Listings of Freight Forwarders.

TABLE 8-III-3

FINANCING REPORTS OF DISCREPANCY
WHEN THE U.S. GOVERNMENT IS LIABLE

A. GUIDELINES ON THE SOURCE OF FUNDING FOR PAYMENT OF VALID CLAIMS

1. Information. The following are guidelines regarding the source of funding for payment of valid claims related to FMS shipments when the U.S. Government is found liable.

Nature of Discrepancy	FMS Administrative Funds	U.S. Government Appropriations/Funds
1. Defective or Deficient Materiel (item deficiency)		
a. From Procurement**	Not applicable, except in cases where U.S. action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.	Not applicable
b. From Stock	Transportation of materiel for rework or disposal, or, if more cost effective, travel and per diem costs of rework team. The cost of testing defective items when it is necessary in order to service the FMS customer.	Applicable U.S. Government appropriation or fund is responsible for (1) replacement without additional charge, (2) refund to the customer account, or (3) repair or rework of defective items issued to FMS customers (except as indicated under "FMS Administrative Funds" heading).
2. Damaged Materiel*		
a. From Procurement**	Not applicable, except in cases where U.S. action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.	Not applicable

TABLE 8-III-3. Financing Reports of Discrepancy when USG is Liable.

Nature of Discrepancy	FMS Administrative Funds	U.S. Government Appropriations/Funds
b. From Stock	<p>Transportation of materiel for rework or disposal, or, if more cost effective, travel and per diem costs of rework team.</p> <p>The cost of testing damaged materiel when it is determined to be necessary in order to service the FMS customer.</p>	<p>Applicable U.S. Government appropriation or fund is responsible for (1) replacement without additional charge, (2) refund to the customer account, or (3) repair or rework of defective items issued to FMS customers (except as indicated under "FMS Administrative Funds" heading).</p>
3. Materiel Not Received* (nondelivery, shortage)		
a. From Procurement**	<p>Not applicable, except in cases where U.S. action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.</p>	<p>Not applicable</p>
b. From Stock	<p>Not applicable, except in cases where U.S. action or inaction causes inability of the FMS customer to obtain satisfaction from the carrier. DoD policy requires that Receiving Reports/proof of shipment be obtained whenever materiel is released to a common carrier (including the U.S. Post Office). When materiel is delivered through the Defense Transportation System (DTS), the MAAG or its designated representative is required to receipt for the FMS/MAP</p>	<p>If an item arrived short or is not delivered (e.g., short unit pack, misdirected shipment) and the carrier is absolved of liability, then the shortage or misdirection is determined to have occurred at the point of origin and will be absorbed by the applicable U.S. appropriation. In those instances, a credit may be given to the FMS customer's account and charged to the U.S. Government appropriation which was initially credited as a result of</p>

TABLE 8-III-3. (Continued)

Nature of Discrepancy	FMS Administrative Funds	U.S. Government Appropriations/Funds
	<p>materiel. These procedures make it possible to identify responsibility for any loss of materiel in transport. FMS administrative funds may be used only when it is specifically substantiated that the U.S. Government failed to meet its responsibility relative to the shipment of the materiel (except as indicated under "U.S. Government Appropriations/Funds" heading).</p>	<p>such transaction. Mis-directed shipments not returned to stock will be absorbed as an inventory loss against the applicable U.S. Government materiel account.</p> <p>If U.S. Government owned, government furnished equipment (GFE) which is to be incorporated into an end-item is lost or damaged during shipment to the contractor (i.e., prior to incorporation into the end item) then the customer's funds will be used to absorb the applicable cost. Recognition should be given to the possibility that a "lost" GFE shipment may be lost only on the accounting records but still physically in the U.S. Government's possession. In instances where this is probable, no charge should be made to the purchaser for "lost" GFE.</p>
4. Overage*		
a. From Procurement**	Not applicable unless the U.S. Government is responsible for the overage.	Not applicable
b. From Stock	Costs to transport excess items back to stock or to disposal. If claimed by the customer, costs to transport excess items issued to the	If billed and customer does not want the items, amounts for excess items charged will be refunded to the FMS customer account and the appro-

TABLE 8-III-3. (Continued)

Nature of Discrepancy	FMS Administrative Funds	U.S. Government Appropriations/Funds
	country. Note: Out-of-pocket costs of packing, crating and handling, (PCH), if claimed, will be paid from PCH funds. against the applicable	appropriate U.S. Government appropriation/fund will be charged. Overage items not returned to stock will be absorbed into the U.S. Government materiel property account as an inventory loss.
5. Improper Identification (incorrect item, i.e., nonsubstitutable item)		
a. From Procurement**	Not applicable unless the U.S. Government is responsible for the problem.	Not applicable
b. From Stock	When the incorrect item is not returned, the cost of issuing the correct item or providing a customer refund will be absorbed by the FMS Administrative Fund. On the other hand if the incorrect item is returned, then the appropriate adjustments within the U.S. Government accounts should be effected and only the next additive costs should be absorbed by the FMS Administrative Fund. Note: Out-of-pocket costs of PCH if claimed, will be paid from PCH funds.	Applicable U.S. Government appropriation/fund is responsible for issue of correct items without additional charge to the FMS customer. If the correct item is not available for issue, the refund to the customer account will be charged against the appropriate U.S. Government appropriation/fund which was initially credited as a result of such transaction. Incorrect items issued and not returned to stock will be absorbed against the applicable U.S. Government materiel property account as an inventory loss.
6. Improper Documentation		
a. From Procurement**	Not applicable unless the U.S. Government is responsible for improper documentation.	Not applicable

TABLE 8-III-3. (Continued)

Nature of Discrepancy	FMS Administrative Funds	U.S. Government Appropriations/Funds
b. From Stock	When the incorrect item is not returned, the cost of issuing the correct item or providing a customer refund will be absorbed by the FMS Administrative Fund. On the other hand, if the incorrect item is returned, then the appropriate adjustments within the U.S. Government accounts should be effected and only the net additive costs should be absorbed by the FMS administrative fund. Note: Out-of-pocket costs of PCH, if claimed, will be paid from PCH funds.	Applicable U.S. Government appropriation/fund is responsible for issue of properly documented items without additional charge to the FMS customer. If the properly documented item is not available for issue, the refund to the customer account will be charged against the appropriate U.S. Government appropriation/fund which was initially credited as a result of such transaction. Improperly documented items which are not returned to stock will be absorbed against the applicable U.S. Government materiel property account as an inventory loss.
7. Duplicate or Erroneous Billing		
a. From Procurement**	Not applicable	Erroneous or duplicate charges will be corrected, i.e., refund (where appropriate) or adjustment to customer account. Adjustments will be charged against the appropriate U.S. Government appropriation/fund or the customer account when appropriate.
b. From Stock	Not applicable	Erroneous/duplicate charges will be corrected, i.e., refund (where appropriate) or adjustment to customer account. Adjustments will be charged against the appropriate U.S. Government appropriation/

TABLE 8-III-3. (Continued)

Nature of Discrepancy	FMS Administrative Funds	U.S. Government Appropriations/Funds
8. Loss of Customer Item in Inventory (provided for fabrication, assembly or re-work)	When the item is no longer maintained in the U.S. Government inventory, the U.S. Government cannot benefit from retaining the item. In this instance the FMS Administrative Fund is the appropriate source for customer reimbursement.	fund or the customer account when appropriate. If the item is currently maintained in U.S. Government inventory and the loss is bookkeeping or inventory control loss, then the item is still physically available and should be replaced from U.S. assets or appropriate credit provided from U.S. Government funds.

* Claims of \$100 or less will not be reported for:

1. Overages
2. Shortages (includes nonreceipt)
3. Damages

** Procurement includes both "fast pay" and other procurement contracts.

TABLE 8-III-3. (Continued)

SECTION IV - PERFORMANCE REPORTING AND CASE CLOSURE

A. PERFORMANCE REPORTING/BILLING.1. Reporting Performance of FMS Orders.

a. Implementing Agency Responsibilities. After implementing an FMS agreement, the responsible DoD agency executes the program. The MILDEP directs release of materiel, provision of services or training, and payment to contractors. As execution progresses, the MILDEP reports to SAAC the nature and value of financial transactions that result from performance. MILDEPs report accrued expenditures (work in process) and physical deliveries within 30 days of occurrence (date of shipment or performance).

b. FMS Delivery Reporting. The mechanism for reporting FMS performance to SAAC is the "FMS Detail Billing Report" (DD-COMPT(M)1517). It is submitted monthly to arrive at the SAAC no later than the sixteenth calendar day following the end of the reporting month. If materiel has been delivered or services performed, a performance report is forwarded to SAAC. If no materiel has moved but a progress payment has been made on a contract for production of FMS materiel, the DoD component reports the amount of the progress payment disbursement. The format and instructions for completing the DD COMPT(M) 1517 report are prescribed in DoD 7290.3-M.

2. Billing for FMS Transactions.

a. Quarterly Billings. As of the end of each calendar quarter, SAAC renders a billing statement for each active FMS agreement in accordance with DoD 7290.3-M. The purpose of the bill is to account to the FMS purchaser for costs incurred on his behalf and to request additional funds as projected in the payment schedule to pay future anticipated costs.

b. Elements of Billing. The first element of each billing is for costs incurred to date, and includes charges for materiel delivered and progress payments made to contractors. The FMS purchaser receives an FMS Delivery Listing that shows by document number the items reported to SAAC as delivered through the end of the month of the billing statement. The remaining portion of the value billed is for anticipated costs to be incurred. SAAC will normally extract this forecast of costs from the most recent payment schedule attached to the DD Form 1513 furnished to the FMS purchaser. However, in the event unanticipated costs occur varying substantially from the existing schedule, the MILDEP should immediately advise SAAC and the customer of the variance. As described earlier, the DoD component should issue revised payment schedules when appropriate.

c. Legal Effect of Billing. The quarterly FMS Billing Statement (DD Form 645) is the binding legal claim for payment by the DoD as referenced in paragraph B.3.f. on Annex A of the DD Form 1513, LOA. Both the DoD component and FMS purchasers should understand that the billing, not the payment schedule, contains the required amount to be paid.

d. Billing Questions Directed to SAAC. All questions or correspondence concerning billings to FMS purchasers should be addressed to SAAC, Lowry AFB, Denver, Colorado 80279.

B. DELINQUENT ACCOUNTS FOR FMS BILLINGS.

1. Provisions of Financial Annex to LOA. The Financial Annex to the LOA provides an estimate of the timing and amounts of payment of the billings which SAAC produces for each FMS case. The customer is obligated to make payments against DD Form 645 billings, on time and in full. SAAC is obligated, in compliance with the Arms Export Control Act, to insure prompt recording of collections.

2. Late Payment Causes. Most problems of collection are due to late payment, rather than to any tendency of FMS customers to default on payments. Past experience has shown that it takes from 45 to 75 days after mailing the billing statement to receive collection. Late payments also frequently result from the purchaser's misunderstanding of the terms of sale, the content of the billings, or the general problems of communication. Recognition by MILDEPs should be given to the problem of improving communications with the customer on financial matters.

3. SAAC Responsibilities for Collection. Responsibility for collecting overdue debts to FMS cash sales is entirely that of SAAC until it has exhausted means of collection available to it. These means include:

a. Formal and Informal Contacts. Both formal and informal contacts with representatives of purchasers at appropriate levels.

b. Collection Assistance. Requests for collection assistance from the Security Assistance Organization located in the purchaser's country.

c. Requests for Collection Assistance. Formal or informal requests for collection assistance from DSAA, as well as informal contacts with State Department as required to determine additional collection actions to be taken.

4. Further Action on Delinquent Accounts. When all internal means of collection have been exhausted, delinquent accounts will be referred to the Comptroller, DSAA for further examination. Comptroller, DSAA will then either recommend further action to be taken by OSD or cause the debt to be referred officially to the State Department for diplomatic assistance. Data provided by SAAC to support the debt referral will include:

a. Origin and History. Origin and history of the debt including prior effort at collection.

b. Validity of the Claim. Validity of the claim, i.e., a discussion to identify any elements of the agreement which may be in dispute between the purchaser and the U.S.

c. Normal Military Channels. A statement that SAAC has exhausted its normal military channel with responsible foreign officials on behalf of the collection.

d. Adverse Impacts. Assessment of any adverse impact on our foreign customer if the issue is raised at the diplomatic level.

5. SAAC Holds Accounting Records After Transfer of Action to State Department. Delinquent Accounts Receivable will continue to be carried on the accounting records of SAAC even though primary collection responsibility may have been passed to the Department of State.

6. Reporting Formats and Frequencies. Details on delinquent debt reporting formats and frequencies are contained in DoD 7290.3-M and in DoDI 2140.4.

C. INTEREST ASSESSMENT ON DELINQUENT DEBTS.

1. Requirements to Assess. The Arms Export Control Act requires the Department of Defense to assess interest on delinquent debts that arise pursuant to the FMS Program. Within DoD, SAAC has responsibility to operate the FMS billing process and to assess interest on delinquent payments due from FMS purchasers.

2. Basis for Charge. Interest is assessed based on the net arrearage owed by a purchaser taking into account cumulative financial requirements and cumulative payments received on each and every FMS case that the purchaser has with the Department of Defense as of the due date of the FMS bills. Daily interest charges are assessed at an annual rate until such time as sufficient funds are received by the DoD to pay any arrearage amount not to exceed the value of outstanding unpaid billings. Such procedures provide maximum flexibility in utilizing all payments received, including initial deposits on new accepted cases, in computing the net cash position for the country.

3. Reports to FMS Customer. SAAC will provide the Ministry of Defense or comparable official of each FMS purchaser a report showing all arrearages existing as of the billing statement due date. Billings for the interest assessments, as appropriate, will be provided on a quarterly basis.

D. CLOSURE OF FMS CASES.

1. Certificates of FMS Case Closure. SAAC provides foreign purchasers "Final Statements of Account" to officially close FMS cases when:

a. Delivery and Billing. All materiel and services have been delivered and billed to the purchasers.

b. Collected Payments. SAAC has collected payments from the purchasers equivalent to the value of materiel and services provided.

c. Reimbursements. The costs of such materiel and services has been reimbursed to financing DoD appropriations and accounts.

d. Item Discrepancies. All minor item discrepancies have been resolved.

(1) To evidence that all materiel and services have been provided to the purchaser, implementing DoD components should provide SAAC with a "Certificate of FMS Case Closure" specifying the total value of materiel and services delivered to the purchaser, exclusive of add-on costs such as administrative and accessorial surcharges computed by SAAC.

2. Estimated Case Closure Dates. Final closure of FMS cases involving procurement from commercial vendors often cannot take place until several years after delivery of materiel because of the requirement for contract overhead audits, renegotiation of profit, and other similar requirements peculiar to the DoD procurement process. Foreign purchasers find such delays both irritating and confusing. To eliminate such confusion, defense components should specifically cite an "Estimated Case Closure Date" in all Letters of Offer applicable to cases that will involve procurement from commercial vendors. This estimated case closure date is additive to, not in lieu of, the estimated delivery dates normally referred to in the LOA.

E. CANCELLATION OF FMS CASES. In the event that the FMS purchaser cancels an entire FMS case prior to the delivery of all articles and services, a case cancellation fee may be assessed. One third of the administrative fee will be included in the "initial deposit" to cover this requirement unless otherwise agreed upon by the DSAA, Comptroller.

F. FINANCING REPORTS OF DISCREPANCY (ROD) WHEN THE U.S. GOVERNMENT IS LIABLE.

1. Purpose. The purpose of this section is to establish funding policy in those instances where the USG is legally determined to be financially liable for the resolution of a Report of Discrepancy (ROD). Procedural guidance for the completion of Standard Form 364, Report of Discrepancy, related to FMS shipments can be found in DoD 7290.3-M, and Joint Regulation DLAR 4140.60, AR 12-12, AFR 67-7, NAVSUPINST 4920.9B and MCO 4140.1B. Chapter 8, Section III and Table 8-III-3 contain additional information regarding Reports of Discrepancy. *

2. General. Legislative requirements dictate that the USG conduct the FMS program on a break even (no cost, no profit) basis. This principle must be applied in determining whether USG or FMS administrative funds will absorb the cost of a particular ROD transaction determined to require USG corrective action.

3. Specific.

a. Specific Types of Discrepancies. Table 8-III-3 provides guidance for specific types of discrepancies and indicates whether FMS administrative funds or USG appropriated funds will finance the cost of correcting the discrepancy where the USG is legally liable to do so. *

b. Re-Requisitioning Items. When customer countries are required to re-requisition items which were not previously shipped, they are required to pay the existing price at the time of issue regardless of the fact that the item was initially released at a lower price.

c. RODs in Excess of \$10,000.00. All RODs in excess of \$10,000.00 will be submitted to DSAA for approval before being charged against FMS administrative funds. This submission will contain the Department/Agency legal position on the liability of the USG.

4. FMS Administrative Fund Budget Approval. The DSAA FMS Administrative Budget Call, which is issued on an annual basis to Military Departments and Defense Agencies, provides procedural guidance for the inclusion of estimated ROD costs that are to be financed from FMS administrative funds (see Chapter 13).

G. ADDRESS OF THE CENTRAL COLLECTION AND BILLING OFFICE.

1. The Security Assistance Accounting Center. SAAC is the single DoD activity authorized to render billings from FMS transactions and to receive deposits from FMS purchasers. Collections received by any other DoD components should be forwarded to SAAC immediately. Each LOA should be annotated to inform the FMS purchaser that SAAC is the central accounting activity for the agreement. The address of SAAC is Director, Security Assistance Accounting Center, Denver, Colorado 80279.

SECTION V - AMENDMENTS AND MODIFICATIONS
--

**

A. DD FORM 1513-1 - AMENDMENT TO OFFER AND ACCEPTANCE.

**

1. General. Normally, any requirement to increase the scope of an existing LOA will be treated as a new FMS LOA. A change in scope is considered to be any increase which adds to the articles and/or services which the DOD will be required to deliver under the LOA. Changes to the value of an LOA caused by increased costs of existing orders are provided to the customer on a Notice of Modification of Offer and Acceptance (DD Form 1513-2), as indicated in paragraph C3 below. While new LOAs are preferred, it is recognized that, within the parameters outlined below, amendment to the implemented LOA may be advantageous. It is also envisioned that, in many circumstances, amendments which will be accepted in the same fiscal years as the basic LOA will be accepted, subject to the recommendations of the DOD Component and staffing with DSAA, as required. In lieu of amendments, new LOAs, which cross-reference the previous LOAs, should be considered when changes to an ongoing program are required.

**

2. Minor Changes in Scope. There are exceptional circumstances when U.S. interests are best served by processing amendments to cover minor changes in scope. Such changes are considered to be the addition of up to \$1.0 million or 10 percent of the case value, whichever is less, of non-SCE articles or services directly required in support of the basic LOA. The Amendment to Offer and Acceptance (DD Form 1513-1) Figure 8-V-1, will be used to meet only minimum essential administrative needs. Any revision to an LOA which requires purchaser acceptance must be an amendment. Examples of minor changes in scope which will normally be acceptable include:

**

a. Changes of requirements within FMS training cases, provided that the period of performance is not extended over one year. **

b. Minor changes in configuration of equipment previously ordered on an original LOA. **

c. The omission in the original LOA on non-SCE supporting equipment or services for major weapon systems previously sold, provided that the addition of the omitted articles or services does not extend the project LOAs period of performance by more than 12 months. **

d. Increase in time of performance of a service being provided on the LOA, e.g., technical assistance, provided the period of performance is not extended more than one year. **

e. Minor increases in quantity of a defined item case for non-SCE items, provided the delivery period is not increased by more than 12 months. **

f. Changes in terms and conditions (other than permissible unilateral changes on the part of the USG). **

g. A change of transportation delivery codes which results in increased costs to the purchaser which were not previously accepted by the purchaser by previous correspondence. **

h. Revisions to FMSO I cases, other than as provided below in paragraph A.3.c. of this section. **

3. Major Changes in Scope. Major changes in the scope of an existing LOA require the preparation of a new FMS case (DD Form 1513). Major changes in scope occurs most frequently for: **

a. Increases to the total value of an LOA of \$1.0 million or 10 percent of the case value, whichever is less. **

b. The addition of SCE or MDE items. **

c. Authorization to increase the amount of articles which may be purchased under a blanket order case or a FMSO II case and any extension of the case ordering period which will increase the period of performance of the basic LOA (or the value of a FMSO I case). **

4. Purchaser Acceptance. The DD Form 1513-1 will be used only if the revision requires purchaser acceptance before implementation. If the revision is a unilateral change on the part of the USG to the terms and conditions of the LOA, or provides for the addition of a previously omitted pricing element or surcharge (except as indicated in paragraph A.2) which does not require purchaser acceptance, the DD Form 1513-2, Notice of Modification of Offer and Acceptance, should be provided to the purchaser (See Figure 8-V-2). **

5. Identification of Percentages Rates for Certain Costs. The percentage rates used for determining packing, crating and handling costs, general administrative costs, and supply arrangement costs should not be indicated in the applicable blocks on the DD Form 1513-1. The guidance also **

applies to "Other Estimated Costs" (Block 26) should a percentage rate be applicable.

6. Processing DD Form 1513-1 with Cost Increase in Excess of \$1.0 million or 10 percent of Case Value, Whichever is Less. All DD Forms 1513-1 which reflects an increase in excess of \$1.0 million or 10 percent of the case value, whichever is less, must be coordinated with DSAA Operations Directorate. Complete rationale for the amendment and copies of the basic LOA and previous amendments and modifications must be provided to DSAA. No commitments for such amendments in advance of DSAA staffing is authorized. The cognizant DOD Component will determine the use of amendments up to the above thresholds, subject to the criteria outlined in the above paragraphs. Normal DSAA staffing and countersignature is required for all such amendments.

7. DSAA Recording of DD Form 1513-1s with Cost Increases in Excess of \$50,000. The DSAA data base will record amendments of more than \$50,000 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.

8. Detailed Instructions for Format. See detailed instructions on preparing the DD Form 1513-1 contained in Figure 8-V-1.

9. Initial Deposits. When an amendment is prepared to add additional defense articles or services, the existing LOA payment schedule may not include sufficient amounts to cover costs of the added articles/services from the expiration date of the DD Form 1513-1 until the next billing cycle. When this occurs, the DD Form 1513-1 should require an initial deposit. Use the methodology in Chapter 7, Section III, paragraph K.2. to determine the period the initial deposit should cover. Show the initial deposit requirement in the right hand corner of block (28) by typing "(28a) Initial Deposit (this Amendment): \$XXX,XXX.00." Also include the initial deposit in the financial annex payment schedule.

10. Undercollected Cases. New requirements will not be added to any case that has expenditures in excess of payments received, unless prior approval is obtained from DSAA. Implementing agencies will inform the purchaser that the amendment will be deferred until sufficient payments have been received to cover current financial requirements (including termination liability).

11. General Conditions. For overall purposes, all DD Forms 1513-1 will have appended to them a copy of Annex A, "General Conditions," which are part of the original case. Alternatively, at the discretion of the originating office, the DD Form 1513-1 may contain the following note:

Except as expressly amended hereby, all terms and conditions of the subject case (including without limitation the General Conditions) continue in full force and effect.

B. PEN AND INK CHANGES - DD FORMS 1513 AND 1513-1. "Pen & Ink" changes are modifications to a DD Form 1513 or DD Form 1513-1 authorized by the issuing DoD component prior to acceptance of the document. "Pen & Ink" changes should

be avoided to the maximum extent. The change may be at the request of the purchaser or initiative of the issuing DoD component. The issuing agency must authorize the pen and ink change by message or letter to the purchaser with a copy to SAAC. If the change authorizes any revision of unit or total costs, the DSAA-Comptroller, FMS Control Division must concur and be furnished a copy of the authorization. Extensive changes should be made by issuance of a new DD Form 1513 or a DD Form 1513-1 rather than by a pen and ink change.

C. DD FORM 1513-2 - NOTICE OF MODIFICATION OF OFFER AND ACCEPTANCE.

1. Purpose. This form is utilized to record modifications to an existing LOA, which do not constitute a change in scope, except for decreases due to a deletion of an item. Modifications which do affect the scope of the LOA (other than decreases) require either a new DD Form 1513 or a formal Amendment (DD Form 1513-1, see Figure 8-V-2).

2. Acceptance of Foreign Country or International Organization. When the DD Form 1513-2 is used, acceptance by the foreign country or international organization is not required. Acknowledgement of receipt ensures 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).

3. DD FORM 1513-2's Requiring DSAA Coordination and Countersignature. The following modifications to an 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 or international organization.

a. 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 by ten 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 in Block 11:

- (1) The detailed reasons for the increase.
- (2) Status of contracting for this purchase -- e.g., contract completed, contract still being negotiated, etc.
- (3) The options that the country has, if any, with respect to avoiding the price increase (e.g., contract termination or reduction of quantities).
- (4) The estimated financial consequences of selecting such options.
- (5) Any time limits for notifying the U.S. Government of purchaser desire to cancel or reduce quantities.

b. Deletions of items or decreases in the quantities of articles to be sold. Notices to the purchaser of such changes should be issued if the result is a decrease in the "total estimated costs" of over 10 percent.

c. Changes initiated by the foreign country or international organization 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).

4. DD Form 1513-2's Requiring No DSAA Coordination or Countersignature. 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.

a. Changes or extensions exceeding 90 days of the delivery commitment date.

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

c. Changes to transportation codes due to the requirement to use the DTS (e.g., shipment of hazardous and sensitive cargo, provided there is no increase in the total estimated cost.

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

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

f. Changes in Generic Codes and/or MASL Coding.

5. Price Changes During Case Closure. 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, unless specifically requested by the purchaser. However, such requests will normally be honored only where the total price increase or decrease amounts to 10% or more of the case value.

6. General Terms and Conditions. For record purposes, all DD Forms 1513-2 will have appended to them a copy of Annex A, General Conditions, which are part of the original case. Alternatively, at the discretion of the originating office, the DD Form 1513-2 may contain the following note:

"Except as expressly amended hereby, all terms and conditions of the subject case (including without limitations the General Conditions) continue in full force and effect."

7. Identification of Percentage Rate for Certain Costs. The percentage rates used for determining packing, crating and handling costs, general administrative costs, and supply support arrangement costs and other accessorial costs should not be indicated in the applicable blocks of the DD 1513-2. This guidance also pertains to "Other Estimated Costs" (Block 20) should a percentage rate be applicable.

8. Use of DD Form 1513-2 vs DD Form 1513-1. 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 the SAAC by the DSAA for inclusion in the 1200 System.]

9. Report of Increases of 10 Percent or More. A DSAA RCS(Q) 1123 report will be submitted by the MILDEPs to DSAA on a quarterly basis 45 days after the end of each quarter of the fiscal year, and will include a listing of all cases for which the value of the DD Form 1513 has increased in value in excess of ten percent or more, 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 3.a.(1) above, will be provided with this report.) This report will be submitted with the report on delivery schedule changes required by Section III of this chapter.

10. Detailed Instructions and Format. See detailed instructions on the filling in of the blocks on the DD Form 1513-2 at Figure 8-V-2.

FIGURE 8-V-1

UNITED STATES DEPARTMENT OF DEFENSE AMENDMENT TO OFFER AND ACCEPTANCE				(1) PURCHASER (Name and Address) (Zip Code)				
(2) PURCHASER'S REFERENCE		(3) AMDT NO.		(4) CASE IDENTIFIER				
OFFER TO AMEND								
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to amend the above case for the purchase of defense articles and defense services subject to all other terms and conditions of the original case remaining unchanged.								
(5) Signature (US Dept./Agency Authorized Representative)				(10) Countersignature (Office of the Comptroller, DSAA) (Date)				
(6) Typed Name and Title				(11) Typed Name and Title				
(7) ADDRESS:								
(8) DATE								
(9) THIS OFFER TO AMEND EXPIRES:								
NOTE: This Amendment to Offer must be accepted not later than the date shown in block 9. Within five (5) days of its acceptance, you must so notify the Office of the Comptroller, DSAA. Otherwise, this Amendment to Offer is cancelled and retention of initial deposit by offerer pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.								
(12) DESCRIPTION AND REASON(S) FOR AMENDMENT:								
ITEM OR REF. NO. (13)	ITEM DESCRIPTION (Including Stock Number if applicable) (14)	QUANTITY (15)	UNIT OF ISSUE (16)	ESTIMATED		AVAILA- BILITY AND REMARKS (19)	OFFER RE- LEASE CODE (20)	DE LIVERY TERM CODE (21)
				UNIT COST (17)	TOTAL COST (18)			
				(a) PREVIOUS COST		(b) AMENDED COST		
(22) ESTIMATED COST				\$		\$		
(23) ESTIMATED PACKING, CRATING, AND HANDLING COSTS				\$		\$		
(24) ESTIMATED GENERAL ADMINISTRATIVE COSTS				\$		\$		
(25) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT				\$		\$		
(26) OTHER ESTIMATED COSTS (Specify)				\$		\$		
(27) ESTIMATED TOTAL COSTS				\$		\$		
(28) TERMS								
ACCEPTANCE OF AMENDMENT								
(29) I am a duly authorized representative of the Government of _____ and upon behalf of said Government,								
accept this offer to amend under the terms and conditions contained herein (30) this _____ day of _____ 19____								
(31) TYPED NAME AND TITLE				(32) SIGNATURE				

DD FORM 1513-1
1 MAR 79

PREVIOUS EDITIONS MAY BE USED
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FIGURE 8-V-1. United States Department of Defense Amendment to Offer and Acceptance (DD Form 1513-1).

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

A. BLOCK (1) PURCHASER.

1. 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).
2. For an international organization, enter the title of the organization along with the appropriate office and address.

B. 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.

C. BLOCK (3) AMENDMENT NUMBER. 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.

D. BLOCK (4) CASE IDENTIFIER. Enter the appropriate country code, implementing agency code and case designator (e.g., UK-P-DLG).

E. 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 the DSAA Comptroller for the required countersignature.

F. BLOCK (6) TYPED NAME AND TITLE. Type or stamp the name and title of the U.S. representative who signed Block (5).

G. BLOCK (7) ADDRESS. Enter the name of the issuing organization along with the address (e.g., DA, DCAS-SA, Pentagon, Washington, D.C. 20150).

H. BLOCK (8) DATE. Enter the day, month and year that the Amendment is submitted to the DSAA for countersignature.

I. BLOCK (9) THIS OFFER EXPIRES. Enter the appropriate date, normally 85 days from the date in Block (8).

J. BLOCK (10) COUNTERSIGNATURE. The authorized representative within the 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.

K. BLOCK (11) TYPED NAME AND TITLE. Type the name and title of the DSAA Comptroller authorized representative for countersignature who signed Block (10).

FIGURE 8-V-1. (Continued)

L. 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).

M. 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).

N. BLOCKS (14) THROUGH (19). Enter complete description of amended items. 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.

O. BLOCKS (20) AND (21) OFFER AND RELEASE CODE AND DELIVERY TERM CODE. Fill in as appropriate in accordance with the instructions contained in Chapter 7, Section II, Table 7-II-2.

P. BLOCKS (22) THROUGH (27).

1. 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.

2. 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.

Q. BLOCK (28) TERMS. Enter the original terms of sale or any changes thereto. In all cases where DoD direct or guaranteed FMS credit or MAP funding is used, insert the FMS credit (insert the FMS loan number, e.g., "841," "842," etc.), or MAP program identification, e.g., "FY 84 MAP merger." If the sales agreement is financed by a combination of funds, each term of sale and the applicable amount will be cited. **

R. 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.

NOTE THE FOLLOWING INFORMATION
BEFORE SUBMISSION OF THIS AMENDMENT FOR COUNTERSIGNATURE

1. The Operations Directorate (DSAA-OPS) 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.

FIGURE 8-V-1. (Continued)

2. Submit for countersignature to the FMS Control Division, DSAA Comptroller (DSAA-COMPT) all DD Forms 1513-1 in original and 2 copies (one extra copy for credit or MAP funded cases).

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

4. Indicate the date of acceptance of the basic case. (The acceptance date 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 1980").

5. Before notifying the customer of a change to cost or increase in scope prior to acceptance, obtain approval from DSAA/Operations.

6. Whenever a DD Form 1513-1 increases the original case value by more than \$50,000, the DD Form 1513-1 will be treated as a new case. Therefore, the DD Form 1513-1 information must be entered in the Letter of Request (LOR) system (in the same way the information was entered for the original DD Form 1513).

7. Attach a termination liability worksheet for each case of \$7 million or more that meets the criteria in Chapter 7, Section II, para C.8.c.(2). *

8. Attach a financial analysis worksheet for each line item (end-items or services) with a total case value of \$14 million or more, or as required. (Reference Chapter 7, Section II, Para C.8.c.(1)(b)). *
*

9. Letters of Offer reported under the AECA, Section 36(b) will include below Block 11 the identifying DSAA Transmittal Number used in the Statutory Congressional Notification (e.g., 81-15).

10. 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 the DSAA for countersignature, excluding the original.

FIGURE 8-V-1. (Continued)

FIGURE 8-V-2

[page 1 of 2 pages]

UNITED STATES DEPARTMENT OF DEFENSE					(1) PURCHASER (Name and Address) (ZIP Code)	
NOTICE OF MODIFICATION OF OFFER AND ACCEPTANCE						
(2) PURCHASER'S REFERENCE		(3) NOTICE NO		(4) CASE IDENTIFIER		
NOTICE OF MODIFICATION						
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby notifies the purchaser of modification of the above designated case. All other terms and conditions of the original case remain unchanged.						
(5) SIGNATURE (US Dept./Agency Authorized Representative)				(9) COUNTERSIGNATURE (Office of the Comptroller, DSA) (Date)		
(6) Typed Name and Title				(10) Typed Name and Title		
(7) ADDRESS						
(8) DATE						
(11) DESCRIPTION OF AND REASON(S) FOR MODIFICATION						
ITEM OR REP. NO. (12)	ITEM DESCRIPTION (Including Stock Number, if applicable) (13)	QUANTITY (14)	UNIT OF ISSUE (15)	ESTIMATED		AVAILABILITY AND REMARKS (18)
				UNIT COST (16)	TOTAL COST (17)	
RECAPITULATION OF TOTAL DD FORM 1513 (or 1513-1)		(a) PREVIOUS COST		(b) REVISED COST		
(19)	ESTIMATED COST	\$		\$		
(20)	ESTIMATED PACKING, CRATING AND HANDLING COSTS	\$		\$		
(21)	ESTIMATED GENERAL ADMINISTRATIVE COSTS	\$		\$		
(22)	ESTIMATED CHARGES FOR SUPPLY SUPPLEMENT ARRANGEMENT	\$		\$		
(23)	OTHER ESTIMATED COSTS (Specify)	\$		\$		
(24)	ESTIMATED TOTAL COSTS	\$		\$		
ACKNOWLEDGEMENT OF RECEIPT						
(25) I am a duly authorized representative of the Government of _____ and upon behalf of said Government acknowledge receipt of this notice of modification (26) this _____ day of _____ 19 _____						
(27) TYPED NAME AND TITLE				(28) SIGNATURE		

DD FORM 1513-2
1 MAR 79

PREVIOUS EDITIONS MAY BE USED UNTIL EXHAUSTED

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FIGURE 8-V-2. United States Department of Defense Notice of Modification of Offer and Acceptance (DD Form 1513-2).

<p>(28) CONTINUATION</p>
<p style="text-align: center;">REMARKS</p> <ol style="list-style-type: none">1. DD Form 1513-2 is utilized to record modifications to an existing DD Form 1513 and any related amendments thereto, but only for those modifications which do not constitute a change in scope. Modifications appropriate for DD Form 1513-2 include all notifications of price increases and related changes in payment schedules.2. Changes in scope of a DD Form 1513 require a formal amendment, utilizing DD Form 1513-1. Such changes are those which affect the type or number of major items and/or services to be provided or which significantly alter system configuration or functions. Such changes must be made by utilization of DD Form 1513-1.3. DD Form 1513-2 does not require acceptance by the recipient country (<i>customer</i>) but merely acknowledgement of receipt. (<i>DD Form 1513-1 does require acceptance</i>).4. All terms and conditions of an existing DD Form 1513 and any related amendments thereto not specifically noted to be modified by a DD Form 1513-2 are understood to remain unchanged and in effect.

FIGURE 8-V-2. (Continued)

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

A. BLOCK (1) PURCHASER

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

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

B. 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.

C. BLOCK (3) NOTICE NO. Use 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.

D. BLOCK (4) CASE IDENTIFIER. Enter the appropriate country or international organization code, implementing agency code and case designator (e.g., UK-P-DLG).

E. BLOCK (5) SIGNATURE. Type or stamp name and title of the U.S. representative. Authorized representative should also sign this block.

F. BLOCK (6) TYPED NAME AND TITLE. Type or stamp the name and title of the U.S. representative who signed Block (5).

G. BLOCK (7) ADDRESS. Enter the name of the issuing organization along with the address (e.g., DA, DCAS-SA, Pentagon, Washington, D.C. 20150).

H. BLOCK (8) DATE. Enter day, month and year.

I. BLOCK (9) COUNTERSIGNATURE. The authorized representative with the DSAA Comptroller for countersignature of the modification should sign in this block. Signature will not occur unless all the necessary information is contained on the DD Form 1513-2.

J. BLOCK (10) TYPED NAME AND TITLE. Type the name and title of the DSAA Comptroller authorized representative for countersignature who signed Block (9).

FIGURE 8-V-2. (Continued)

K. BLOCK (11) DESCRIPTION OF AND REASONS FOR MODIFICATION. Describe briefly the modification(s) and the reason(s) requiring that such modification(s) 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). Enter the acceptance date of LOA or amendment being revised. In all cases where DoD direct or guaranteed FMS credit or MAP funding is being used, insert the FMS credit (insert the FMS loan number, e.g., "841," "842," ect.), or MAP program identification, e.g., "FY 84 MAP Merger." If the sale agreement is financed by a combination of funds each term of sale and the applicable amount will be cited. **

L. BLOCK (12) ITEM OR REFERENCE NUMBER. Enter reference to a specific part of the basic case or previous amendment.

M. BLOCKS (13) THROUGH (18). 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.

N. BLOCKS (19) THROUGH (24). 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.

O. BLOCKS (25) THROUGH (28) ACKNOWLEDGEMENT OF RECEIPT. An authorized official of the foreign purchaser should sign and forward the document to the Military Department or Defense Agency concerned to ensure that the Notice of Modification has been received.

NOTE THE FOLLOWING INFORMATION
BEFORE SUBMISSION OF LOA FOR COUNTERSIGNATURE
(See paragraph C.4. of this section for those 1513-2 actions
exempt from countersignature requirement)

1. The Operations Directorate (DSAA-OPS) 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 paragraph C.3. of this section for those notices requiring DSAA coordination and countersignature.)

2. Submit for countersignature to the FMS Control Division, DSAA Comptroller (DSAA-COMPT) all DD Forms 1513-2 in original and 2 copies (one extra copy for credit and MAP cases). *

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

4. Indicate the date of acceptance of the basic case. (The acceptance date 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:

FIGURE 8-V-2. (Continued)

"Basic Case accepted 25 Aug 1980". This date is important to determine the fiscal year to which the change is applicable.

5. 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 the DSAA for countersignature, excluding the original.

FIGURE 8-V-2. (Continued)

must be in writing from the borrowing country and must be submitted to the Department of State (or to the DSAA) for interdepartmental coordination and processing of the amendment document by the FFB. Amendments to the FFB loans require signatures by authorized representatives of the borrowing country, the FFB and the DSAA.

3. Requests for Disbursement of Loan Funds. All requests for disbursement of FMS loan funds must be submitted to the DSAA by the borrowing country in the letter format set forth in the applicable FMS loan agreement. Each request for payment of FMS loan funds to the Security Assistance Accounting Center (SAAC) for amounts due on FMS cases must indicate the FMS case designator(s) and the dollar amount(s) to be disbursed for each case. Procedures for requesting disbursements to commercial suppliers are discussed in paragraph I.1. of this section.

4. Methods of Disbursement. All disbursements from FFB loans are accomplished by electronic wire transfer. The FFB does not process disbursements by issuance of checks. Disbursements from direct loans are accomplished by issuance of checks through the USAF Disbursing Office at Bolling, AFB.

5. Limitation on FFB Disbursements. Not more than one FFB disbursement shall be requested by the borrower in any single month, except that an advance of \$500,000 or more may be requested at any time.

6. Restriction on Use of FMS Loan Funds for Costs of Transporting FMS Credit-Financed Cargoes.

a. When ocean transportation is used, all items purchased with FMS loan funds must be transported by U.S. flag vessels. (NOTE: FMS loan agreement documents contain provisions for certain waivers which, if approved, permit shipment of up to 50% of FMS loan financed cargo on vessels of the borrowing country, and in certain instances such cargo may be transported on vessels of a third country. Such waivers are discussed later in Section IV of this chapter. In no instance may FMS loan funds be used to pay cost of transportation provided by a vessel of non-U.S. registry.)

b. FMS loan funds may be used to pay air transportation costs only if U.S. flag aircraft are used.

I. DIRECT COMMERCIAL PURCHASES

1. Policies and Procedures. FMS credit financing may be used, when approved by DSAA on a case-by-case basis, for the purchase of defense articles and services, and for direct commercial contracts with U.S. contractors. Generally, if a government-to-government transaction under FMS would be approved for FMS credit financing, a similar direct commercial contract would be approved. In order to insure that FMS credit funds are properly utilized, a careful review of credit financed direct commercial contracts is necessary. The purchasing country must make a formal request to the DSAA, accompanied by a copy of the proposed contract. Upon approval of FMS credit financing, the DSAA notifies both the purchaser and the supplier of its approval action. A sample of the letters to each is at Tables 9-III-4 and 9-III-5, respectively. Prior to disbursement of FMS funds, the supplier is required to provide certifications as specified in Table 9-III-5. **

a. Guidelines for Credit Financed Commercial Contracts. The use of FMS credit funds to finance direct commercial contracts will be subject to the following guidelines: **

(1) Purchases must be from U.S. incorporated firms licensed to do business in the U.S. **

(2) The items purchased must be manufactured and assembled in the U.S. and be composed mainly of U.S. made materials, components, and services. In the event that the purchase of a U.S. end item consists of both U.S. and non-U.S. components, only the value of the U.S. components will normally be financed. DSAA may consider exceptions to this policy if required components are not available in the U.S. Contracts should specify any non-U.S. origin items, components or services. **

(3) The total value of each contract or invoice must be for \$100,000 or more. Purchases of less than \$100,000 will not be approved for FMS credit financing. **

(4) Credit financing is discouraged for purchases containing offset provisions as a condition for securing the purchase. Offset provisions are agreements by the seller to make investments or procurements in a country other than the U.S., either concurrent with or subsequent to the purchase for which financing is being requested. No FMS credit funds will be authorized or disbursed to pay for directed offsets. Directed offsets are procurements of a foreign made component, directed by the foreign government, for incorporation or installation in a U.S. produced end item. While FMS credit funds will not be authorized for foreign produced content, resulting from directed offset, such funding can be authorized for the U.S. content. **

(5) If the items or services are available from production in the U.S., purchases must be made from the prime manufacturer, assembler or a U.S.-based distributor licensed by the manufacturer who has had a longstanding relationship with the manufacturer and who has been provided with general domestic and/or international sales regions. Funding with FMS credit financing will not be authorized for a procurement agent, broker, import-export firm or other intermediary including a corporation which has been established or licensed for the express purpose of making a particular sale. A request for exception would be considered if sufficient justification is provided by the purchaser as to why the purchase is sought from a firm other than the manufacturer. A list of suppliers and subcontractors for the proposed contract, showing names, addresses and the materiel and services to be procured by the intermediary must be provided as part of the justification. In such cases it is assumed that the purchaser will be aware of the extent of additional cost or markup by the intermediary and such data can be provided upon request. **

(6) DSAA will only approve financing for advance payments (downpayments) of up to 15 percent of the contract value for contracts requiring the manufacture of items. Exceptions to this policy may be granted if the purchaser presents to DSAA information provided by the seller that explains and justifies the need for an advance payment greater than 15 percent. Progress payments stipulated in the contract and requested by the **

purchaser should be based on completion of work or on deliveries made by the seller. For purchases of off-the-shelf items, DSAA will approve financing of full payment upon receipt of assurances from the purchaser that shipments will occur within 7 days of the payment. The purchaser should obtain this data direct from the contractor.

(7) Only contracts or invoices with U.S. firms having current or prior contracts with the Department of Defense (DOD) will be approved without receipt of additional information. However, it is recognized that U.S. contractors who do not have contracts with DOD sometimes may be most qualified to provide articles or services unique to country needs. Approval of such contracts may be granted by DSAA based on information provided by the purchaser to DSAA containing the following. **

(a) A detailed explanation of what will be provided by the prospective contractor that is not available from contractors having prior or current contracts with the DOD. **

(b) A description of the current business activities and past performance of the contractor relating to the prospective purchase which indicates the contractor's ability to meet the terms of the contract. **

(c) Requests to finance contracts with firms that do not regularly sell to the DOD must be signed by the Minister or Deputy Minister of Defense (or a defense official designated in writing by these individuals) if the contracts or invoices are normally signed and processed through in-country channels, or by the Ambassador, the Senior Defense Attache, or Chief of Purchasing Mission, if the contracts are normally signed and processed through embassy/attache channels. **

(8) When the prospective purchase is from a contractor that does not regularly sell to the U.S. Government, the purchaser should set a commencement date for the contract that allows at least 90 days for U.S. Government representatives to conduct a survey of the contractor. Such a review may be required in certain circumstances by DSAA as a condition for FMS credit financing of the contract. **

(9) No payments will be made to freight forwarders with FMS credit funds for transportation services. Certified bills of lading may be approved for direct payments to U.S. carriers upon request. **

(10) FMS credit funds will not be approved for funding of direct commercial letters of credit which assure payment to the supplier upon presentation by the supplier of invoices and/or delivery documents. **

b. Documents and Statements. Requests for payment of FMS loan funds to U.S. commercial suppliers must be accompanied by certain documents/statements as set forth in the Annexes and Attachments to each FMS loan agreement. These supporting documents must be provided to the DSAA by the Borrower, and not by the commercial supplier. These include but are not limited to the following:

(1) Invoice. An invoice, which has been prepared in accordance with the relevant provisions of the purchase agreement between the

borrower and the commercial supplier, covering the materiel and services for which payment is to be received from the subject loan. The invoice should, as a minimum (a) list items for which payment is requested or identify the work in progress for which payment is requested; (b) reflect the amount and date payment is due; (c) indicate by separate entry the amount included in the invoice for ocean or air transportation and related costs to ports outside the United States; and (d) state the name of the carrier(s) of the materiel from the U.S. port of embarkation.

(2) Bill of Lading. A copy of each ocean or air bill(s)-of-lading (a rated "onboard" bill-of-lading) to substantiate transportation charges shown on the invoice. If an invoice has no cost entry for transportation from a United States port of embarkation, the supplier will include a certification with the invoice as follows:

The (Commercial Supplier) acknowledges that United States Government funds are being used by the (Borrower) to finance the materiel included in this invoice, and certifies that no charges of any nature are included for transportation from a United States port of embarkation.

(Signed)
(Commercial Supplier)

(3) Audit/U.S. Source Product Certification. A certificate must accompany each invoice, or a one-time certificate applicable to the entire DSAA approved contract between the borrower and the commercial supplier must be submitted to the DSAA through the borrower, granting DSAA access to the commercial supplier's records and certifying that the items financed are of U.S. origin. The required certificate must be as follows:

The (Commercial Supplier) agrees that authorized representatives of the Government of the United States shall have access to and the right to examine any directly related books, documents, papers, or records which involve transactions relating to this sale for a period of three years immediately following the receipt of final payment therefore, and also confirms that the materiel for which payment is requested are United States source end products.

(Signed)
(Commercial Supplier)

(4) Commissions/Fees. Before the DSAA will approve the use of FMS loan funds to finance a purchase directly from a commercial supplier, the borrower must obtain from the supplier and provide to the DSAA a statement which certifies the amount (if any) of sales commissions and/or contingent fees contained in the contract price. As set forth in paragraph B below, the DSAA will not approve for FMS credit financing any direct commercial purchase which contains sales commissions and/or contingent fees exceeding \$50,000. The form and content of the required certification is as follows:

The (Commercial Supplier) hereby confirms that the contract price includes sales commissions and contingent fees in the aggregate amount of \$ (Amount).

(Signed)
(Commercial Supplier)

The (Commercial Supplier) hereby confirms that no sales commissions or contingent fees are included in the contract price.

(Signed)
(Commercial Supplier)

(5) Payment in Advance. If a commercial supplier requires payment in advance for work yet to be performed, as distinguished from payment for delivery of defense items or reimbursement in the form of progress payments for work or services performed, the supplier must include with the invoice a statement as follows:

The (Commercial Supplier) will maintain the full amount of the advance in a segregated account which will be applied solely to the performance of the supplier's obligation under the Purchase Arrangement with the (Borrower).

(Signed)
(Commercial Supplier)

2. Agent Fees. DSAA will disapprove FMS credit financing for any commercial contract that contains sales commissions or contingent fees that exceed \$50,000. This policy applies to all commercial purchases financed with FMS credit funds, and is reflected in all FY 1983 and subsequent FMS loan agreements. It is not the intent of the DSAA to limit the amount of commissions or fees which suppliers may pay to an agent upon consummation of the sales agreement, but rather it is intended to place a dollar limitation upon the amount of FMS loan funds which a borrowing country may use to pay such costs. Such commissions decrease the buying power of FMS loan funds, thereby reducing the advantages which borrowers may achieve from the FMS loan. For related reasons, DoD regulations have long limited the amount of agents commissions payable for FMS transactions. Under the DoD Federal Acquisition Regulation (FAR) Supplement 25.7305, sales commissions in excess of \$50,000 on contracts implementing FMS transactions are not allowable costs. *

J. OFFSHORE PROCUREMENT (OSP).

1. Statutory Requirement. Section 42(c) of the AECA provides that "funds made available under this AECA may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any areas of labor surplus or to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic or other advantages to the United States of less costly procurement outside the United States."

2. OSP Determinations. The authority for issuance of OSP determinations has been delegated to the Director of DSAA with concurrence of the Departments of State and Treasury. The granting of such determinations has historically been infrequent.

K. REPAYMENTS OF FMS LOANS.

1. Payment Due Dates. Repayments on FMS loans are due on or before the dates specified in the promissory notes and are repeated in both the FFB and the DSAA billing statements.

2. Extensions. Repayments falling due on a Saturday, Sunday, holiday or other day on which the Federal Reserve Bank (FRB) of New York is not open for business, shall be made on the first business day thereafter. Such extension of time is included in computing interest in connection with such payment, but excluded from the next interest period.

3. Late Repayments. If the borrower fails to make a repayment when due, the amount payable is the overdue installment of principal or interest, plus interest thereon at the rate specified in the promissory note from the due date to the date of actual payment.

4. Repayments Overdue One Year or More. Overdue repayments which continue in arrears for one year or more are subject to the sanctions of the "Brooke Amendment" which is an integral part of each recent foreign assistance appropriation act and related programs appropriations act and continuing resolution. The Amendment states: **

No part of any appropriation contained in this Act shall be used to furnish assistance to any country which is in default during a period in excess of one calendar year in payment to the United States of principal or interest on any loan made to such country by the United States pursuant to a program for which funds are appropriated under this Act. **

Although the provision specifically states only USG foreign aid funds which are appropriated, are affected, Section 24(c) AECA has the practical effect of making the Brooke Amendment applicable to FMS guaranteed loans as well. Consequently, Brook Amendment sanctions are activated by arrearages of more than a year on either aid-financed or FMS-financed loans (direct and guaranteed). Once invoked, the restrictions apply to most U.S.-funded foreign aid programs (economic and military). **

a. In programmatic terms, the Brooke Amendment is applied as follows: **

(1) FMS financing: **

(a) New loan agreements or guaranties are not issued. **

(b) Uncommitted loan balances are not committed by approval of new purchase arrangements. **

(2) Unobligated MAP funds are not approved for FMS purchases. **

(3) IMET: **

(a) Students are not allowed to enter new courses, including sequential courses. **

(b) MTTs are not dispatched or extended. **

(c) Training aids are not issued from supply or placed on contract by the supplying agency. **

b. While it is clear from the preceding paragraph that the full impact of the Brooke Amendment falls on the MAP, FMS credit, and IMET programs, it is important to note that cash purchases under the FMS program are not subject to Brooke restrictions. For example, monies paid by an FMS customer can be used to sustain existing FMS credit-financed cases when available credits cannot be committed. In addition, new FMS cases financed with national funds are not prohibited. However, in most instances, we would prefer that a country under the Brooke Amendment use its available cash to eliminate the arrearage rather than undertake new programs. As a final note on the trust fund activity, FMS financing or MAP monies transferred to the country trust fund account before the imposition of Brooke are not subject to Brooke sanctions and remain available to pay for FMS cases. **

5. DSAA Role as Guarantor of FFB Loans. Overdue repayments on FFB (guaranteed) loans which remain unpaid ten days after the payment due-date are paid by the DSAA from its Guaranty Reserve Fund. This action does not in any way relieve the borrowing country from its obligation to repay -- interest continues to accrue on the overdue amount until the repayment is received from the borrowing country.

TABLE 9-III-1

DOD GUARANTEED LOAN AGREEMENT
ISSUED BY THE FEDERAL FINANCING BANKLOAN AGREEMENT

LOAN AGREEMENT made and entered into as of the _____ day of _____ between the _____ ("Borrower") and the Federal Financing Bank ("FFB").

WHEREAS, The Borrower desires to enter into purchase contracts ("Purchase Arrangements") with Military Departments and Agencies of the United States Department of Defense ("DoD"), various United States commercial suppliers, or both of them for the purchase of defense articles and defense services of United States Origin (with regard to articles and services financed hereunder, hereinafter collectively referred to as "Defense Items"); and

WHEREAS, the Borrower has requested a loan from the FFB to finance payments required to be made by the Borrower under the Purchase Arrangements; and

WHEREAS, it has been determined by the Defense Security Assistance Agency ("DSAA") of the DoD that the aforesaid requested loan will facilitate the purposes of the Arms Export Control Act, as amended ("AECA").

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. COMMITMENT

1.1 Subject to the terms and conditions of this Loan Agreement ("Agreement"), the FFB agrees to make advances to the Borrower from time to time the date of this Agreement to and including _____ in an aggregate principal amount not to exceed _____ (U.S. \$), the obligation of the FFB under this section being hereinafter called the "Commitment".

1.2 The Commitment shall be used only to procure Defense Items purchased under Purchase Arrangements approved by the DSAA for this purpose. The current DSAA procedures for obtaining this approval are, without being incorporated herein, attached hereto as Exhibit A.

1.3 Before requesting any advance hereunder, the Borrower shall execute and deliver to the FFB a promissory note ("Note") substantially in the form attached hereto as Annex I.

1.4 (a) Each advance hereunder shall be made upon the delivery to the FFB of a letter request from the Borrower, and a certificate from the DSAA approving the requested advance. The letter request and certificate shall be in the form set forth in Annex II and shall be delivered to the FFB not less than four business days before the Disbursement Date. The current DSAA procedures for obtaining this certificate are, without being incorporated herein, attached hereto as Exhibit B.

TABLE 9-III-1. DoD Guaranteed Loan Agreement Issued by the FFB.

(b) Not more than one advance shall be requested in any single month, except that an advance of \$500,000 or more may be requested at any time.

(c) Each letter request shall state the amount of the advance, and the date the advance is to be made ("Disbursement Date"). If, because the letter request was not timely delivered, the FFB is unable to make an advance on the Disbursement Date, it may, unless notified otherwise by the Borrower, make the advance as soon as possible thereafter.

SECTION 2. REPAYMENT AND ASSIGNABILITY.

2.1 (a) The Borrower hereby agrees to repay the principal of the advances made under this Agreement semi-annually in accordance with the repayment schedule set forth in the Note ("Schedule"), and to pay interest on such principal as provided in the Note. All payments of principal and interest shall be made in immediately available funds of lawful money of the United States of America, at the Federal Reserve Bank of New York, as provided in Annex II hereof.

(b) If on any installment date in the Schedule the Borrower shall not have availed itself of the Commitment in an aggregate amount (less repayments previously made) equal to the principal which is repayable on such date, the Borrower shall, on such installment date, repay the aggregate amount (less repayments previously made) to which it has availed itself of the Commitment, plus accrued interest thereon. If thereafter the Borrower shall avail itself of the Commitment in an amount which would have been payable on a prior installment date but for the provisions of the immediately preceding sentence, such amount, plus accrued interest thereon, shall be repayable on the next succeeding installment date and the scheduled principal repayable on that date shall be increased by such amount.

(c) If by the final date specified in Section 1.1 hereof the Borrower has not availed itself of the entire amount of the Commitment, the installments of principal in the Schedule shall be reduced in the inverse order of the maturity thereof to the extent of the unused balance of the Commitment.

2.2 Whenever any payment under the Note shall be due on a Saturday, Sunday, or day on which the FFB of the Federal Reserve Bank of New York are not open for business, such payment shall be made on the first day thereafter on which the FFB and the Federal Reserve Bank of New York are open for business, and such extension of time shall be included in computing interest in connection with such payment, but excluded from the next interest period.

2.3 If the Borrower fails to make payment when and as due of any installment of principal or interest under the Note, the amount payable shall be the overdue installment of principal or interest, plus interest thereon at the rate specified in the Note, from the due date to the date of payment. If the Borrower's failure to pay such installment or any part thereof continues for sixty days, the Borrower shall pay an additional charge of 4% per annum on

TABLE 9-III-1. (Continued)

such installment or part thereof for each day thereafter until payment is made.

2.4 The FFB may sell or assign the Note at any time, in whole or in part. However, if the FFB intends to sell or assign the Note or any part thereof to any entity other than an agency of the United States, the FFB shall give the Borrower written notice thereof not less than fifteen days prior to the date of the intended sale or assignment; in that event, the Borrower shall have the option, to be exercised by giving written notice to the FFB at least five days prior to the intended sale or assignment, to purchase the entire Note on such terms and conditions as are established by the FFB.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

The FFB has entered into this Agreement and will make the loan provided for herein on the basis of the following representations and warranties of the Borrower:

(a) The Borrower has full power, authority and legal right to incur the indebtedness contemplated in this Agreement on the terms and conditions contained herein, and to execute, deliver and perform this Agreement and the Note.

(b) The execution, delivery and performance of this Agreement and the Note will not violate any provisions of, and have been duly and validly authorized under, the laws of the Borrower, and all actions necessary to authorize the borrowings hereunder and the execution, delivery and performance of this Agreement and the Note have been duly taken.

(c) This Agreement has been, and the Note when issued will be, duly executed and delivered by persons duly authorized, and this Agreement constitutes, and the Note when issued will constitute, the valid, legal and binding obligation of the Borrower, enforceable in accordance with their respective terms.

SECTION 4. CONDITIONS OF LENDING.

4.1 The obligation of the FFB to make the initial advance hereunder is subject to the conditions precedent that, prior to the first disbursement, it shall have received, satisfactory to it in form and substance:

(a) The guaranty of the United States ("Guaranty"), executed by DoD, guaranteeing the FFB against all political and credit risks of nonpayment of the obligation of the Borrower to the FFB hereunder;

(b) An opinion of the General Counsel of DoD, or the designee of the General Counsel acceptable to the FFB, to the effect that (i) DoD has full power, authority and legal right to execute, deliver and perform the Guaranty, (ii) the Guaranty has been executed in accordance with the provisions of the Act and DoD has not, in issuing the Guaranty, exceeded the maximum amount of

TABLE 9-III-1. (Continued)

guaranties authorized to be issued under the Act, (iii) the Guaranty has been duly executed and delivered by a duly authorized representative of DoD, and (iv) the Guaranty constitutes the valid, legal and binding obligation of the United States, enforceable in accordance with the terms thereof and backed by the full faith and credit of the United States;

(c) Evidence of the authority of each person who (i) signed this Agreement on behalf of the Borrower, (ii) signed the Note, and (iii) will sign on behalf of the Borrower, any notices, requests for advances, or other documents contemplated by this Agreement; and

(d) The Note executed by the duly authorized representative of the Borrower.

4.2 The obligation of the FFB to make any advance hereunder is subject to the further conditions precedent that:

(a) No event of default within the meaning of Section 6 hereof shall have occurred.

(b) The FFB shall have received a letter request executed by the duly authorized representative of the Borrower and certified by the DSAA in the form specified in Annex II.

(c) All legal matters incident to the Guaranty, the Note, and this Agreement shall be satisfactory to the Counsel of the FFB.

SECTION 5 . COVENANTS.

The Borrower covenants and agrees that from the date of this Agreement and so long as any amounts remain unpaid on the note or otherwise under this Agreement:

(a) All payments of principal and interest on the Note and other fees and expenses shall be made free and clear of, and without deduction for, any taxes, levies, duties, fees, charges, deductions, withholdings, restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected or assessed with respect thereto, by or with request to the Borrower or any authority thereof or therein;

(b) Any claim which it may not or hereafter have against any person, corporate or other entity (including without limitation, the United States, DoD, the FFB, any assignee of the FFB, and any supplier of Defense Items in connection with any transaction, for any reason whatsoever, shall not affect the obligation of the Borrower to make the payments required to be made to the FFB under this Agreement or the Note, and shall not be asserted as a defense to the payment of such obligation or as a setoff, counterclaim, or deduction against such payments;

(c) It will pay all taxes, now or hereafter in effect, imposed with respect to this Agreement or the Note by any government other than the Government of the United States of America and will save and hold harmless any holder of the Note from all losses or liabilities resulting from any delay or omission to pay such taxes; and

(d) Any legal action or proceeding against it by the FFB with respect to this Agreement or the Note may be brought in the Superior Court of the District of Columbia or in the United States District Court for the District of Columbia or in the courts of the Borrower, as the FFB may elect, and by execution and delivery of this Agreement, the Borrower submits to each jurisdiction. In the case of the Superior Court of the District of Columbia or of the United States District Court for the District of Columbia, the Borrower consents to the service of process out of said courts by mailing copies of such process by registered United States mail, postage prepaid, to it at its address set forth in Section 8.3 hereof.

SECTION 6. DEFAULTS.

Upon the occurrence of any of the following events of default:

(a) If the Borrower fails for a period of ten calendar days to make any payment of principal or interest on the Note when due;

(b) If a default shall have occurred on any other loan to the Borrower by the FFB, a holder of the Note, or the United States of America or any agency thereof;

(c) If any representation or warranty made by the Borrower herein or in any certification of the Borrower required herein proves to be at any time incorrect in any material respect;

(d) If (i) the Borrower defaults in the performance of any of the provisions in Section 1, 2 or 7 hereof, (ii) the FFB receives a certificate to that effect from DSAA, and (iii) such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given to the Borrower; or

(e) If the Borrower defaults in the performance of any other provisions in this Agreement and such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given to the Borrower;

then, and in each and any such event, the holder of the Note may declare immediately due and payable the unpaid principal and accrued interest on the Note and any other note or other indebtedness of the Borrower held by the holder of the Note and such amount shall become immediately due and payable without protest, presentment, notice or other demand of any kind, all of which are hereby expressly waived by the Borrower, and if such event occurs before the Commitment or any other loan commitment of the holder of the Note to the Borrower has been fulfilled, the holder of the Note may terminate or

TABLE 9-III-1. (Continued)

suspend such commitments. The Borrower shall pay all costs and expenses, including attorney fees incurred in the collection of amounts due hereunder after default.

SECTION 7. TRANSPORTATION.

7.1 All Defense Items to be transported from the United States by ocean vessel shall be transported in vessels of United States registry unless a waiver is obtained from DSAA or the Maritime Administration, U.S. Department of Transportation ("MARAD"). The current DSAA and MARAD procedures for obtaining a waiver are, without being incorporated herein, attached hereto as Exhibit C. In each instance where a supplier will arrange ocean transportation for Defense Items being purchased, the Borrower shall give written notice of this requirement to the supplier: (a) for Purchase Arrangements already entered into, within ten days of the date hereof, and (b) for Purchase Arrangements hereafter entered into, on the date the Purchase Arrangement is consummated.

7.2 The Borrower shall provide the following information to the Director, Office of Market Development, MARAD, with respect to any ocean or air shipments of Defense Items from the United States: (a) FMS Case Identifier, (b) FAS value of cargo, (c) supplier, (d) freight forwarder, (e) freight cost, (f) name of vessel or airline, (g) vessel/aircraft flag of registry, (h) date of loading, (i) port or place of loading, (j) port or place of final discharge, (k) cargo description, (l) gross weight of cargo, and (m) cubic measurement of cargo. This information shall be provided as soon as possible and in any event not later than 90 days from the date of shipment, and shall contain a reference to this Agreement.

7.3 Advances hereunder may be used to pay ocean or air freight costs only when the articles being transported are Defense Items being carried on vessels or aircraft of United States Registry.

SECTION 8. MISCELLANEOUS.

8.1 Upon the execution of this Agreement, the Borrower shall pay DSAA \$ in payment of the fee charged by DoD with respect to the Guaranty.

8.2 No omission or delay on the part of the FFB in exercising any right hereunder shall operate as a waiver of such right or any other right hereunder. The rights and remedies prescribed herein are cumulative and not in limitation of or substitution for other rights or remedies of the FFB.

8.3 Any notice, demand or other communication hereunder shall be deemed to have been given if in writing and actually delivered at the addresses shown below:

- (a) In the case of the Borrower to:
- (b) In the case of MARAD:
Director, Office of Market Development Maritime Administration
U.S. Department of Transportation Washington, D.C. 20590

TABLE 9-III-1. (Continued)

(c) In the case of the FFB to:
Secretary,
Federal Financing Bank
Main Treasury Building
Washington, D.C. 20220

or to such other addresses as may be specified in writing.

8.4 This Agreement and the Note shall be construed and interpreted in accordance with the laws of the United States of America, and if none is applicable, with those of the District of Columbia, United States of America.

8.5 This Agreement shall be binding upon and inure to the benefit of the Borrower and the FFB and their respective successors and assigns, except that the Borrower may not assign its rights hereunder without the prior written consent of the FFB. All agreements, covenants, representations and warranties made herein shall survive the delivery of the Note and the making of the advances hereunder.

8.6 This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute a single instrument. Annexes I and II attached hereto are, by this reference, made a part of this Agreement.

8.7 All notices, demands, or other communications given under this Agreement, unless submitted in the English language, shall be accompanied by an English translation and such translation shall govern.

8.8 In case one of more of the provisions contained in this Agreement or the Note should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and representatives on the day and year first above written.

GOVERNMENT OF

BY _____

FEDERAL FINANCING BANK

BY _____

TABLE 9-III-1. (Continued)

FFB NOTE: FMS-

ANNEX I

PROMISSORY NOTE

FOR VALUE RECEIVED, THE GOVERNMENT OF _____ ("Borrower") hereby promises to pay to the Federal Financing Bank ("FFB") such sums as shall be advanced by the FFB hereunder. The FFB shall not be obliged to advance more than _____ dollars (U.S. \$) not to make any advance after _____.

Advances shall bear interest payable on _____ and _____ of each year, commencing _____, on the unpaid principal balance of each advance from time to time outstanding. A separate interest rate shall be established for each advance at the time thereof by the Secretary of the Treasury pursuant to Section 6(b) of the Federal Financing Bank Act of 1973. After all advances under this Note have been made, the FFB shall establish a single equivalent interest rate for application against all principal outstanding thereafter, in lieu of the several separate rates. Interest shall be calculated on the basis of a year of 365 days and the actual number of days elapsed. The total amount of advances hereunder shall be repaid, without right of prepayment, in accordance with the Schedule on the reverse side of this Note.

All payments of principal shall be endorsed by the FFB or its assigns on the reverse side of this Note. Both principal and interest shall be paid in lawful money of the United States in immediately available funds at the Federal Reserve Bank of New York.

This Note is issued pursuant to the Loan Agreement dated _____ between the Borrower and the FFB, and is subject to the terms and entitled to the benefits of that agreement.

GOVERNMENT OF

Date: _____ By _____ (SEAL)

TABLE 9-III-1. (Continued)

PRINCIPAL REPAYMENT SCHEDULE

FFB NOTE: FMS-

U.S. \$

The first \$		will be repaid on
The next \$	" " "	" " "
" " "	" " "	" " "
" " "	" " "	" " "
" " "	" " "	" " "
" " "	" " "	" " "
" " "	" " "	" " "
" " "	" " "	" " "
" " "	" " "	" " "
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" " "	" " "	" " "
" " "	" " "	" " "
" " "	" " "	" " "
" " "	" " "	" " "
The last \$		will be repaid on

TABLE 9-III-1. (Continued)

ANNEX II

FORM OF LETTER REQUEST FOR ADVANCE OF FUNDS

Secretary,
Federal Financing Bank
c/o United States Department of the Treasury
Washington, D.C. 20220

Dear Sir:

First Paragraph An advance of _____ is requested pursuant to the terms of the Loan Agreement of _____ between the Government of _____ and the Federal Financing Bank ("Agreement" and "Bank" respectively). The Disbursement Date of the advance shall be _____ 198_.

Second Paragraph (Use the appropriate combination of the following examples to express the desired distribution of the advance. Some changes may be required in order to reflect specific needs.)

For use where payment is to be made to the U.S. Department of Defense:

The Government of _____ hereby directs the Bank to transfer this advance to the account of the United States Department of Defense as may be required to meet obligations on the following FMS Cases:

<u>FMS Case</u>	<u>Military Department</u> (Army, Navy or Air Force)	<u>Amount U.S. \$</u>
-----------------	---	-----------------------

- 1.
- 2.
3. etc.

For use when payment is to be made to a commercial supplier by FFB wire transfer of funds directly to payee's bank:

The Government of _____ hereby directs the Bank to transmit \$ _____ of the advance to (Name of U.S. Corporation) by direct wire transfer to the (Name and full address of U.S. bank to which advance is to be sent) for credit to Account No. _____ of that corporation. (Also add any desired notification instructions.)

TABLE 9-III-1. (Continued)

For use when payment is to be made to a commercial supplier by the U.S. Department of Defense subsequent to the transfer of funds from FFB to a trust fund account with the U.S. Defense Security Assistance Agency:

The Government of _____ hereby directs the Bank to transfer \$ _____ of the advance to Trust Fund Account No. _____ administrated by the U.S. Department of Defense for the purpose of making payments to U.S. Commercial vendors on behalf of this Government.

Very truly yours,

GOVERNMENT OF _____

BY _____
(Name and Title Typed)

TABLE 9-III-1. (Continued)

DSAA CERTIFICATION APPROVING
REQUEST FOR ADVANCE OF
FUNDS

Secretary,
Federal Financing Bank
c/o United States Department
of the Treasury
Washington, D.C. 20220

Dear Sir:

Pursuant to Section 1.4 of the Loan Agreement dated _____ between the Government of _____ and the Federal Financing Bank ("Agreement", "Borrower", and "Bank" respectively), the Defense Security Assistance Agency ("DSAA") hereby approves the request for advance in the attached letter dated _____ from the Borrower, and certifies to the Bank that the Borrower has complied and is complying with all of the provisions of Sections 1.2 and 7 of the Agreement. In consideration of the making of the advance approved hereby, DSAA agrees to monitor the Borrower's compliance with Sections 1.2 and 7 of the Agreement and to notify the Bank immediately in the event that the Borrower fails to comply with any of the provisions of these sections.

Sincerely yours,

Defense Security Assistance
Agency

TABLE 9-III-1. (Continued)

REPAYMENT PROCEDURES

All repayments shall be in immediately available U.S. dollars at the New York Federal Reserve Bank, New York, New York, on the day payment is due. To this end, payment shall be made by either of the following methods.

The New York Federal Reserve Bank maintains accounts for many foreign central banks. The Borrower may make payment by a direct transfer from its central bank (or a central bank being utilized by it for that purpose) to the New York Federal Reserve Bank. In effecting the transfer, the central bank should use the exact credit information provided in the following paragraph and indicate to the New York Federal Reserve Bank that the funds are for credit to the United States Treasury, for credit to the account of the Federal Financing Bank.

The other method of payment is the use of the Federal Reserve wire payment system ("Fedwire") -- a system for making instantaneous transfers of funds between U.S. banks. If this system is used, the Borrower should instruct its local U.S. bank to transfer the funds to the New York Federal Reserve Bank by Fedwire on the payment date and to include in the wire the following credit information:

United States Treasury
New York, New York
021030004
TREAS NYC/(20180006)
For credit to the Federal Financing Bank
Treasury Annex No. 1
Washington, D.C. 20226

This information must be exactly in this form (including spacing between words or numbers) to insure timely receipt by the Federal Financing Bank.

Checks, drafts, and other orders for payment will not be accepted since they require collection and therefore do not constitute immediately available funds to the Federal Financing Bank.

Exhibit A

PROCEDURES FOR OBTAINING
DSAA APPROVAL FOR CREDIT
FUNDING OF PURCHASE ARRANGEMENTS1. General.

The Defense Security Assistance Agency, Office of the Comptroller ("DSAA Comptroller"), is responsible for approving Purchase Arrangements ("case") for credit funding when U.S. Government financing is to be utilized. In reviewing requests for advances of funds, the DSAA Comptroller is guided by a general list of defense articles and defense services (referred to as Justification List) approved by the U.S. Department of State, and by U.S. Government policy pertaining to the sale of defense articles and services. Each purchase the Borrower wishes to fund under this loan must be approved by the DSAA Comptroller.

2. Purchases from Military Departments.

a. The U.S. Military Departments effect Foreign Military Sales ("FMS") by means of the Letter of Offer and Acceptance ("LOA"), Department of Defense Form 1513. Each LOA then becomes a case and is identified by a three digit alphabetic code referred to as ("case identifier"). If a Borrower desires to fund a case from this loan, it must so inform the Military Department prior to the issuance of the LOA. In turn, the Military Department will submit the LOA to the DSAA Comptroller for approval.

b. When the Borrower wishes to use this loan to pay amounts due under an FMS case which has already been established as a "cash" or "dependable undertaking" case, the Borrower must ask the pertinent Military Department to convert all or part of that case from cash to credit funding. The Military Department must also submit the case to the DSAA Comptroller for review and approval before the requested change in funding will be made.

c. For each case it approves for financing from this loan the DSAA Comptroller will reserve enough funds from the uncommitted loan balance to cover the entire estimated cost of the case, or, as the situation may be, that part of the case requested for credit funding. The portion of the loan so reserved then will be available only for such payments. Payments, either for deliveries of materiel or progress payments, from advances requested by the Borrower, will be made by the DSAA Comptroller against the amount committed for that purpose.

3. Purchases From Commercial Firms.

a. This loan may be used to finance procurement from U.S. Commercial Suppliers, provided such financing has been authorized by the DSAA. In order that DSAA may advise a Borrower whether it will approve use of this loan to finance a purchase, the Borrower must provide a copy of the contract or pro forma purchase order to the DSAA Comptroller for its review, preferably before

TABLE 9-III-1. (Continued)

the Borrower obligates itself to a purchase which it desires to be financed from this loan.

b. In addition to the approval mentioned above, the DSAA, at the time it certifies requests for advances (disbursements) of funds pursuant to Annex II, also will require from the Borrower properly executed invoices, bills-of-lading, and statements as may be applicable and substantially in the formats shown in paragraph 4 of Exhibit B (DSAA Requirements for Documentation to Support Requests for Advances).

c. For each commercial Purchase Arrangement approved, the DSAA Comptroller will identify it as a case and will provide to the Borrower a Purchase Arrangement Authorization letter in the form of the Attachment to this Exhibit. This letter will provide the case identifier assigned to the case. For each case it approves for financing from this loan, the DSAA Comptroller will reserve a sufficient amount of funds from the uncommitted loan balance to cover the estimated cost of the contract or purchase order, or, as the situation may be, that part of the contract or purchase order requested for credit funding. The portion of the loan so reserved then will be available only for such payments. Payments for deliveries, progress or advance payments, will be authorized by the DSAA Comptroller against the reserved portion of the credit.

d. The DSAA Comptroller, will also provide a letter to the commercial firm indicating DSAA approval of the Purchase Arrangement, and inform it of certain provisions of Sections 1.1, 1.2, 1.4, 6, and 7.3 of the Loan Agreement.

TABLE 9-III-1. (Continued)

Attachment to
Exhibit A

PURCHASE ARRANGEMENT AUTHORIZATION

Dear Sir:

Pursuant to the provisions of Section 1.2 of the Loan Agreement between your Government and the Federal Financing Bank, and in response to your recent request, the following Purchase Arrangement is hereby authorized:

<u>Supplier</u>	<u>Funds Reserved for this Contract/Purchase</u>	<u>Case Identifier Assigned to This Purchase</u>
-----------------	--	--

Sincerely,

(Signed)

(DSAA Comptroller's Office)

TABLE 9-III-1. (Continued)

Exhibit B

DSAA REQUIREMENTS FOR
DOCUMENTATION TO SUPPORT
REQUESTS FOR ADVANCES

1. This Exhibit describes the documents which the Borrower must furnish to the DSAA Comptroller in support of letter requests for advances.
2. Whenever the Borrower desires funds from the FFB, its representative(s), as designated per Section 4.1(c) of the Loan Agreement, shall forward the written request (in duplicate), prepared in accordance with Annex II of the Agreement, to the Office of the Comptroller, DSAA, The Pentagon, Washington, D.C. 20301, not less than 18 working days before the desired disbursement date.
3. With each request for an advance, the Borrower will provide a letter addressed to the Director, Defense Security Assistance Agency, substantially in the format as follows:

Dear Sir:

In accordance with the provisions of Section 1.4 of our Loan Agreement with the Federal Financing Bank dated (date) , the Government of hereby requests DSAA approval for an advance of (amount) from that loan.

The Government of acknowledges that all materiel financed from this loan which is to be shipped by ocean surface transportation must be transported in privately owned vessels of United States registry unless a waiver is obtained in accordance with Section 7 of the Loan Agreement. In furtherance of this requirement, the suppliers of the materiel being financed with this advance were so notified and given appropriate shipping instructions.

In connection with this request, the Government of also confirms that: [Select the proper clause from the following.]

the services and/or items for which payment is requested have been satisfactorily delivered

or

the advance payment requested is in accordance with requirements of the contract

or

the progress payment requested is in accordance with requirements of the contract

TABLE 9-III-1. (Continued)

and that payment is therefore due under the Purchase Arrangement (Contract Number/Case Identifier) with the _____ (Supplier).

Sincerely,

GOVERNMENT OF _____

BY _____
(Name and Title)

4. Whenever funds from this loan are to be used to pay a commercial supplier, the Borrower shall also provide invoices, bills-of-lading, and statements in support of the letter request for an advance, as follows:

a. An invoice, which has been prepared in accordance with the relevant provisions of the Purchase Arrangement between the Borrower and the Commercial Supplier, covering the Materiel and services for which payment is to be received from this advance. The invoice should, as a minimum (1) list items for which payment is requested; (2) reflect the amount and date payment is due; (3) indicate by separate entry the amount included in the invoice for transportation and related costs; and (4) if transportation is invoiced for delivery of materiel to a port outside the United States, state the name of the carrier(s) of the materiel from the U.S. Port of Embarkation.

b. A copy of each Bill-of-Lading (rated, "on-board" bill-of-lading) connected with the invoice. If an invoice has no cost entry for transportation from a United States port of embarkation the supplier will include a certification with the invoice as follows:

The _____ (Commercial Supplier) acknowledges that United States Government funds are being used by the _____ (Borrower) to finance the materiel included in this invoice and certifies that no charges of any nature are included for transportation from a United States port of embarkation.

(Signed)
(Commercial Supplier)

c. Before DSAA authorizes the use of this loan to finance any purchase from a Commercial Supplier, the Borrower must provide two statements, signed by the Commercial Supplier, and substantially in the following format:

1. The _____ (Commercial Supplier) agrees that authorized representatives of the Government of the United States shall have access to and the right to examine any directly related books, documents, papers, or records which involve transactions relating to this sale for a period of three years immediately following the receipt of final payment therefor. The _____ (Commercial Supplier) confirms that the materiel for which payment is requested are United States source end products.

TABLE 9-III-1. (Continued)

2. The _____ (Commercial Supplier) hereby confirms that the contract price includes sales commissions and contingent fees in the aggregate amount of \$ _____ (Amount).

(Signed)
(Commercial Supplier)

or

The _____ (Commercial Supplier) hereby confirms that no sales commissions or contingent fees are included in the contract price.

(Signed)
(Commercial Supplier)

d. If a Commercial Supplier requires payment in advance for work yet to be performed, as distinguished from payment for delivery of defense items or reimbursement in the form of progress payments for work or services performed, the Borrower must include a statement signed by the Commercial Supplier and substantially in the format as follows:

The _____ (Commercial Supplier) agrees to maintain the full amount of this advance payment in a segregated account and apply the funds solely to the performance of obligations under this contract.

5. Whenever funds from this loan are to be used to pay a Military Department, the Borrower shall also provide an invoice (Quarterly Billing Statement - DD Form 645). Only when an initial payment ("Downpayment") is required by a LOA approved for credit funding will be DSAA Comptroller use such LOA as a basis for making payments.

6. Whenever funds from this loan are to be used to pay the Defense Property Disposal Service (DPDS), the Borrower can use a copy of the LOA received from the DPDS in support of the request for an advance. Since the DPDS normally requires payment with a Borrower's acceptance of a LOA, the DSAA Comptroller will make payment directly to the DPDS for LOA's it approves for financing from this loan.

TABLE 9-III-1. (Continued)

Exhibit C

PROCEDURES FOR OBTAINING OCEAN TRANSPORTATION WAIVERS

1. This Exhibit outlines the procedures for obtaining a waiver of the requirement that Defense Items be transported in privately owned vessels of United States registry.

2. If a waiver of the requirement for shipping materiel in ocean vessels of U.S. registry is necessary, the Borrower should request such waiver from either the Director, Defense Security Assistance Agency, Room 4E837, The Pentagon, Department of Defense, Washington, D.C. 20301, or the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590, as directed in paragraphs 3-5 below. Requests for waivers are categorized as: (a) general; (b) non-availability; and (c) security. A description of these waivers and the procedures connected with each follow.

3. General Waivers.

a. Consideration will be given to waiver applications to authorize ocean vessels flying the flag of the Borrower to participate in the transportation of cargo generated under the Agreement provided the Borrower does not discriminate against United States flag vessels in the carriage of the exports or imports of the Borrower. Approval may be granted for the Borrower's flag vessels to carry up to, but not in excess of 50 percent of the cargo under the Agreement. Ocean freight revenue is the main criterion for determining the flag participation but cargo valuation shall also be taken into consideration. Accordingly, throughout the life of the Agreement, U.S. flag vessels shall not receive less than 50% of the cargo valuation and ocean freight revenue insofar as practicable.

b. Applications for general waiver should be submitted as soon as practicable after determination has been made to use the Borrower's flag vessels but at least twenty-one (21) days in advance of intended shipping dates to enable verification of the treatment accorded vessels of U.S. registry and to process the application. Applications should be submitted to the Director, Defense Security Assistance Agency, Room 4E837, The Pentagon, Department of Defense, Washington, D.C. 20301, with a copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590.

c. Subsequent to the granting of a general waiver, if it occurs that neither United States flag vessels nor the Borrower's flag vessels are available, consideration will be given to specific waiver applications to authorize, on a shipment-by-shipment basis, the use of third country flag vessels. Applications for the use of a third flag vessel under an approved general waiver should be submitted at least 21 days prior to the intended shipping date to allow time to process the application. If a waiver is granted to allow the use of a third flag vessel for a particular shipment under an

TABLE 9-III-1. (Continued)

existing general waiver, the cargo carried by the third flag vessel shall be recorded against the Borrower's flag vessels' portion of the cargo available under the general waiver.

4. Non-Availability Waivers.

a. Consideration will be given to waiver applications to authorize use of other than United States flag vessels in those cases of non-availability of United States flag vessels or in instances of non-availability of United States flag vessels at reasonable rates.

b. Applications for non-availability waivers to permit use of the Borrower's flag vessels need not be submitted if a general waiver has been approved and the Borrower will use U.S. flag vessels to carry over 50 percent of the cargo under the Agreement. Applications are required where a general waiver (1) has not been applied for, (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, U.S. flag vessels are not available or not available at reasonable rates and shipments on Borrower's flag vessels will exceed 50 percent of the cargo under the Agreement. If a general waiver has been approved but U.S. flag vessels are not available or not available at reasonable rates, effort should be made to ship defense articles under the Borrower's portion of the general waiver. Thus, applications for non-availability waivers, where a general waiver has been approved, should be submitted only under unusual circumstances.

c. Applications on the basis of non-availability of vessels of United States registry must establish and document that the Borrower has made a reasonable, timely and bona fide effort to arrange shipment on ocean vessels of United States registry and that such ocean vessels are not available. Such applications must be submitted at least 21 days in advance of the intended shipping date to enable verification of non-availability of vessels of United States registry and to process the application.

d. Applications on the basis of non-availability of vessels of United States registry at reasonable rates must establish and document all applicable comparative rates and should be submitted at least 21 days in advance of the intended shipping date to enable verification of non-availability of vessels of United States registry at reasonable rates and to process the application.

e. Applications for non-availability waivers must be submitted by the Borrower, or on its behalf by the shipping agent or supplier, on a shipment-by-shipment basis. Applications should be submitted to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590, with a copy to the Director, Defense Security Assistance Agency, Room 4E837, The Pentagon, Department of Defense, Washington, D.C. 20301.

f. Each application for a non-availability waiver should contain the following information:

TABLE 9-III-1. (Continued)

1. Identification and address of the applicant
2. Recipient country
3. Date and source of loan (FFB, etc.)
4. Supplier and/or exporter
5. List and description of commodities to be shipped
6. FAS value of commodities
7. Shipping date
8. Discharge port
9. Discharge port
10. Estimated ocean freight cost
11. Proposed vessel(s) to be used
12. Weight of shipment
13. Cube measurement of shipment
14. Original point of production

5. Security Waivers.

a. Where sabotage may reasonably be expected, or a State of emergency exists, so that extraordinary security precautions are required, consideration will be given to authorized vessels flying the Borrower's flag to transport a specific shipment or series of shipments of cargo financed with this loan.

b. Applications for security waivers need not be submitted if a general waiver has been approved and the Borrower will use U.S. flag vessels to carry over 50 percent of the value of the cargo being financed under the Agreement. Applications are required where a general waiver (1) has not been applied for, (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, use of the Borrower's flag vessels will exceed 50 percent of the cargo under this Agreement. If a general waiver has been approved, defense articles and equipment involving special security or safety requirements should be shipped under the Borrower's portion of the cargo available under the general waiver. Therefore, waiver applications for security or safety reasons where a general waiver has been approved should be submitted only under unusual circumstances.

c. Applications for security waivers must provide information about the specific security or safety requirements involved, as well as other identifying information about the shipment(s).

d. Security waiver applications should be sent by the Borrower to the Director, Defense Security Assistance Agency, Room 4E837, The Pentagon, Department of Defense, Washington, D.C. 20301, with a copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590. Applications should be forwarded at least 21 days in advance of the intended shipment date(s) to enable verification of the security or safety requirements and to process the application.

TABLE 9-III-1. (Continued)

TABLE 9-III-2

GUARANTY

FOR VALUE RECEIVED, the Defense Security Assistance Agency of the Department of Defense ("DSAA"), hereby unconditionally and irrevocably guarantees to the Federal Financing Bank ("FFB"), under the authority of Section 24 of the Arms Export Control Act, as amended ("Act"), the due and punctual payment of any and all amounts due: (1) on the promissory note ("Note") in the principal amount of up to \$ _____ dated _____ issued to the FFB by _____ ("Borrower") pursuant to the Loan Agreement between the FFB and the Borrower dated ("Agreement"); and (2) the FFB from the Borrower pursuant to the Agreement.

This Guaranty is a guaranty of payment covering all political and credit risks of nonpayment, including any nonpayments arising out of any claim which the Borrower may now or hereafter have against any person, corporation, or other entity (including, without limitation, the United States, the FFB and any supplier of defense items) in connection with any transaction, for any reason whatsoever. This Guaranty shall inure to the benefit of and shall be enforceable by the FFB, its successors or assigns. This Guaranty shall not be impaired by any law, regulation or decree of the Borrower now or hereafter in effect which might in any manner change any of the terms of the Note or Agreement. The obligation of the DSAA hereunder shall be binding irrespective of the irregularity, invalidity or unenforceability under any laws, regulations or decrees of the Borrower of the Note, the Agreement or other instruments related thereto.

The DSAA hereby waives diligence, demand, protest, presentment and any requirement that the FFB exhaust any right or power to take any action against the Borrower and any notice of any kind whatsoever other than the demand for payment required to be given to the DSAA hereunder in the event of default on a payment due under the Note.

In the event of failure of the Borrower to make payment, when and as due, of any installment of principal or interest under the Note, the DSAA shall make payment immediately to the FFB upon demand to the DSAA after the Borrower's failure to pay has continued for 10 calendar days. The amount payable under this Guaranty shall be the amount of the overdue installment of principal and interest, plus any and all late charges and interest thereon as provided in the Agreement. Upon payment by the DSAA to the FFB, the FFB will assign to the DSAA, without recourse or warranty, all of its rights in the Note and the Agreement with respect to such payment.

In the event of a default under the Agreement or the Note by the Borrower and so long as this Guaranty is in effect and the DSAA is not in default hereunder:

- (i) The FFB or other holder of the Note shall not accelerate or reschedule payment of the principal or interest on the Note or any other note of the Borrower guaranteed by the DSAA except with the written approval of the DSAA; and

TABLE 9-III-2. Guaranty.

- (ii) The FFB shall, if so directed by the DSAA, invoke the default provisions of the Agreement, and shall suspend any further payments under its Commitment until the FFB has been advised by the DSAA that it may resume payments under its Commitment.

The FFB's rights under this Guaranty may be assigned to any individual, corporation, partnership, or other association doing business in the United States of America. In the event of such assignment the DSAA shall be promptly notified. The FFB will not agree to any material amendment of the Agreement or Note or consent to any material deviation from the provisions thereof without the prior written consent of the DSAA.

Any notice, demand, or other communication hereunder shall be deemed to have been given if in writing and actually delivered to the Comptroller, DSAA, The Pentagon, Washington, D.C. 20301, or the successor, or such other place as may be designated in writing by the Comptroller, DSAA or the successor thereof.

By acceptance of the Note, the FFB agrees to the terms and conditions of this Guaranty.

DATED: _____

BY: _____

TABLE 9-III-2. (Continued)

TABLE 9-III-3
DOD DIRECT LOAN

CREDIT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF _____
RELATING TO THE PURCHASE OF DEFENSE ITEMS

TABLE 9-III-3. DoD Direct Loan.

CREDIT AGREEMENT BETWEEN THE
GOVERNMENT OF THE UNITED STATES AND
THE GOVERNMENT OF
DATED

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CREDIT AGREEMENT, made and entered into the _____ between the Government _____ represented by its Ministry of Defense and the Government of the United States of America, represented by the Department of Defense of the United States of America.

WITNESSETH

WHEREAS, the Government of _____ (hereinafter sometimes referred to as the "Borrower") desires to enter or has entered into purchase contracts (hereinafter referred to as "Purchase Arrangements") with the Military Departments and Agencies of the United States Department of Defense (hereinafter referred to as "DoD") and/or various United States Commercial Suppliers for the purchase of defense articles and defense services of United States origin (hereinafter collectively referred to as "defense items"); and

WHEREAS, the Borrower has requested the Government of the United States of America (hereinafter sometimes referred to as the "Lender") to finance payments required to be made by the Borrower under the Purchase Arrangements; and

WHEREAS, the aforesaid requested credit will facilitate the purpose of the United States Arms Export Control Act, as amended;

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, and in implementation of, and subject to the provisions of the Mutual Defense Assistance Agreement

1. Loan Commitment. (a) Subject to the terms and conditions hereof, the Lender agrees to make advances to the Borrower from time to time in an aggregate principal amount up to, but not exceeding (hereinafter called the "Commitment").

(b) Before requesting any advance hereunder, the Borrower shall simultaneously herewith execute and deliver to the United States Government a single Promissory Note ("Note") substantially in the form attached hereto as Annex A and dated as of the date of execution of this Credit Agreement.

(c) Advances made to the Borrower shall be authorized in accordance with Requests for Disbursements, which shall be prepared by the Borrower in the form of Exhibit 2 of Annex B and forwarded to the Lender for each advance. Each advance shall bear interest, as provided in paragraph 6 (a), commencing with the Disbursement Date thereof.

2. Purchase Arrangements. The aforesaid Commitment shall be available only to finance the purchase of defense items by the Borrower pursuant to Purchase Arrangements authorized for such financing by DoD which are entered into by the Borrower on or before _____. Each authorization for the Borrower to enter into a Purchase Arrangement in implementation of this Credit Agreement shall be separately communicated by DoD in writing to the Borrower

TABLE 9-III-3. (Continued)

(substantially in the form of Exhibit 1 to Annex B), which authorization shall specify the case identifier assigned by DoD to, and the amount of credit authorized for, the approved Purchase Arrangement.

3. Disbursements. Each advance hereunder by the Lender shall be made in accordance with the following procedures:

(a) Disbursements to commercial suppliers --

(1) Each advance shall be made on such date (hereinafter referred to as a "Disbursement Date") as may be designated by the Borrower in the Requests for Disbursement submitted by the Borrower to the Lender from time to time.

(2) Each Request for Disbursement shall specify the amount of the advance to be made by the Lender on the Disbursement Date, shall specify the commercial supplier to whom the disbursement is to be remitted by the Lender, and shall be forwarded to the Lender in sufficient time to allow five (5) working days before the Disbursement Date.

(3) Each Request for Disbursement shall be sent to the Comptroller, Defense Security Assistance Agency, The Pentagon, Washington, D.C. 20301.

(4) Supplier invoices shall be prepared in accordance with the procedure set forth in Annex B hereto.

(b) Disbursements to the Military Departments and Agencies of DoD --

(1) The DoD will bill the Borrower for payments under authorized Purchase Arrangements in the same manner as for "dependable undertaking" terms of sales under Foreign Military Sales procedures, and will transmit a copy of each billing to the Comptroller, Defense Security Assistance Agency. Each billing will designate a Disbursement Date.

(2) Upon receipt of any such billing, the Borrower shall follow the procedures set below:

(a) Each advance shall be made on such Disbursement Date as may be designated by the Borrower in the Request for Disbursement submitted by the Borrower to the Lender from time to time.

(b) Each Request for Disbursement shall specify the amount of the advance to be made by the Lender on the Disbursement Date, shall specify the DoD Agency or Military Department to whom the disbursement is to be remitted by the Lender, and shall be forwarded to the Lender in sufficient time to allow five (5) working days before the Disbursement Date.

(c) Each Request for Disbursement shall be sent to the Comptroller, Defense Security Assistance Agency, The Pentagon, Washington, D.C. 20301.

(d) If the advance specified is less than the full amount of that billing, the Borrower shall directly pay the difference, from other funds available to the Borrower, on or before the Disbursement Date to the billing office of the DoD.

4. Marine Transportation.

(a) All defense articles, the purchase of which is to be financed hereunder, and which may be transported by ocean vessel, shall be transported in vessels of United States registry unless a waiver of this requirement is obtained. In no event, however, will any part of any advance hereunder be used to finance the transportation of defense articles in carriers of non-United States registry. Marine Transportation Waiver Procedures are at Annex C hereto.

(b) The Borrower or its commercial suppliers shall be responsible for obtaining export licenses for defense items financed hereunder, when transported by means other than the United States Defense Transportation System.

5. Assignment of Repayments. This Agreement evidences the legal and binding obligation of the Borrower to make repayments to the Lender for disbursements made by the Lender in accordance with the terms hereof, The Lender may sell or assign, in whole or in part, its rights to said repayments and may, with respect to such sale or assignment, guarantee payment of the same.

6. Principal Repayments and Interest.

(a) The Borrower shall repay the disbursements made by the Lender in accordance with the Principal Repayment Schedule, which is attached to the Note, and shall pay interest _____, semi-annually on _____ commencing _____ at the rate of percent per annum, using a 365 day factor on the amount from time to time cumulative advances exceed repayments of principal.

(b) If on any installment repayment date set forth in the Principal Repayment Schedule the Borrower shall not have availed itself of the Commitment of the Lender in an aggregate amount (less repayments previously made) equal to the aggregate installment of principal which is repayable on such date to the Lender, the Borrower shall, on such installment repayment date, repay to the Lender the full amount (less repayments previously made) to which it has availed itself of the Commitment of the Lender to such date, together with the interest accrued thereon. If at any time thereafter the Borrower shall avail itself of the Commitment of the Lender in an amount which would have been repayable on a prior installment repayment date but for the provisions of the immediately preceding sentence, such amount, together with the interest accrued thereon, shall be repayable on the next succeeding installment date of the Principal Repayment Schedule occurring after the disbursement of such amount and the said aggregate installment of principal repayable under the Principal Repayment Schedule to the Lender on that date shall be increased by such amount.

TABLE 9-III-3. (Continued)

(c) If by the date specified in paragraph 2, the Borrower shall not have entered into authorized Purchase Arrangements in an aggregate amount equal to the entire amount of the Commitment, the installments of principal repayment to the Lender set forth in the Principal Repayment Schedule shall be reduced in the inverse order of the maturity thereof to the extent of the unused balance of the Commitment.

(d) Whenever any repayment to be made by the Borrower shall be due on a Saturday, Sunday, or public holiday under the laws of the Lender, such repayment may be made on the next succeeding business day, and such extension of time shall in such case be included in computing interest in connection with such repayment but excluded from the next interest period, if any.

(e) The Borrower may prepay the credit extended under this agreement in part or in full on any interest payment date without penalty or premium, but such prepayment must be accompanied by payment of interest on the amount prepaid to the date of repayment and must be applied to the satisfaction of installments of principal repayments in the reverse order of their maturities.

(f) All repayments by the Borrower on account of principal or interest shall be in lawful money of the United States of America and in immediately available funds, free and clear of, and without deduction for, any and all taxes, levies, imposts, deductions and withholdings whatsoever imposed, levied, collected or assessed with respect thereto by any central or local authority of.

(g) In case of failure of the Borrower to make payment when due and as due, of any installment or installments of principal or of any interest under the Note, the aggregate amount payable shall be the amount of the overdue installment or installments of principal or of overdue interest, or overdue principal and interest, as the case may be, plus interest thereon at the rate specified in the Note, from the due date to the date of payment. In the event that the amount of an installment payment made by the Borrower is insufficient to satisfy the aggregate amount of principal and interest then due, the installment payment amount shall first be applied to satisfy the interest due, and the remaining portion of the installment payment, if any, shall be applied to satisfy the principal amount of such installment. If the Borrower's failure to pay such installments or any part thereof continues for sixty days, the Borrower shall pay an additional charge of four percent (4%) per annum on such installments or part thereof for each day thereafter until payment is made.

7. Representations and Warranties.

(a) The Borrower represents and warrants that the making and performance of this Agreement have been duly authorized in accordance with its laws and shall furnish to the Lender upon request evidence, satisfactory to the Lender, (substantially in the form of Annex D) of the authority of the person or persons who will sign the Notes and Requests for Disbursement provided for herein on behalf of the Borrower, together with the authenticated specimen signature, in duplicate, of each of the latter.

TABLE 9-III-3. (Continued)

(b) This Agreement shall inure to the benefit of the holders of the Note, their respective successors and assigns. This Agreement and the Note shall be deemed to be contracts under the law of the District of Columbia and for all purposes shall be construed in accordance with said law. The Borrower agrees that jurisdiction may be taken by courts in the District of Columbia with respect to matters involving the Note, provided such Note is held by an individual, partnership, corporation, or other private legal entity.

(c) The Borrower shall in all cases pay when and as due the principal and interest on the Note issued hereunder, notwithstanding any claims which the Borrower may now or hereafter have against any supplier of the defense items, DoD, the Lender, or any other persons or entity in connection with any other transaction, for any reason whatsoever.

8. Default. Upon the occurrence of any of the following events of default:

(a) If the Borrower fails for a period of ten (10) days to make any payment of principal of, or interest on, the Note when due;

(b) If any representation or warranty made by the Borrower herein or any certificate furnished by the Borrower pursuant hereto proves to be at any time incorrect in any material respect, or;

(c) If the Borrower defaults in the performance of any other term, covenant or undertaking contained in this Credit Agreement, and such default shall continue unremedied for 30 days after written notification thereof shall have been given to the Borrower by the Lender; then, and in any such event, the holder of the Note may declare immediately due and payable the unpaid principal of, and accrued interest on, the Note held by such holder, and such amounts shall become immediately due and payable without protest, presentment, notice or other demand of any kind, all of which are hereby expressly waived by the Borrower, and the Lender may terminate its Commitment hereunder.

9. Miscellaneous. No failure to exercise and no delay in exercising on the part of the DoD, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, of the exercise of any other power or right. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided in this Credit Agreement.

10. All communications and other documents required or permitted hereunder, unless submitted in the English language, shall be accompanied by one English translation for each copy of such documents to be furnished and, in the event of conflict, the English version shall govern. Except as otherwise provided herein, all notices, requests or demands hereunder shall be deemed to have been given or made upon the mailing of the same, postage prepaid, or in the case of telegraphic notice, on delivery to the telegraphic company, addressed in the case of the Borrower, to and in the case of the Lender to the Director, Defense Security Assistance Agency (DSAA), The Pentagon, Washington, D.C. 20301.

TABLE 9-III-3. (Continued)

11. This Agreement may be executed in any number of counterparts and by the parties hereto on separate counterparts, each of which shall be deemed on an original but all such counterparts to constitute one and the same instrument.

12. Annexes A through D attached hereto are, by this reference, made a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement this

GOVERNMENT OF THE UNITED
STATES OF AMERICA

ANNEX A

PROMISSORY NOTE

(Date) _____

U.S. Washington, D.C.

FOR VALUE RECEIVED, the undersigned, the Government of _____ (herein called the "Borrower"), hereby promises to pay to the order of the Government of the United States of America (herein called the "Lender") such sums as may be advanced hereunder by the Lender. The Lender shall not be obliged to advance more than the sum of _____ (U.S. \$) (herein referred to as the "Commitment").

Advances shall be made from time to time by the Lender in accordance with the terms of the Credit Agreement dated between the Borrower and the Lender. Advances shall bear interest payable on _____ of each year on the unpaid principal balance from date hereof at the rate of _____ percent per annum using a 365 day factor, both principal and interest to be payable in lawful money of the United States of America to the Comptroller, Defense Security Assistance Agency, (DSAA), The Pentagon, Washington, D.C. 20301.

Whenever any payment under this Note shall be due on a Saturday, Sunday, or public holiday under the laws of the United States of America, such payment may be made on the next succeeding business day, and such extension of time shall, in such case, be included in computing interest in connection with such payment, but excluded from the next interest period, if any. In case of failure of the Borrower to make payment when and as due, of any installment or installments of principal and interest under this Note, the amount payable shall be the amount of the overdue installment or installments of principal and interest, plus interest thereon at the rate specified herein, from the due date to the date of the payment.

The total amount advanced hereunder shall be repaid, with right of prepayment on any interest payment date, in accordance with the Principal Repayment Schedule which is attached. Prepayments shall be accompanied by payment of interest on the amount prepaid to the date of prepayment and shall be applied to the installments hereof in the reverse order of their maturity. All payments of principal and interest on this Note are payable in immediately available funds, free and clear of, and without deduction for, any taxes, levies, imposts, deductions, and withholdings whatsoever now or hereafter imposed, levied, collected or assessed with respect by any central or local authority of the Borrower and shall be paid free from all restrictions of any central or local authority of the Borrower.

If less than the total of _____ is advanced, the Principal Repayment Schedule shall be reduced in the reverse order of the maturity thereof to the extent of the unused balance of the commitment.

 TABLE 9-III-3. (Continued)

Upon the occurrence of any event of default specified in the said Credit Agreement, the entire unpaid principal hereof and interest thereon to the date of payment may be declared to be forthwith due and payable as provided in said Credit Agreement. The Borrower agrees to pay all out-of costs and expenses in connection with collection after default of this Note (including the reasonable fees and out-of-pocket expenses of counsel) as well as all stamp and similar taxes, if any, now or hereafter in effect, and to save the holder of the Note harmless from any and all liabilities with respect to or resulting from any delay or omission to pay such taxes.

GOVERNMENT OF

BY _____
(Name Typed)

(Title)

TABLE 9-III-3. (Continued)

PRINCIPAL REPAYMENT SCHEDULE

The first \$	shall be repaid on
The next \$	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
The last \$	" " "

TABLE 9-III-3. (Continued)

ANNEX B

DSAA REQUIREMENTS
FOR SUPPORTING INVOICE DATA
FROM COMMERCIAL SUPPLIERS

When funds from this Credit Agreement are to be used to pay a commercial supplier, the Borrower must provide the following supporting documents and certificates along with the letter requesting the advance.

1. To be Prepared by the Commercial Supplier.

a. An invoice, which has been prepared in accordance with the relevant provisions of the Purchase Agreement between the Borrower and the Commercial Supplier, covering the materiel and services for which payment is to be received from this advance. The invoice should, as a minimum (1) list items for which payment is requested or identify the work in progress for which payment is requested; (2) reflect the amount and date payment is due; (3) indicate by separate entry the amount included in the invoice for ocean or air transportation and related costs to points outside the United States; and, (4) state the name of the carrier(s) of the materiel from the United States port of embarkation.

b. A copy of each ocean or air Bill(s) of Lading (a rated "on-board" bill of lading) to substantiate transportation charges shown on the invoice. If an invoice has no cost entry for transportation from a United States port of embarkation the supplier will include a certification with the invoice as follows:

The (Commercial Supplier) acknowledges that United States Government funds are being used by the (Borrower) to finance the materiel included in this invoice and certifies that no charges, of either a direct or indirect nature, for transportation from a United States port of embarkation are included and required of the (Borrower) in connection with this invoice.

(Signed)
(Commercial Supplier)

c. A statement by the Commercial Supplier accompanying each invoice, or made part of a contract approved by DoD between the Borrower and the Commercial Supplier covering the materiel and services for which payment is requested:

" (Commercial Supplier) confirms that authorized representatives of the Government of the United States shall have access to and the right to examine any directly related books, documents, papers, or records which involve transactions relating to this sale for a period of three years immediately following the receipt of final payment therefore, and also confirms that the materiel for which payment is requested are United States source end products."

TABLE 9-III-3. (Continued)

d. A statement by the Commercial Supplier as follows:

" (Commercial Supplier) hereby confirms that the contract price includes sales commissions and contingent fees in the aggregate amount of \$ (Amount) ."

or

" (Commercial Supplier) hereby confirms that no sales commissions or contingent fees are included in the contract price."

e. If a Commercial Supplier requires payment in advance for work yet to be performed, as distinguished from payment for delivery of defense items or reimbursement in the form of progress payments for work or services performed, the supplier shall include with the invoice a statement setting forth the undertaking of the supplier to maintain the full amount of the advance in a segregated account which will be applied solely to the performance of the supplier's obligations under the Purchase Arrangement with the Borrower.

TABLE 9-III-3. (Continued)

Exhibit 1 to
Annex B

PURCHASE ARRANGEMENT AUTHORIZATION

Dear Sir:

In implementation of paragraph 2 of the Credit Agreement between your Government and the Government of the United States, and in response to your request of _____, the following Purchase Arrangement is hereby authorized:

Supplier	<u>Contract or Purchase Order Number</u>	<u>Funds Authorized for this Contract/Purchase</u>	<u>Case Identifier Assigned to This Purchase</u>
----------	--	--	--

TABLE 9-III-3. (Continued)

Exhibit 2 to
Annex B

REQUEST FOR DISBURSEMENT

Credit Agreement Number _____

A disbursement as noted below is hereby authorized pursuant to the terms of Credit Agreement (dated _____) between the Government of _____ and the Government of the United States of America.

The Government of _____ (Borrower) confirms that (the defense items set forth herein have been satisfactorily received) (the work or services for which progress payments are requested has been satisfactorily rendered) and that payment is due under the Purchase Arrangement, (Case Identifier) for the purchase of (defense items) (services) from _____ (Supplier), and certifies that the bill is correct, just, and has not been previously paid.

The Borrower further confirms that said Purchase Arrangement is one of the Purchase Arrangements approved and authorized by DoD pursuant to the aforesaid Credit Agreement, and that the cumulative total of this invoice and invoices previously paid by DoD against said Purchase Arrangement does not exceed the aggregate credit ceiling established by DoD for the said Purchase Arrangement.

Disbursement Amount \$ _____

Disbursement Date: _____

Pay to: _____

GOVERNMENT OF

ANNEX C

MARINE TRANSPORTATION WAIVER PROCEDURES

1. The following procedures and conditions shall be adhered to concerning marine transportation of defense articles, the purchase of which is to be financed under this agreement. All defense articles, which are transported by ocean vessel, shall be transported in privately owned vessels of United States registry unless a waiver of this requirement is obtained from the Director, Defense Security Assistance Agency, Department of Defense. Requests for waiver are categorized as general, non-availability or security as outlined below:

A. General Waivers.

Consideration will be given to a waiver application to authorize vessels flying the flag of the country to whom this agreement applies to participate in the transportation of cargo generated under this agreement provided the recipient country does not discriminate against United States flag vessels in the carriage of the exports or imports of the recipient nation. Approval may be granted for recipient country's vessels to carry up to, but not in excess of 50 percent of the cargo under this agreement. Ocean freight revenue is the main criterion for determining flag participation but cargo valuation shall also be taken into consideration. Accordingly, throughout the life of this agreement, U.S. flag vessels shall not receive less than 50% of the cargo valuation and ocean freight revenue insofar as practicable.

Applications for general waiver should be submitted as soon as practicable after determination has been made to use recipient country flag vessels but at least twenty-one (21) days in advance of intended shipping dates to enable verification of the treatment accorded vessels of U.S. registry and to process the application.

Subsequent to the granting of a general waiver, if it occurs that neither United States flag vessels nor recipient country flag vessels are available, consideration will be given to specific waiver applications to authorize, on a shipment-by-shipment basis, the use of third flag vessels. Applications for the use of a third flag vessel under an approved general waiver should be submitted at least 21 days prior to the intended shipping date to allow time to process the application. If a waiver is granted to allow the use of a third flag vessel for a particular shipment under an existing general waiver, the cargo carried by the third flag vessel shall be recorded against the recipient country flag vessels' portion of the cargo available under the general waiver.

The application for a general waiver and subsequent waivers for the use of third flag vessels should be submitted by the recipient country directing the shipment (or his freight forwarder) to the Director, Defense Security Assistance Agency, Room 4E837, The Pentagon, Washington, D.C. 20301, with a copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Commerce, Washington, D.C. 20230.

TABLE 9-III-3. (Continued)

B. Non-Availability Waivers.

Consideration will be given to waiver applications to authorize use of foreign flag vessels in those cases of non-availability of United States flag vessels or in instances of non-availability of United States flag vessels at reasonable rates.

Applications for non-availability waivers to permit use of recipient country flag vessels need not be submitted if a general waiver has been approved and the recipient country will use U.S. flag vessels to carry over 50 percent of the cargo under this agreement. Applications are required where a general waiver (1) has not been applied for, (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, U.S. flag vessels are not available or not available at reasonable rates and shipments on non-U.S. flag vessels will exceed 50 percent of the cargo under this agreement. If a general waiver has been approved, every effort should be made to ship defense articles and equipment, where U.S. flag vessels are not available or not available at reasonable rates, under the recipient country's portion of the cargo available under the general waiver. Therefore, applications for non-availability waivers, where a general waiver has been approved, should be submitted only under unusual circumstances.

Applications on the basis of non-availability of vessels of United States registry must establish and document that the recipient country has made a reasonable, timely and bona fide effort to arrange shipment on vessels of United States registry and that such vessels are not available. Such applications must be submitted at least 21 days in advance of the intended shipping date to enable verification of non-availability of vessels of United States registry and to process the application.

Applications on the basis of non-availability of vessels of United States registry at reasonable rates must establish and document all applicable comparative rates and should be submitted at least 21 days in advance of the intended shipping date to enable verification of non-availability of vessels of United States registry at reasonable rates and to process the application.

Applications for non-availability waivers must be submitted on a shipment-by-shipment basis. Applications should be submitted to the Director, Defense Security Assistance Agency, Room 4E837, The Pentagon, Washington, D.C. 20301 with a copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Commerce, Washington, D.C. 20230.

Each application for a non-availability waiver should contain the following information.

1. Identification and address of the applicant
2. Recipient country
3. Date and source of loan (FFB, etc.)
4. Manufacturer and/or exporter
5. List and description of commodities to be shipped
6. FAS value of commodities
7. Shipping date

TABLE 9-III-3. (Continued)

8. Loading port
9. Discharge port
10. Estimated ocean freight cost
11. Proposed vessel(s) to be used
12. Weight of shipment
13. Cube measurement of shipment
14. Original point of production

C. Security Waivers.

Consideration will be given to waiver applications to authorize vessels flying the flag of the country to whom the agreement applies on the basis of reasonable security needs in regards to the cargo and the arrival of such cargo at its destination. A security waiver may be requested for a specific shipment or series of shipments under this agreement where sabotage may reasonably be expected or a state of emergency exists.

Application for security waivers need not be submitted if a general waiver has been approved and the recipient country will use U.S. flag vessels to carry over 50 percent of the cargo under this agreement. Applications are required where a general waiver (1) has not been applied for, (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, use of recipient country flag vessels will exceed 50 percent of the cargo under this agreement. If a general waiver has been approved, every effort should be made to ship those defense articles and equipment involving special security or safety requirements under the recipient country's portion of the cargo available under the general waiver. Therefore, waiver applications for security or safety reasons where a general waiver has been approved should be submitted only under unusual circumstances.

Applications on the basis of security must provide the specific security or safety requirements and information involved in the shipment(s) to be made at least 21 days in advance of the intended shipment(s) dates to enable verification of the security or safety requirements and to process the application.

The application should be provided by the recipient country to the Director, Defense Security Assistance Agency, Room 4E837, Department of Defense, Washington, D.C. 20301, with a copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Commerce, Washington, D.C. 20230.

2. In order to monitor the use of marine transportation under this agreement, pertinent information should be forwarded as early as possible but not later than 90 days after shipment to the Director, Office of Market Development, Maritime Administration, U.S. Department of Commerce, Washington, D.C. 20230, for all shipment of goods financed in whole or in part with credit and/or Guaranteed Loan funds. The following information must be reported:

- (A) Date and Source of Loan (FFB, etc.)
- (B) FAS Value of Cargo
- (C) Manufacturer

TABLE 9-III-3. (Continued)

- (D) Freight Forwarder
- (E) Ocean Freight Cost
- (F) Name of Vessel
- (G) Vessel Flag of Registry
- (H) Date of Loading
- (I) Port of Loading
- (J) Port of Final Discharge
- (K) Cargo Description
- (L) Gross Weight of Cargo
- (M) Cubic Measurement of Cargo

A properly rated and legible copy of the ocean bill of lading in English will suffice so long as all the above information is contained thereon.

TABLE 9-III-3. (Continued)

ANNEX D

DESIGNATION OF AUTHORITY

1. The Borrower shall provide to DSAA a written communication that evidences the authority for incumbents of specifically named offices or specifically named individuals to sign the credit documents on its behalf. As a minimum the communication will contain the following:

Director
 Defense Security Assistance Agency
 Room 4E837, The Pentagon
 Washington, D.C. 20301

Dear Sir:

The following officials of the Government of _____ are duly authorized to execute and deliver documents as indicated below in connection with a credit agreement in the amount of _____ between the Government of the United States and this Government:

a. CREDIT AGREEMENT:

(Person's Name(s) and/or Title(s) of Office(s))

b. PROMISSORY NOTE:

(Person's Name(s) and/or Title(s) of Office(s))

c. REQUESTS FOR DISBURSEMENT AND SUCH OTHER DOCUMENTS AS MAY BE REQUIRED UNDER THIS CREDIT AGREEMENT:

(Person's Name(s) and/or Title(s) of Office(s))

Very truly yours,

Date: _____ BY (Signature)
 (Name and Title Typed)

2. The designation of authority letter shall be signed by an appropriate person empowered under the laws of the Borrower to delegate to selected officials authority to sign debt obligations or the other documents as stated in the name of its Government. The Borrower shall submit a designation of authority letter to DSAA containing the names and signatures of newly designated officials whenever changes occur.

TABLE 9-III-3. (Continued)

TABLE 9-III-4

DSAA SAMPLE LETTER APPROVING USE OF FMS LOAN FINANCING

In reply refer to:

I-_____

Dear Sir:

Pursuant to the provisions of Section 1.2 of the Loan Agreement between your Government and the Federal Financing Bank, and in response to your recent request, we hereby approve the use of FMS loan financing for the following Purchase Arrangement:

<u>Supplier</u>	<u>Funds Reserved for this Contract/Purchase</u>	<u>Case Identifier Assigned to this Purchase</u>
-----------------	--	--

Sincerely,

Chief, Financial Reports
and Credit Program Division
Office of the Comptroller

 TABLE 9-III-4. DSAA Sample Letter Approving Use of FMS Loan Financing.

TABLE 9-III-5

DSAA SAMPLE LETTER APPROVING USE OF FMS LOAN FINANCING
FOR DIRECT COMMERCIAL PURCHASES

In reply refer to:

I-

Dear Sir:

The Government of _____ has informed us of a purchase arrangement with your company and has requested the Defense Security Assistance Agency to approve financing of the purchase with funds available to them through a U.S. Government loan. The purchase arrangement is identified as follows:

<u>Contract and/or Date of Purchase</u>	<u>Items to be Financed</u>	<u>Amount Approved for Financing</u>	<u>Case Identifier Assigned</u>
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Since payment may be remitted directly to you by the U.S. Government, we would like to apprise you of the pertinent procedures and requirements relative to such loan financing as contained in the following paragraphs.

Funds from the loan are available to finance purchases of items and services that are U.S. source end products. Ocean or air freight costs may be paid with loan funds only when such costs relate to the subject contract and the carriers are of U.S. registry. Cargo insurance costs may be paid with loan funds, and it is expected that such insurance will be placed with companies incorporated in the U.S. to the extent possible. In no instance may sales commissions or other contingent fees which are or will be paid by your company in connection with this contract exceed \$50,000.00.

Funds authorized under this loan will be available to the Borrower until all loan funds have been disbursed, the loan is terminated, or an event of default has occurred on the part of the Borrower. Additionally, although we have set aside loan funds in the amount shown above for this purchase, this reservation is for loan administration purposes only and should not be construed as a firm commitment. The reservation may be amended by the Borrower at any time to accommodate revised priorities.

The U.S. Government is not a party to the subject purchase. However, to ensure that borrowers utilize loan funds only for the purposes intended by law, and for which the loan was authorized, certain supporting documents will be required from your company.

The Defense Security Assistance Agency (DSAA) is responsible for approving each purchase that will be financed with loan funds, and for authorizing disbursements of funds from the subject loan. Payments to your company will be governed by the sales agreement between your company and the Borrower, and may include downpayments and progress payments; however, FMS credit funds may not be used for the purpose of securing commercial letters of credit.

TABLE 9-III-5. DSAA Sample Letter Approving Use of FMS Loan Financing for Direct Commercial Purchases.

Invoices and supporting documents submitted for payment must be submitted to the Borrower, who will certify them as correct and proper and forward them to the DSAA.

The DSAA is responsible for authorizing disbursements of funds from the subject loan agreement. Before such disbursements can be authorized the Commercial Supplier must submit the following documents to the Borrower for presentation to DSAA:

a. An invoice, which has been prepared in accordance with the relevant provisions of the purchase agreement between the Borrower and the Commercial Supplier, covering the materiel and services for which payment is to be received from the subject loan. The invoice should, as a minimum (1) list items for which payment is requested or identify the work in process for which payment is requested; (2) reflect the amount and date payment is due; (3) identify the bank and account number to which payment should be wire transferred; (4) indicate by separate entry the amount included in the invoice for ocean or air transportation and related costs to ports outside the United States; and, (5) state the name of the carrier(s) of the materiel from the U.S port of embarkation.

b. A copy of the signed, rated, on-board bill-of-lading to substantiate transportation charges shown on the invoice. If an invoice has no cost entry for transportation from a United States port of embarkation, the supplier must include a certification with the invoice as follows:

The (Commercial Supplier) acknowledges that United States Government funds are being used by the (Borrower) to finance the materiel included in this invoice, and certifies that no charges of any nature are included for transportation from a United States port of embarkation.

(Signed)

(Commercial Supplier)

c. A statement accompanying each invoice, or made part of the contract approved by DSAA between the Borrower and the Commercial Supplier, covering the materiel and services for which payment is requested:

The (Commercial Supplier) agrees that authorized representatives of the Government of the United States shall have access to and the right to examine and directly related books, documents, papers, or records which involve transactions relating to this sale for a period of three years immediately following the receipt of final payment therefore, and also confirms that the materiel for which payment is requested are United States source end products.

(Signed)

(Commercial Supplier)

TABLE 9-III-5. (Continued)

d. Prior to final approval and disbursement of loan funds the supplier must provide through the borrower a statement substantially in the format as follows:

The (Commercial Supplier) hereby confirms that the contract price includes sales commissions and contingent fees in the aggregate amount of \$ (Amount).

(Signed)
Commercial Supplier)

or

The (Commercial Supplier) hereby confirms that no sales commissions or contingent fees are included in the contract price.

(Signed)
(Commercial Supplier)

e. If a Commercial Supplier requires payment in advance for work yet to be performed, as distinguished from payment for delivery of defense items or reimbursement in the form of progress payments for work or services performed, the supplier shall include with the invoice a statement as follows:

The (Commercial Supplier) will maintain the full amount of the advance in a segregated account which will be applied solely to the performance of the supplier's obligation under the Purchase Arrangement with the (Borrower).

(Signed)
(Commercial Supplier)

Should you have any questions concerning this matter, please advise us by telephone at (202) 694-3317, or in writing, to Defense Security Assistance Agency, Architect Building, Suite 535, 1400 Wilson Boulevard, Arlington, VA 22209.

Sincerely,

Chief, Financial Reports
and Credit Program Division
Office of the Comptroller

Copy to:
Maritime Administration
Office of Market Development
Room 7211
400 7th Street, S.W.
Washington, D.C. 25090

TABLE 9-III-5. (Continued)

SECTION IV - TRANSPORTATION

A. GENERAL. Public Resolution 17 (48 Stat. 500), 46 U.S.C. 1241-1, expresses the sense of Congress that export cargo generated as a result of loans made by federal instrumentalities should be carried exclusively in U.S. flag vessels. FMS loan agreements, both DoD direct and FFB guaranteed, require that all items financed with these funds, which are transported by ocean vessel, shall be transported in privately owned vessels of U.S. registry unless a waiver of this requirement is granted by the DSAA or the Maritime Administration (MARAD), U.S. Department of Commerce. Section 901(b) of the Merchant Marine Act of 1936, as amended, 46 U.S.C. 1241, requires "at least 50 per centum" of such cargo be transported on U.S. flag privately-owned vessels. When FMS LOAs are changed from cash financing to FMS credit financing it is the recipient's responsibility to assure that the U.S. flag shipping requirements are followed.

B. MARINE TRANSPORTATION WAIVER PROCEDURES. The following procedures and conditions shall be adhered to concerning marine transportation of defense articles, the purchase of which is to be financed under a loan agreement. All defense articles, which are transported by ocean vessel, shall be transported in privately owned vessels of U.S. registry unless a waiver of this requirement is obtained. Requests for waiver are categorized as general, non-availability, or security as outlined below:

1. General Waivers.

a. Consideration will be given to a waiver application to authorize vessels flying flags of the country to whom the loan agreement applies to participate in the transportation of cargo generated under the loan agreement provided the recipient country does not discriminate against U.S. flag vessels in the carriage of the exports or imports of the recipient nation. Approval may be granted for the recipient nation's vessels to carry up to, but not in excess of 50 percent of the cargo under this agreement. Ocean freight revenue is the main criterion for determining flag participation but cargo valuation shall also be taken into consideration. Accordingly, throughout the life of this agreement, U.S. flag vessels shall not receive less than 50 percent of the cargo valuation and ocean freight revenue insofar as practicable.

b. Applications for general waiver should be submitted as soon as practicable after determination has been made to use the recipient country flag vessels but at least twenty-one (21) days in advance of intended shipping dates to enable verification of the treatment accorded vessels of U.S. registry and to process the application.

c. Subsequent to the granting of a general waiver, if it occurs that neither the U.S. flag vessels nor recipient country flag vessels are available, consideration will be given to specific waiver applications to authorize, on a shipment-by-shipment basis, the use of third country flag vessels. Applications for the use of a third country flag vessel under an approved general waiver should be submitted at least 21 days prior to the

intended shipping date to allow time to process the application. If a waiver is granted to allow the use of a third country flag vessel for a particular shipment under an existing general waiver, the cargo carried by the third country flag vessel shall be recorded against the recipient country flag vessels' portion of the cargo available under the general waiver.

d. The application for a general waiver and subsequent waivers for the use of third country flag vessels should be submitted to the Director, Defense Security Assistance Agency, Room 4E841, Department of Defense, Washington, D.C. 20301, with a copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590.

2. Non-Availability Waivers.

a. Consideration will be given to waiver applications to authorize use of foreign flag vessels in those cases of non-availability of U.S. flag vessels or in instances of non-availability of U.S. flag vessels at reasonable rates.

b. Applications for non-availability waivers to permit use of recipient country flag vessels need not be submitted if a general waiver has been approved and the recipient nation will use U.S. flag vessels to carry over 50 percent of the cargo under this agreement. Applications are required where a general waiver (1) has not been applied for, (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, U.S. flag vessels are not available or not available at reasonable rates and shipments on non-U.S. flag vessels will exceed 50 percent of the cargo under this agreement. If a general waiver has been approved, every effort should be made to ship defense articles and equipment, where U.S. flag vessels are not available or not available at reasonable rates, under the recipient country's portion of the cargo available under the general waiver. Therefore, applications for non-availability waivers, where a general waiver has been approved, should be submitted only under unusual circumstances.

c. Applications on the basis on non-availability of vessels of U.S. registry must establish and document that the recipient nation has made a reasonable, timely and bona fide effort to arrange shipment on vessels of United States registry and that such vessels are not available. Such applications must be submitted at least 21 days in advance of the intended shipping date to enable verification of non-availability of vessels of U.S. registry and to process the application.

d. Applications on the basis on non-availability of vessels of United States registry at reasonable rates must establish and document all applicable comparative rates and should be submitted at least 21 days in advance of the intended shipping date to enable verification on non-availability of vessels of United States registry at reasonable rates and to process the application.

e. Applications for non-availability waivers must be submitted on a shipment-by-shipment basis. Applications should be submitted to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590, with a copy to the Director, Defense

Security Assistance Agency, Room 4E481, Department of Defense, Washington, D.C. 20301.

f. Each application for a non-availability waiver should contain the following information:

- (1) Identification and address of the applicant
- (2) Recipient country
- (3) Date and source of loan (FFB, etc.)
- (4) Manufacturer and/or exporter
- (5) List and description of commodities to be shipped
- (6) FAS value of commodities
- (7) Shipping date
- (8) Loading port
- (9) Discharge port
- (10) Estimated ocean freight cost
- (11) Proposed vessel(s) to be used
- (12) Weight of shipment
- (13) Cube measurement of shipment
- (14) Original point of production

3. Security Waivers.

a. Consideration will be given to waiver applications to authorize vessels flying the flag of the country to whom the agreement applies on the basis of reasonable security needs in regards to the cargo and the arrival of such cargo at its destination. A security waiver may be requested for a specific shipment or series of shipments under this agreement where sabotage may reasonably be expected or a state of emergency exists.

b. Application for security waivers need not be submitted if a general waiver has been approved and the recipient nation will use U.S. Flag Vessels to carry over 50 percent of the cargo under this agreement. Applications are required where a general waiver (1) has not been applied for, (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, use of recipient country flag vessels will exceed 50 percent of the cargo under this agreement. If a general waiver has been approved, every effort should be made to ship those defense articles and equipment involving special security or safety requirements under the recipient country's portion of the cargo available under the general waiver. Therefore, waiver applications for security or safety reasons where a general waiver has been approved should be submitted only under unusual circumstances.

c. Applications on the basis of security must provide the specific security or safety requirements and information involved in the shipment(s) to be made at least 21 days in advance of the intended shipment(s) dates to enable verification of the security or safety requirements and to process the application.

d. The application should be provided to the Director, Defense Security Assistance Agency, Room 4E481, Department of Defense, Washington, D.C. 20301, with copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590.

C. REPORTS TO U.S. DEPARTMENT OF TRANSPORTATION. In order to monitor the use of marine transportation under this agreement, pertinent information should be forwarded as early as possible but not later than 90 days after shipment to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590, for all shipments of goods financed in whole or in part with credit and/or Guaranteed Loan funds. The following information must be reported:

1. Date and source of loan (FFB, etc.)
2. FAS value of Cargo
3. Manufacturer
4. Freight forwarder
5. Ocean freight cost
6. Name of vessel
7. Vessel flag of registry
8. Date of loading
9. Port of loading

c. Training at U.S. Civilian Schools. All training at U.S. civilian schools.

d. Training of Civilians. All training for which civilians are nominated or proposed under IMET must be approved by DSAA. A justification including the following information should be submitted to DSAA:

(1) A description of the civilian's relationship to the foreign country's defense establishment.

(2) A description of the student's current or future functions and responsibilities and the justification for the training requested.

(3) Whether the civilian will remain in the position for which trained for a sufficiently long period to warrant the expenditure of IMET funds. Normally, a minimum of three years is considered adequate.

e. Non-Career Personnel. Training in the U.S. for military personnel without career status.

f. Skills Used in Civil Sector or for Civic Action. Training in basic skills normally used by both the military and civilian sectors; also training which, even though uniquely military in nature, is primarily for the purposes of civic action or nation building.

g. Availability or Establishment of In-Country Facilities. Training available in country at military or civilian educational and training facilities, or any training for which the foreign country possesses the technical competence and economic capability for establishing in-country training facilities.

h. Sufficient Trained Personnel Available. Training already provided in a quantity which, taking into account reasonable attrition, is sufficient to meet basic military requirements of the requesting country.

i. Orientation Tours (OT). When requesting DSAA approval for orientation tours/visits to various U.S. military installations and activities, certification by the U.S. ambassador of the importance of the tour to the country's effort must be provided with supporting rationale, to include proposed itinerary and areas of interest.

j. English Language Training (ELT). Except as specifically authorized elsewhere in this chapter, English language training not in support of the in-country ELT program or in support of specific U.S. training.

k. Non-Utilization of Skills. Any training where, on the basis of experience, it appears unlikely that the skills produced will be utilized properly by the requesting country.

l. Police Training and Related Programs. Any police, internal intelligence or surveillance, or civilian law enforcement training conducted in a foreign country or in the U.S., as indicated by restrictions placed on such training by Section 660 of the FAA. "Police" as used in this prohibition includes military as well as civilian police if the military police perform

civilian law enforcement functions. Neither the name given to a unit by the foreign government nor the ministerial authority under which it operates is sufficient in and of itself to determine whether a particular force is a "police unit." The determining factor is the nature of the function performed by that unit. Certification is required from the country that the student(s) to attend military police training will not be involved with or assigned to a unit performing in any civilian law enforcement functions for a period of at least two (2) years. A similar certification is required for any training provided on an individual rather than a unit basis, if the individual is from a unit which performs on-going civilian law enforcement functions.

m. Intelligence and Other Sensitive Training. The scope of military intelligence training normally available to FMTs is limited to that which is directly related to combat or operational intelligence. Tactical intelligence training provided under security assistance programs will not be extended to include training in support of national intelligence programs of foreign countries. All requests for intelligence training provided by the MILDEPs will be reviewed carefully by the cognizant MILDEP to insure compliance with this paragraph. Other potentially sensitive training requests should be addressed to DSAA for appropriate guidance, processing, or decision.

n. Repetitive Training. Repeated participation by foreign individuals in orientations and/or the same training courses.

o. Training in Support of FMS Equipment. Training in support of FMS equipment purchases should be programmed and accomplished as a part of the overall FMS agreement. IMET should not be used to support major equipment purchases unless specifically approved by DSAA and included as a part of the FMS agreement.

p. Minimum Duration of Student Training in U.S. Prior DSAA approval is required to program students for training in the U.S. for less than eight weeks total duration if all or part of the overseas travel is paid by IMET. Mandatory CONUS personnel processing or English language training will not be considered as part of the eight-week requirement. This limitation does not apply to orientation training.

q. Deployment of DoD Personnel or Teams. All training which requires U.S. personnel to travel to another country to conduct the training must be approved by DSAA prior to programming the training or making any offer or commitment to the foreign government(s) involved. See paragraph E.2. for specific criteria regarding MTTs.

2. Requests for Waivers. Requests for waivers to the above constraints will be submitted to DSAA as soon as the requirement for such training is known. Notification will include complete justification for the training.

3. Programming. Training program lines requiring approval by DSAA will be programmed by the MILDEPs with an "R" code in the DSAA waiver (card column 58) column of the 4/Q cards. SAOs will be required to submit justifications for all training requests indentified with "R" codes as soon as possible, but no later than 90 days prior to student report date. DSAA will enter the "A" when justifications or waivers are approved for all "R" coded training.

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Training waivers approved by DSAA at the Unified Command Workshop may be coded "A" by the MILDEPs.

E. TRAINING GUIDANCE.

1. Student Training.

a. Training at U.S. Military Facilities and Civilian Institutions. Under budget project and generic code N10, individuals are trained at U.S. military facilities and civilian institutions in the U.S. or abroad. Included are formal courses of instruction, observer training (OBT), on-the-job training (OJT), and orientation training tours (OT). For accounting purposes, costs related to the Informational Program are also charged to this account. For programming instructions, see paragraph K of this chapter.

(1) U.S. Military Service Schools. Foreign military trainees (FMTs) desiring to attend U.S. military service schools must meet the same qualifications as U.S. personnel. These requirements are set forth in applicable school catalogs, DoD Instruction 5010.16-C, "Defense Management Education and Training," and other media. Questions concerning specific entrance requirements should be addressed to the military department having cognizance over the particular training facility.

(2) U.S. Civilian Schools. Training at non-military institutions is authorized only if equivalent training is not available at U.S. military facilities. DSAA approval is required prior to programming. (Resulting approval will be indicated by placement of an "A" in column 58 of "4" and "Q" cards.)

b. English Language Training. Technical control of the English language training program is the responsibility of the Defense Language Institute English Language Center (DLIELC). All English language training -- basic, intermediate and advanced -- provided to achieve the English comprehension level required for entry into technical training, and provided in CONUS under the provisions of International Military Education and Training or Foreign Military Sales, will be conducted by DLIELC. Exceptions to this may be approved on a case-by-case basis by the Director, DSAA.

(1) Minimum English Comprehension Level (ECL). It is the responsibility of the foreign country to ensure that trainees meet the ECL required for attendance at the particular course of instruction, regardless of how or where the language training is conducted. Except as may be specifically authorized elsewhere in this manual, 55 is the minimum ECL cut-off score for entry into English language courses other than language instructor or refresher training at the Defense Language Institute English Language Center (DLIELC). Exceptions to this requirement require prior DSAA approval and will be granted only where clearly justified by unusual circumstances. Countries permitted to attend DLIELC under the minimum ECL cut-off score of 55 will be notified at the beginning of each fiscal year (IMET only).

(2) Foreign Countries' Responsibility. With few exceptions, all foreign countries are considered to possess the resources (e.g., public and private schools, commercial institutions) needed to provide the necessary English language training to meet the ECL requirement set forth above, without

external assistance. Countries will be expected to increase their English language training capability above the minimum ECL requirement outlined above. Assistance may be provided under this program by training of instructors at DLIELC, by providing English language mobile training teams (MTTs) or field training services (FTS), and by providing appropriate training aids. Information on these MTTs and FTS is contained in DLIELC 1025.1-M.

(3) Specialized English Language Training (SET). Provided the general ECL requirements have been met, SET may be provided in those cases where the military department concerned determines that exceptional fluency or specialized vocabularies are essential to safety and/or effective participation in the course of instruction. The annotation SR (SET required) or SA (SET advised) will appear in the ECL/SET REQ column of the MASL for these courses. Specialized English language (technical terminology) training and supplemental technical terminology training may be conducted by agencies other than DLIELC when the following conditions are met:

(a) The trainees have achieved the prerequisite English comprehension level proficiency as prescribed by Service regulations, for entry into technical training.

(b) Such training is given in conjunction with equipment-specific "hands on" training or familiarization, and

(c) Such training is effective and economical to the U.S. and/or foreign government and meets the technical standards set by DLIELC.

(4) Security Assistance Organization (SAO) Responsibility. SAOs are responsible for ensuring that trainees meet the minimum ECL prescribed by the MILDEP for each course of instruction or for entry into DLIELC, as outlined in Section E.1.b.(1) above. Tests to determine the ECL of foreign selectees are provided by DLIELC, together with instructions for administering the tests. ECL minimums by course are listed in the Military Articles and Services List (MASL), published by DSAA, effective FY 84 and beyond.

(5) Service Waivers. Requests for waivers to minimum course ECL prerequisites to training provided by MILDEPs will be made to the cognizant MILDEP.

(6) English Language Training by Commercial Contract. In those cases where the Director, DSAA, approves that English language training be provided by a commercial contract, DLIELC will provide technical advice and assistance during the contracting process. When English language training is contracted, DLIELC will periodically evaluate the English language training program to insure it is meeting the needs of the students.

(7) Test of English as a Foreign Language (TOEFL) and Graduate Record Examination (GRE). SAOs are authorized to program the cost of the TOEFL and the GRE as part of the course cost under IMET when required for entrance into military undergraduate or graduate training. Inclusion of the cost of the GRE for other than military graduate training will be authorized by DSAA on a case-by-case basis. Costs of travel by prospective FMTs to the testing site will not be funded under IMET.

c. Indigenous Training.

(1) In-Country Training Capability. As a basic objective, development of country self-sufficiency depends largely upon the quantity and quality of instructors available to operate in-country training establishments.

(2) Instructor Training. Country personnel designated for instructor assignments should be given priority consideration for U.S. training. If MILDEPs offer specialized instruction for the development of instructor personnel, these courses should be used to the fullest extent possible in developing and maintaining an effective recipient country instructor force.

(3) Assistance in Determining Deficiencies. In addition to specialized training for country personnel, MTTs or survey teams may be made available to eligible countries to assist in determining deficiencies, recommending corrective action, and providing instruction toward the objective of improving country training capability through instructor development.

d. Fifth Quarter Training.

(1) Fund Availability. Funds are made available for training under "Fiscal Limitation" .001, which identifies funds requiring obligation within the fiscal year for which appropriated. As a means of increasing course scheduling flexibility for IMET, training commencing between 1 October and 31 December may be programmed in either the preceding or current fiscal year program, thus providing a "fifth quarter" in which to implement training in a given fiscal year. Training having fifth quarter availability will be programmed with a "5" in column 70, and will be priced at budget year prices.

(2) Obligation of Funds. When fifth quarter training is programmed in the preceding year, funds must be obligated by 30 September of that year. Training in courses commencing between 1 January and 30 September must be included in the program of the fiscal year in which it commences. Particular problems should be referred to DSAA Comptroller for resolution.

(3) Restrictions. Fifth quarter programming applies to IMET individual student training courses only, and may not be used for orientation training, MTTs, or other training materials or services.

e. Defense Resources Management.

(1) Program Development. In developing programs for training in the field of resources management, care must be exercised to avoid "mirror imaging" of U.S. concepts, systems, and procedures which exceed the real needs or capabilities of the foreign country. There is no precise definition of what constitutes resources management or the skills associated with it. The following listing, therefore, is intended only as a guide to subjects generally considered to pertain to this field of activity.

(2) Planning. Defining defense objectives and making decisions among alternative courses of action to achieve these objectives.

(3) Programming. Establishing schedules for achieving objectives, collecting functions and activities sharing the same objective into families (programs), and estimating resource requirements for each.

(4) Budgeting. Formulating detailed yearly projections of resource requirements for the programs, obtaining and allocating associated funds, and balancing priorities in the competition for limited resources.

(5) Management of Capital Assets. Acquisition and disposition of goods and services. Management systems relating directly to tactical use of weapons and support systems are normally excluded.

(6) Management of Resources of Operating Activities, Including Employment of Manpower Resources. Administering the acquisition of consumable resources and their consumption in the execution of assigned missions.

(7) Accounting. Measuring results and status, usually in financial terms, for both organizational units and functional areas.

(8) Reporting. Transmitting financial and non-financial information on status and results of operations and investment to the appropriate levels of management.

(9) Evaluating. Analyzing defense activity performance and test results to determine the merit or degree of effectiveness of the activity or resources concerned.

(10) Auditing. Reviewing the accuracy of reported results and judging the adequacy of and compliance with established policies and procedures.

(11) Financial. Budget submissions, status reports on obligations and allotments, general ledger accounting, working capital fund reports.

(12) Manpower. Military and civilian authorization procedures, manpower status reports, management engineering methods.

(13) Supply. Item and weapon system supply management, inventory accounting, property disposal.

(14) Maintenance. Field maintenance management procedures, depot maintenance industrial fund, standard cost accounting and workloading.

(15) Facilities. Management reports, contract construction procedures.

(16) Acquisition. Contractual procedures, cost information reports.

(17) Research and Development Test and Evaluation. R&D concept papers, project control documents, test design, analysis, reliability.

f. On-the-Job Training. On-the-Job Training (OJT), or qualification training for CONUS Air Force courses, is training conducted on a planned

program of supervised instruction devoted to practical application of a previously achieved skill usually related to a formal course of instruction. Programmed OJT will normally supplement formal technical training received at a school. This training will be planned in advance in the country's training program and will include detailed requirements for training in specific areas of interest and on types of material used by the country concerned. OJT conducted independently and not in conjunction with formal courses of instruction will be authorized in the U.S. only when no course covering the desired training is available. OJT in overseas schools and installations will be provided in accordance with the policies established by the Commander of the Unified Command concerned.

2. Mobile Training Teams (MTTs). MTTs are provided under budget project/generic code N20, and are composed of MILDEP personnel on temporary duty for the purpose of training foreign personnel.

a. Approval Criteria. As with any other aspect of a particular IMET country program, the decision to use MTTs should be based on consideration of all of the advantages and disadvantages inherent in the use of the particular MTT at a particular time, and in a particular country. A fundamental objective of IMET is to reach foreign military personnel who are, or are likely to be, influential in their services/countries by having them attend professional level CONUS training. The intent is to expose the foreign trainee to the American people, their way of life, institutions, beliefs, and aspirations. While this objective is not exclusive or overriding with respect to other considerations, it must be considered when selecting MTTs versus CONUS training. Moreover, any decision to use MTTs solely for their apparent cost benefits runs the risk of detracting from accomplishment of overall IMET objectives. With the availability of FMS/IMET pricing and MAP merger authority, every attempt should be made to provide MTTs through FMS rather than IMET, since these means of providing MTTs are almost equally financially attractive to the purchasing recipient country.

b. Other Criteria Bearing on MTTs. Within the guideline established above, MTTs should be considered when one or more of the following factors are clearly present:

(1) The training must be accomplished in the most rapid manner possible or in response to a particular threat or adverse condition affecting the security of the country concerned.

(2) The training is of relatively short duration and must reach a large number of trainees and entails extensive use of interpreters or language-qualified team members.

(3) The training can only be conducted on equipment or in facilities located in the foreign country.

c. Authorization Criteria. MTTs may be authorized for deployment to foreign countries and also to U.S. installations and facilities as follows:

(1) Requirements Beyond In-Country U.S. Capability. Overseas deployment would be for specific training requirements in country which are

beyond in-country U.S. resources and for which it is more expeditious, practical, and economical to bring the capability to the country.

(2) Equipment Transfers. Overseas deployment would be for training in support of FMS-furnished equipment when a DSAA waiver is obtained or for training associated with MAP equipment transfers wherein the recipient country may be assuming ownership of U.S.-furnished equipment at other than a U.S. facility.

(3) Surveys. Overseas deployment would be for the purpose of conducting in-country training surveys to determine specific country training needs, determine capability and quantity requirements which are beyond the country capability to assess, and are associated with equipment deliveries or assistance leading to self-sufficiency.

(4) U.S. Installations. CONUS deployment would be for the purpose of providing training to foreign personnel at U.S. installations and facilities in those instances when the equipment used for training is either owned by or allocated for delivery to the foreign recipient.

d. As a matter of policy, IMET will not be used to fund MTTs from DoD schools.

e. Implementation. MTTs are implemented by the MILDEP concerned and may be drawn from service resources in the U.S. or overseas, as necessary.

f. Duration. IMET MTTs are authorized on a temporary duty basis for a period not to exceed six months. MTT assistance required for a period in excess of six months or identical follow-up teams are not authorized. Requirements for long term assistance exceeding six months should be met by training country personnel in the skills represented on the SAO JTD and/or programming of engineering and technical services specialists.

g. Subsistence, Per Diem, and Transportation. Subsistence expenses, or per diem allowance in lieu thereof, obligated in one fiscal year for MTTs cannot be extended into the succeeding fiscal year. Therefore, personnel on MTT duty must terminate their TDY and return to home station prior to 30 September, unless action has been taken to reprogram the team in the new fiscal year, subject to the six month restriction contained in paragraph "f" above, receipt of Continuing Resolution Authority (CRA) or other budget authority in the new fiscal year, and DSAA approval has been granted. Transportation costs for round trip team travel are chargeable to the fiscal year of the start of the TDY.

h. Coordination and Preparation. Use of MTTs requires special coordination and preparation with country personnel prior to team arrival. Establishment of the team mission in precise terms, to include availability of training equipment by type, student availability, capability, ECL, training facilities, transportation, communications, and team living arrangements should be the subject of country-SAO discussion prior to programming, and should be finalized prior to the team's arrival.

i. Programming Instructions. Compliance with paragraph D.1.q. of this section is required prior to programming MTTs under IMET. MTTs will be programmed under generic codes N2A-N2V. Refer to Appendix D, Table D-9 of this Manual for further definition and breakdown of these generic codes. *

(1) Duration and Numbers in Team. MTTs will be programmed to indicate duration in weeks and number of team members. The cost of teams in terms of duration in weeks and number of team members will include:

- | | |
|--|---|
| -- Transoceanic Travel (round trip) | -- In-Country Travel |
| -- Station and Travel Per Diem Allowance | -- Official Baggage, including excess, if justified |
| -- CONUS Travel and Team Orientation | -- Salaries of DoD Civilians |

(2) TDY Per Diem Allowances Outside CONUS. Per diem allowance costs during TDY travel outside CONUS will be computed according to rates shown in current Joint Travel Regulations (JTR) for military personnel, and according to rates shown in current Standard Regulations, Government Civilians, Foreign Areas (published by the Department of State), for U.S. Government civilians.

(3) CONUS Travel Rate. Cost of CONUS travel of team members will be programmed at an estimated rate which includes cost of commercial air transportation, official baggage (not to exceed 150 pounds), and per diem.

(4) Teams Furnished from Overseas. Cost of teams furnished from overseas will be computed using commercial air (tourist rate) transportation, per diem, and excess baggage.

(5) Overseas In-Country Travel. In addition to the factors indicated above, \$15.00 per man per week is authorized for programming purposes to cover overseas in-country travel, if the actual cost is unknown.

(6) Official Baggage. When the nature of a team requires official baggage not to exceed 150 pounds or five pieces of checked baggage per man (84 pounds excess), \$150.00 overseas round trip per man is authorized for programming purposes. Cost estimates for team baggage which exceed 150 pounds or five pieces of checked baggage per man will be obtained from the MILDEP concerned prior to programming.

(7) Joint MTTs. A joint MTT will be programmed using the appropriate MASL line of the MILDEP having the predominant number of members. In the event of a balanced team, use the MASL line of the MILDEP counterpart to the requesting foreign country service.

(8) Column Utilization When Programming MTTs. When programming MTT requirements, only the cost to cover transportation (including authorized excess baggage) and per diem for team members will be programmed in columns 51 through 56 of the country program. Costs for MTT deployment orientation/training and training aids (including packing, crating, handling and transportation (PCH&T)) which must accompany the MTT if it is to properly carry out its function will be programmed as follows:

(a) Predeployment Orientation/Training. Predeployment orientation/training costs for team members will be reflected as "unit cost" and programmed in columns 36 through 43 of the country program.

(b) Training Aids. Training aids (including PCH&T) will be programmed separately in the country program under generic code N2, description: MTT-TRNG AIDS (MASL Item-ID 309000-CONUS, 319000-0/S). This program line will show the next appropriate sequential "alpha" in column 65 of the worksheet control number. Only those training aid requirements for use by the MTT which cannot be predetermined and requisitioned under FMS will be included under this procedure, subject to approval by DSAA.

j. Not Authorized for Technical Assistance. MTTs are not authorized for the purpose of providing "technical assistance."

3. Technical Assistance. Technical assistance teams (TATs) and technical assistance field teams (TAFTs) are provided under generic code M, and are normally requested at the time major equipment is ordered.

a. Technical Assistance Teams (TATs) are composed of U.S. DoD personnel deployed to a foreign country in a TDY status to place into operation, maintain and repair equipment provided under foreign military sales (FMS) or grant aid programs. TATs are not considered to be security assistance training and are not provided under IMET.

b. Technical Assistance Field Teams (TAFTs) are composed of U.S. DoD personnel deployed in a PCS status for the purpose of providing in-country technical support to foreign personnel on specific equipment, technology, weapons, and supporting systems, when MTTs and ETSSs are not appropriate for the purpose requested. TAFTs are not considered to be security assistance training and, therefore, are not provided under IMET.

4. Field Training Services (FTS). Budget project N30 provides funds for DoD Engineering and Technical Services Specialists (ETSS) and Contract Field Services (CFS) personnel, as specified below:

a. DoD Engineering and Technical Services Specialists (ETSS). ETSS are DoD military and civilian personnel technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems.

(1) Administration. ETSS will be attached to the SAO rather than assigned and carried on the Joint Table of Distribution (JTD). They will not be provided as an augmentation to the SAO staff to perform duties which are normally the responsibility of that staff. They will not be used for follow-on retraining or in advisory roles, except in rare instances when the recipient country is not capable of providing qualified personnel from its own resources or of hiring qualified personnel from non-indigenous sources and the SAO recommends it in the interest of the U.S. ETSS provided as English language instructors, supervisors, or advisors on detached duty status from DLIELC will be attached to the SAO, as specified above.

(2) Duration. ETSS may be provided for periods up to but not exceeding one year, unless specifically approved by DSAA. In those rare cases

where the technical services are required for periods in excess of one year, ETSS personnel will be attached to the SAO for operational control and administrative and logistical support.

(3) Programming Instructions. ETSS will be programmed under generic code N30.

(a) Requirements. ETSS personnel will be programmed on the basis of man-month requirements. The program cost will include:

CONUS Travel,
Transoceanic Travel (round trip),
In-Country Travel,
Station Allowance (military or civilian),
Overseas Allowance (military or civilian),
Official Baggage, including excess, if justified,
Salaries of DoD Civilians.

(b) In-Country Travel. For programming purposes, a factor of \$40.00 per man per month is authorized to cover the cost of in-country travel, if the actual cost is unknown.

(c) CONUS Travel. For programming purposes, a factor of \$320.00 is authorized to cover the cost of CONUS travel.

(d) Overseas Living Allowance. For programming purposes, a factor of \$210.00 per man per month is authorized as a living allowance.

(e) Official Baggage. For programming purposes, \$150.00 round trip per man is authorized for official baggage (five pieces of checked luggage, not to exceed 150 pounds total; 84 pounds excess).

b. Contract Field Services (CFS) Personnel. CFS are furnished under contract with private industry. They provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. CFS will be utilized only when necessary for accomplishment of a military mission, provided that it can be clearly shown that personnel of the required skill are not available from DoD resources and the MILDEP involved determines that satisfactory provision of services by DoD personnel is not practicable. Conditions of CFS must be approved by DSAA.

(1) Programming Instructions. CFS requirements will be programmed on the basis of man month requirements. The program cost will include:

Transoceanic Travel (round trip),
Contract Cost (per month),
Living Allowance,
Official Baggage, including excess, if justified.

(a) Contract Cost. Contract cost will be based on a per month rate and will include cost of transportation from home office to the U.S. port of embarkation, less the living allowance payment (in local currency) described below.

(b) Local Currency Living Allowance. A daily living allowance (payable in local currency) is authorized for CFS Personnel. For programming purposes, a factor of \$210.00 per man per month is authorized (payable in local currency) as a living allowance. The \$210.00 factor will be programmed as a dollar requirement.

(c) Official Baggage. Unless other and more accurate cost requirements are known, program \$150.00 round trip per man for official baggage (150 pounds total, 84 pounds excess). CFS may be programmed on a one-year basis in a fiscal year program for total man-month cost regardless of whether the duration (man-month service) extends into the subsequent fiscal year.

5. Orientation Tours (OT). This category includes orientation tours and, for programming and accounting purposes, related Informational Program requirements.

a. Orientation Tours and Policy Guidance.

(1) Objective. The objective of orientation tours is to provide selected students an opportunity to become acquainted with U.S. military doctrine, techniques, procedures, facilities, equipment, organization, management practices, and operations through short term orientation as opposed to attending longer term formal courses. In addition to the purely military objectives to be achieved through orientation training, it is intended that orientation tours serve to enhance mutual understanding, cooperation, and friendship between U.S. forces and those of participating nations. The number of orientation tours and the number of personnel comprising the tour should be kept to a minimum since tours are expensive in terms of U.S. service support personnel and IMET funds. Moreover tours should not comprise a major portion of an established program nor be a routine use of country program funds.

(2) Country Team Evaluation. OTs for IMET funding should be programmed only after the U.S. ambassador attests to their importance to the country's efforts with adequate supporting rationale provided by the SAO to DSAA for approval.

(3) Foreign Participants. The basic premise under which OTs are offered is that only officers holding important positions, or those with the possibility of holding such positions shall be selected. Visits by foreign military cadets to U.S. service academies are not authorized under IMET. Participation in orientation tours should be limited to officers occupying important positions but below the U.S. equivalent of Chief of Staff or Chief of Naval Operations. Visits of foreign officers equivalent to a Chief of Staff or Chief of Naval Operations are conducted at the invitation and expense of the U.S. MILDEP concerned. Based on DSAA approval, IMET funds may be considered on a case-by-case basis to finance portions of such visits, after they have been approved by the appropriate service chief.

(4) Student Selection. Selection of students for orientation training and the design of itineraries should be made on the basis of maximum accomplishment of orientation training objectives as outlined in paragraph B. Where tour objectives are specific in terms of exposure to specialized techniques, procedures, and facility operation, the schedule should be designed

accordingly, as opposed to tours in which the objective is intended to be broad exposure to concepts, higher level decision making, management, and staff operation. In no instance should tour itineraries reflect a tourist orientation schedule in which the tour objectives are obscure. Visits to large metropolitan centers which do not directly relate to orientation training objectives should be avoided. DSAA approval of orientation tour itinerary and areas of interest is required prior to implementation.

(5) Approval of Exceptions. Requests for OTs which fall short of the objectives as stated herein will be forwarded to DSAA with supporting rationale and justification for approval prior to any proposal to country officials which could be construed as an agreement to provide a tour.

(6) Official Entertainment. Official entertainment in connection with OTs (luncheons, dinners, receptions) should be in keeping with the grade and position of the tour participants. Protocol activities of this nature should be arranged on an austere basis. Activities which could be interpreted as being lavish should be avoided.

(7) Size of Tour Groups. Large group OTs should be discouraged. Experience indicates that orientation tours for large groups are difficult to manage and usually result in a bland experience for the majority of participants, at a disproportionate cost.

(8) Assignment of Executive Agency and Escort Officers. An executive agency is assigned to conduct and provide escort officers for OTs in the CONUS. The executive agency is the MILDEP having primary interest in the tour, or the MILDEP selected by DSAA as executive agency to implement a specific tour. Every effort will be made to provide escort officers fluent in the language of the tour participants when lack of English fluency of the participants makes a language qualified escort essential to tour objectives. Normally, an SAO representative should not be used as escort officer. However, in exceptional cases, the executive agency may consider an SAO representative to serve as an escort officer when fully justified, e.g., because of special qualifications, workload, unusual rapport with key host country personnel, and associated projects/contacts which might be beneficially exploited to the U.S. advantage. The SAO representative selected as an escort officer will be under the complete jurisdiction of the executive agency and will remain with the tour at all times until the tour participants return to host country. TDY travel and per diem costs for the escort officer for the duration of the tour are chargeable to IMET funds, and will be programmed as a separate program line in the country program under budget project N70. U.S. personnel other than bona fide escort officers designated or agreed to by the executive agency for tour implementation are not authorized to accompany tour groups. A factor of \$600.00 per man week is authorized for programming (N7B) when escort officer services are required in connection with orientation tours. The dollar value of escort officers is programmed in columns 51-56 of cards 4 or Q, as applicable.

(9) Leave for Participants. Leave may be taken by tour participants at the conclusion of an OT at no additional expense to IMET, when authorized in student Invitation Travel Orders (ITO).

b. Types of Tours. OTs for Distinguished Visitors (DV), and orientation training tours are authorized for IMET programming. When submitting orientation tour requirements, the positions held by the visiting officers will be indicated for the type of tour selected.

(1) Orientation Tours for Distinguished Visitors. OTs for DVs are authorized for the purpose of providing an OT for senior country officials holding positions of major importance and higher authority below the equivalent U.S. position of Chief of Staff or Chief of Naval Operations. Requests for OTs at the Chief of Staff and higher levels will not be funded under IMET and should be referred to the corresponding U.S. element for action. DV tours are restricted to not more than one per service per year, subject to MILDEP capability to implement the tour. DV tours are normally for a period not to exceed 14 calendar days plus overseas travel time and to not more than five visitors per tour. Travel arrangements (mode of transportation for transoceanic and domestic travel) and accommodations should be comparable to those provided U.S. personnel under similar circumstances. Instructions contained in paragraphs 5.a.(1), (2), and (3) above, apply.

(2) Orientation Training Tours (OTTs). OTTs are authorized for the purpose of providing an orientation tour for selected officers who may become future leaders and policy makers, but do not presently qualify as a DV. Tours should be restricted in number to the extent possible and limited primarily to foreign military participants. The overall target should be to reduce the cost of the tour by restricting the number of participants involved. Instructions contained in paragraphs 5.a.(1), (2), and (3) above, apply.

6. Observer Training. Observer training is training during which the student observes methods of operation, techniques, and procedures as a medium of instruction. Observer training is not related to a formal course of instruction although it sometimes supplements or follows a student's formal training.

a. Conditions for Authorization. Observer training will be authorized only when no course covering the desired training is available. This includes specialist-type training.

b. Exclusions. In addition, certain observer training explicitly excludes "hands on" training. For example, foreign personnel enrolled under medical observer training will be prohibited from actual practice with patients.

7. DoD Informational Program (IP). In accordance with DoD Directive 5410.17, each trainee attending a formal course in the U.S. is given the opportunity to participate in the IP. The objective of the program is to assist trainees in acquiring a balanced understanding of U.S. society, institutions, and goals, in addition to their military experience while in the U.S. In addition, the program gives foreign personnel the opportunity to gain maximum benefits from their learning experience by participation in extracurricular activities arranged by the MILDEP in order to facilitate their adjustment to their new surroundings. Activities such as visits to private homes, local industries, industrial and cultural exhibits, farms, schools, historical points of interest, sports events, and civic activities are to be encouraged.

In the interest of fostering understanding and goodwill, the program should include frank explanation and free discussion with the trainees of our governmental structure, our judicial system, the two-party system, the role of our free press and other communications media, minority problems, the purpose and scope of labor unions, our economic system, our educational institutions, and the way in which all of these elements reflect the U.S. commitment to the basic principles of internationally recognized human rights.

a. Responsibility for Implementation. MILDEPs are responsible for implementation of the IP. Cost factors for implementing the program will be included in and derived from the course tuition costs. Commanders of U.S. training installations will designate a foreign training officer (FTO) for consolidated administration of FMTs and to conduct the IP.

b. Funding. Extraordinary expense funds (N60), as limited by foreign assistance appropriations and foreign assistance acts, are also authorized for use in conducting certain IP activities for IMET FMTs.

c. Scope of Funded Activities. IP activities include transportation, meals, lodging, admissions, programs, and related incidental expenses. The student will be required to assume personal costs for laundry, cleaning, telephone services, and all other costs not directly associated with the programmed tour. IP funds may be used to finance the cost of distinctive medallions, plaques, ornaments, or mementos which serve to commemorate the student's experience in participating in a particular IP activity. They should be distinctive in design and nominal in cost so as to eliminate the feeling on the part of FMTs that reciprocation is required.

(1) Use of Local Civic Groups. IP activities should make maximum use of local civic groups, organizations, agencies, facilities, and historical attractions. Of particular interest is the development of a student sponsorship program to include both U.S. military and civilian participants. Emphasis should be placed on activities in the civilian sector of the community in which the trainee is training as a means of providing the best possible exposure to the civilian aspects of the program. When program objectives cannot be fully satisfied in the local area, visits to other communities are authorized.

d. Visits to Washington, DC. A major goal of the IP is to enable officer students and, when justified and approved by DSAA, selected senior enlisted students to visit Washington, DC. A maximum of four days for this aspect of the tour is authorized, not to include travel time. Training schedules, weather, and other variables may preclude achievement of this goal. In this regard, priority attention is to be given to fulfillment of the primary training objective for which the student was sent to the CONUS, with the IP assuming a subordinate role.

e. Entertainment and Social Activities. Entertainment and social events should not be a predominant element of the program. Social activities arranged for foreign trainees should include a proportional number of U.S. military, civilian guests, and trainees whenever possible.

f. Duty Status of Trainees. Trainees participating in IP tours are considered to be in a duty status. The living allowances authorized for

IMET trainees at their training centers (see Table 10-II-2 of this chapter) will be continued throughout the duration of the tour.

g. Participation of Dependents. Dependents who accompany or join FMTs in the U.S. will be encouraged to participate in IP activities, but at no additional cost to the program.

8. Country Liaison Personnel. Use of foreign personnel as liaison officers to assist U.S. training activities with FMT administration is authorized only after the MILDEP concerned has acknowledged the need for assistance and has the capability to provide logistic support. Liaison personnel will normally be authorized only in those instances in which a country is scheduled to train a large number of students or where student background warrants liaison personnel assistance. Programming procedures for travel and living allowance are the same as for FMTs, if funded under IMET. Liaison personnel will be programmed under generic code N10. Liaison officers will not be authorized to pursue a course of instruction concurrently with liaison duties.

F. GENERAL GUIDANCE CONCERNING STUDENTS.

1. Selection and Utilization of Trainees.

a. Selection of Trainees. To the extent practicable, personnel trained under the auspices of the IMET program, and particularly those attending CONUS schools, will be selected from career personnel likely in the future to occupy key positions in the foreign country's defense establishment. Except as may be authorized specifically by DSAA, the requirement for selection of career personnel is mandatory for attendance at professional level schools (e.g., command and staff or equivalent and higher, and college level).

b. Utilization of Trainees. Under the direction and supervision of Commanders of Unified Commands, SAOs are responsible for obtaining appropriate assurances that personnel trained under the auspices of this program are properly and effectively utilized. Such utilization is defined as prompt employment of the individual in the skill for which trained for a period of time sufficient to warrant the expense to the U.S.

(1) A system of periodic review of trainee assignments should be incorporated into SAO operating procedures. As a guide, optimum assignment periods are considered to be three years for flight instruction and highly technical training such as missile training, and not less than two years for other training, particularly instructor training.

(2) To the extent consistent with available resources, SAOs are expected to maintain surveillance over utilization of U.S. trained personnel, with emphasis on the more critical and higher level skills and personnel attending CONUS schools. Periodic reports rendered by appropriate foreign authorities normally will satisfy this requirement.

2. Student Security Screening. A security screening of trainees will be accomplished by U.S. officials in country prior to issuance of the ITO for all scheduled training, regardless of level of classification. Additional information is required for trainees attending classified courses.

a. Attendance in Classified Courses. The SAO must receive a statement in writing from the foreign government that the government concerned sponsors the trainee, that the trainee has been subjected to a security screening and that the level of security clearance granted by his government does not constitute a security risk to the United States, that the information to be obtained during the training will not be released to another nation without the specific authority of the U.S. Government, that classified information will be provided the same degree of security afforded it by the U.S. Government, and that any proprietary rights involved (patented/copyrighted or not) will be respected and protected. When this certification is obtained, the applicable statement will be checked in Block 8 of the ITO, DD Form 2285 (Figure 10-II-1, this chapter).

b. Access to Classified Material. The security certification described above does not constitute a U.S. clearance as the basis upon which to release classified material to the trainee. When classified instruction is requested, action will be taken with the MILDEP concerned to establish the authority and determine the classification of material to be released during training, based on a need to know and disclosure agreements with the country making the request.

3. Transportation and Accommodations for FMTs. It is DoD policy to encourage foreign countries to assume the cost of transportation for their students so that IMET funds are utilized to permit higher numbers of students to be enrolled in training.

a. Travel within Student's Country. The program will not pay travel costs of trainees traveling within their own country.

b. Use of Foreign Flag Carriers. Whenever possible, SAOs assigned to countries which have national flag carriers with routes to or part way to the U.S. will obtain agreement from the host countries to transport their respective trainees on such carriers at no cost to the U.S.

c. Modes of Transportation when Furnished by the U.S. Travel between home country and the training center for those FMTs provided transportation by the U.S. Government will be the most direct route, except as specified below.

(1) Travel to/from CONUS by Military Airlift Command (MAC) Aircraft. FMTs are authorized to travel by MAC aircraft. Transportation of FMTs including those whose country elects to pay the cost of the transportation will be at common user rates.

(2) Travel to/from CONUS by U.S. Commercial Air or Surface. Travel to and from the U.S. will be via U.S. Government transportation (MAC) to the fullest extent feasible. When the use of U.S. Government transportation for the entire trip does not permit the trainee to meet course or class convening dates, combinations of U.S. commercial air or surface common carrier (tourist class) and government transport will be used. Where this combination has been used, U.S. Government transportation for the return travel to the home country will be utilized to the fullest extent possible.

(3) Travel within CONUS. Transportation to and from training installations within the U.S. generally will be by surface common carrier or commercial aircraft. Travel by privately owned vehicle (POV) may be authorized except in those instances in which it would be prejudicial to the best interests of the U.S. Government. Reimbursement for travel by POV will be as specified in the Joint Travel Regulations (JTR) and the Joint Security Assistance Training (JSAT) Regulation.

d. Funded Travel. Transportation may be funded except for those students from countries with which the U.S. has reached agreement for such countries to pay transportation expenses.

e. Transportation for Dependents of Trainees. Transportation for dependents of trainees will not be provided at U.S. Government expense. If the trainee elects to bring his dependents to the U.S. (or to an overseas training installation), he may be allowed the cost of his transportation as prescribed in his ITO so that he may travel with his dependents. When this option is selected, the student will be encouraged to utilize U.S. flag carriers to the maximum extent possible.

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

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

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

i. Travel to Non-Resident SAO. SAOs responsible for managing an IMET program for a country in which it is not resident may program transportation to/from that SAO for briefing/debriefing of IMET FMTs, so long as there is no U.S. representation in the country of the IMET trainee that could provide the service and when requested by the Ambassador. This does not apply for cost sharing countries.

4. Living Allowances for FMTs. The IMET living allowance is a standard rate, equally applicable to all countries, and is intended to cover an average cost differential of the trainee living away from his home station. It is not a substitute for normal compensation. Responsibility for timely payment of sufficient overall compensation to allow for decent living standards and effective completion of the training rests with the trainee's country. It is DoD policy to encourage foreign countries to assume the cost of all living allowances so that IMET funds are utilized to permit higher numbers of students to be enrolled in training.

a. Entitlements for Trainees in Travel Status. For IMET-paid travel, trainees are entitled to living allowances in a travel status, to include the day of departure from home country (JTR rate), through the day of arrival at their first training location. Living allowance in training status will commence the day after arrival at the training location. Living allowance in a travel status will resume the day of departure from the last training location and terminate the day of arrival in home country, excluding any leave period authorized by trainee's government following termination of training. In no case will the program pay travel costs or living allowances of trainees traveling within their own country.

(1) Transoceanic Costs Borne by Foreign Country. Trainees whose travel to the U.S. is paid by their own government are entitled to living allowances in a travel status to include the day of departure from the U.S. entry port enroute to the training location, through the day of arrival at the training location. Living allowance in a travel status will resume the day of departure from the last training location and include the day of arrival at the U.S. departure point. This policy also applies to FMTs whose country pays a portion of the transoceanic travel costs, e.g., from homeland to London and return.

b. Entitlements for Trainees in Training Status. A living allowance will be programmed for all trainees in a training status, unless otherwise directed, as indicated in paragraph F.4., above. See Table 10-II-2 of this chapter. For programming purposes, a standard factor will be used for officers and for enlisted personnel, on the assumption that quarters are available, mess is not available for officers; quarters and mess are available for enlisted personnel. For enlisted personnel, the full entitlement is not paid directly to the trainee. Enlisted personnel are paid a reduced stipend per week for the purchase of personal items of health and comfort, with the remainder programmed for reimbursement to the appropriate MILDEP for laundry and subsistence. Where it is known in advance that quarters and/or mess are not available, the appropriate factors in Table 10-II-2 of this chapter will be used for programming. Where it is determined that dependents are authorized to accompany trainees, i.e., those attending selected courses designated by the MILDEPs as indicated in Note 4 of Table 10-II-2 of this chapter, the "with-dependents" rate will be used.

c. Non-Authorized Living Allowances. Living allowances are not authorized for:

- (1) Periods of unauthorized absence from duty.
- (2) Excess travel time not authorized by the administrative authority of the MILDEP concerned when proceeding by other than U.S. government transportation.
- (3) Periods of delay not in connection with training except for hospitalization or outpatient care.
- (4) Trainees whose country assumes the payment of all living costs.
- (5) Periods of training conducted in the home country of the trainee, except for Panamanian IMET students attending Panama Canal Area Military Schools (PACAMS).

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

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

d. Leave with Living Allowances. IMET trainees who receive living allowances while in training status may be granted leave with living allowances within CONUS during authorized holidays, during periods between consecutive courses, and during periods of delay while awaiting transportation at the port of departure for their home country. The SAO and the MILDEPs are jointly responsible for reviewing scheduled sequences of training for individual FMTs to determine whether additional training courses or on-the-job training/observer training (OJT/OBT) could be programmed to fill gaps between courses prior to preparation of the ITO for all FMTs.

e. Advance Payment of Living Allowances. Advance payment of living allowances not to exceed \$100 may be made to trainees at the port of entry or the first training location for trainees in the U.S. and at the first training activity for overseas trainees. MILDEPs may authorize advance payment of allowances which may accrue during the remaining authorized periods following the termination of training.

f. Settlement of Claims. Vouchers for settlement of outstanding entitlements for IMET students will be submitted via the SAO to the nearest U.S. paying agent for payment to the trainees in local currency at the authorized exchange rate. If it is determined that an IMET trainee who has departed the CONUS or overseas training activity was overpaid in CONUS or at the overseas activity by an amount in excess of any amount otherwise owed to the trainee upon submission of the final travel voucher by the SAO in country, no attempt will be made to collect the overpayment from the trainee. The MILDEP concerned will determine whether a funding adjustment via an IMET Order is necessary for the worksheet control number (WCN) series concerned.

5. Baggage Weight Allowance for FMTs.

a. Authorized Baggage.

(1) Authorized Weight Allowance. The baggage allowances outlined below are total allowances, excess baggage being the difference between the baggage permitted by the transportation carrier and the total allowance. These allowances apply for that portion of the travel costs payable from U.S. funds. NOTE: Baggage sizes and dimensions are to conform to carrier stipulations.

(a) Two pieces of checked baggage, not to exceed 70 ** pounds each are authorized for FMTs programmed for training of less than 40 weeks duration.

(b) Three pieces of checked baggage, not to exceed 70 ** pounds each are authorized for FMTs programmed for flying training of less than 40 weeks duration.

(c) Four pieces of checked baggage, not to exceed 70.** pounds each are authorized for FMTs programmed for training of 40 weeks duration or longer.

(d) In those instances where U.S. and foreign flag** carriers differ in free baggage allowance, or baggage is authorized beyond 140 pounds, transportation officers will issue Government Excess Baggage Authorization Ticket (GEBAT) or equivalent to cover the difference up to the free allowable amount of the U.S. flag carrier(s) and also any authorized excess baggage allowance.

(2) Instructional Course Materials. The cost of shipment of student retainable instructional materials (RIM) will be included in the tuition rates for all formal courses, based on standard rates set by Section 71106 of DoD 7290.3-M.

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

1. 200 pounds for all courses the MILDEPs consider to be in the PME category (as approved by DSAA) and which will appear in the MILDEP appendices to the JSAT Regulation.

2. 50 pounds for all other courses.

(b) Packing and Labelling. This material is to be packaged and labelled at the training installation and shipped via the most expeditious means to the SAO of the country for delivery to the FMT, or to the official address for classified material. A copy of the student's ITO will be placed inside the package. Use of the APO/FPO address of the sponsoring SAO is authorized; packages must be addressed to the SAO, not to the FMT.

(c) Personal/Unauthorized Matter. The training installation will ensure that no personal effects or other unauthorized matter is shipped with the instructional material.

(d) Cost to Students. Students wishing to send their instructional materials via international mail, and/or send instructional materials in excess of the total maximum allowance, will do so at their own expense.

b. Unauthorized Baggage. Shipment of baggage in excess of the weight allowance contained in 5a(1) above is not authorized. Disposition of unauthorized baggage will be made at the expense of the trainee or his government. Commanding officers of the training or administrative installation should ensure that unauthorized baggage is shipped at the trainee's expense prior to his departure from the installation. Trainees reporting to ports of departure with unauthorized baggage will be requested to forward the unauthorized baggage by commercial means at their expense. If lack of time prohibits this, unauthorized baggage will be taken into custody by the traffic representative, and the trainee will be given a receipt for the baggage. The trainee will remain on the scheduled flight or carrier. After departure of the carrier, the traffic representative will deliver the unauthorized baggage to the nearest appropriate foreign consulate.

c. Guest Instructors at Panama Canal Area Military Schools (PACAMS). Shipment of household goods from the Panama Canal area to their home country is authorized for Latin American guest instructors who have completed a tour of duty at PACAMS. The net weight allowance is 2000 pounds for married guest instructors and 200 pounds for single guest instructors. A net weight allowance of 4,000 pounds is authorized for married Latin American guest instructors assigned as Deputy Commandant at PACAMS. In addition to net weights listed above, weight allowances are authorized for crating and packing materials on the same basis as for U.S. military personnel and in accordance with the JTR. Shipment of household goods in excess of authorized net weight will be at the expense of the guest instructor or his government. Shipment will be by surface common carrier. Air freight may be used only when surface common carrier is not available.

6. Uniforms and Personal Clothing. Except for charges for uniforms required for students in the Inter-American Air Forces Academy (IAAFA), furnishing uniforms or any items of personal clothing, other than special items of training clothing or equipment, is not authorized.

7. Visits to Canada and Mexico. Foreign trainees attending instruction in the CONUS may be authorized visits of not over 72 hours to Canada and Mexico. They must comply with all immigration and customs regulations. Such visits will not affect the trainee living allowances.

8. Dependents of Trainees. Dependents will be discouraged from accompanying or joining trainees except in those cases where the MILDEP concerned determines for specific trainees and courses that housing and other amenities are available and presence of dependents will make an important contribution to the student's learning experience. Where dependents are authorized by the MILDEP, i.e., for officers attending selected courses as indicated in Note 4 of Table 10-II-2, a living allowance may be paid in accordance with rates established in this table. In no event, however, will transportation of dependents be at U.S. expense.

9. Disposition of FMTs in Event of an Emergency. In the event of a national emergency, procedures and policy for the disposition of trainees and other foreign military visitors in the U.S. and at U.S. installations abroad will be promulgated by DSAA.

10. Requests for Political Asylum. Procedures for handling requests for political asylum and temporary refuge are outlined in DoD Directive 2000.11.

G. EXTRAORDINARY EXPENSES. Extraordinary Expenses (budget project N60) are defined as those expenses incident to representational activities for FMTs. They include costs of commandant's welcome, receptions, banquets for civilian and military sponsors, class/seminar dining-ins, faculty-student luncheons, graduations, and other similar activities which bridge cultural differences and enhance the relationship between school officials, local community supporting participants, and foreign students while attending courses of instruction in U.S. and overseas facilities. N60 funds are limited by legislation contained in Section 636(g) of the Foreign Assistance Act of 1961 and related appropriation acts.

1. Use in Connection with IP and Orientation Tours. Extraordinary Expense funds may also be used for activities described in paragraph G. above, in connection with IP and orientation tours. Conditions contained in Section E.6. will guide such arrangements. The expenditures of N60 funds for other than students sponsored under IMET is not authorized. However, joint activities with FMS funded foreign trainees are often cost effective. In that case, IMET N60 funds and IP funds are pro-rated on the basis of respective number of IMET and FMS students.

2. Determining Amount. In determining the amount of N60 funds intended to be used for representational type activities, the following guidelines pertain:

a. Basic Allowance. An amount of \$1.00 for each officer and 50 cents for each enlisted trainee per course week is allowed.

b. Senior Officers and Senior Civilian Personnel. (Lt Colonels/Commanders and civilian equivalents, and above). When Senior and nondistinguished visitors are on an orientation tour or IP activity, the allowable N60 expenditure will not exceed \$9.00 per individual per installation per activity, not to exceed \$18.00 per day per individual.

c. Foreign Individual Member of OT/DV. For each foreign individual member of an OT/DV, as described in paragraph E.5., the expenditure of representation funds is authorized at a rate not to exceed \$18 per individual per installation per activity visited and not to exceed \$36 per day per individual.

d. Use for Contingencies. N60 funds may also be used to finance the cost of certain contingency expenditures when they clearly support overall training objectives and are within the legislative constraints contained in the Foreign Assistance Act. Disbursement of funds under these circumstances is authorized only after approval by DSAA.

3. Programming. Programming of dollar requirements will be accomplished by MILDEPs as prescribed in paragraph J. of this section. Legislative restrictions on extraordinary expense funds require that ceilings for representation expenses be provided to MILDEPs by DSAA once worldwide requirements are measured against the legislative limitation.

H. OTHER TRAINING SUPPORT. Budget project N70 provides funds for U.S. military guest officers, supplies and materials used exclusively for IMET (excluding training aids), and student support costs.

1. Costs of Facilities Used for Both IMET and FMS Training. Costs related to constructing, extending, refurbishing, or maintaining U.S. training facilities used for both IMET and FMS training will be shared between the IMET and FMS customer countries on a pro rata basis. Such costs should be financed initially by the appropriate MILDEP and the course costs charged for training at these facilities will be adjusted to provide reimbursement to the MILDEP appropriation.

2. Medical Costs. A factor of \$35.00 per student training line (exclusive of orientation) is authorized for programming purposes under generic code N7E (MASL IIN 365003/365004) for medical treatment in U.S. government facilities for IMET trainees. Funds for costs such as burial expense or other student support costs will be programmed under generic code N7F on a case-by-case basis only after DSAA approval.

3. Supplies and Training Materials (Generic N7C). Costs of supplies and training materials (excluding training aids) may be financed when authorized by DSAA. When requirements in these areas exist, supporting documentation will be provided through the appropriate Unified Command to DSAA for approval prior to programming. When third country training requirements exist for supplies and training materials (N7C) and services (N7E), the SAO will submit a request for offshore procurement certification in accordance with DoD Directive 2125.1 to DSAA, with information copies to the appropriate MILDEP and Unified Command.

I. TRAINING MATERIALS.

1. Used for In-Country English Language Training. Training aids and devices, books, and other publications, to include training films, for use in establishing or supporting in-country English language training programs, may be programmed and funded under Budget Project N90 as part of the IMET program of eligible countries.

2. Purchase through FMS Channels. Other training aids and devices and books, maps, and other publications should be obtained through FMS channels. Requests for exceptions to this policy will be considered on a case-by-case basis upon receipt of complete written justification. The justification must include statements as to why the provision of training materials under the IMET program is necessary, why it is in the U.S. interest, and the impact on the country training program (i.e., specific courses and training that will be deleted and how this training will be accomplished). Exceptions will be granted on a one-time basis and will not apply automatically to similar future requirements.

3. Programming of Training Materials. Training materials programmed under budget project N90 should be identified to DSAA when requesting funding, with an indication that the materials support the in-country English language program.

J. PROGRAM DEVELOPMENT, SUBMISSION, AND MANAGEMENT.

1. Purpose. The purpose of the following discussion is to provide guidance and instructions governing the preparation and submission of detailed program data, including changes thereto, and the conversion of these data into approved and funded programs authorized for implementation by the MILDEPs. Further, more specific programming guidance is contained in paragraph K. of this section.

2. Development Guidance.

a. Sources. In addition to guidance and instructions contained in

this manual, the following documents provide information for the development of training programs: (1) The Military Articles and Services List (MASL), and (2) JSAT Regulation (AR 12-15, OPNAVINST 4950.1H, and AFR 50-29).

b. Refinements of Budget Year Program. The refinement of the budget year program should be accomplished prior to 30 May at the training workshops conducted between January through April. The workshops are hosted, coordinated, and participated in by the Unified Command, with representation from DSAA and MILDEPs for the purpose of determining training capability and to provide policy and procedural and technical advice. The submission to DSAA of refined budget year and plan year training requirements resulting from the training workshop review will be completed and processed to DSAA through the MILDEPs by 30 June.

c. Availability of Detailed Data to MILDEPs. Detailed training data for the first plan year program will be made available by SAOs to MILDEPs for processing to DSAA by 31 October, or as may be directed.

3. General Programming Instructions. In addition to individual courses of instruction available from MILDEPs for foreign students, other categories of training assistance which may be required in developing the program are contained in the MASL in line-item detail. A summary of all categories of training N10 through N70 is shown in Appendix D, Table D-9 of this manual. This summary provides a reference for identifying specific training contained in the MASL. *

a. Identification of Requirements. Detailed identification and explanation of the requirement(s) involved will be provided for each of the following line items when submitted for programming under IMET. When support is associated with a type of aircraft, specific support details included in these items must be identified as follows:

- (1) Observer or qualification training (OBT).
- (2) On-the-job training (OJT) not in conjunction with formal course of instruction.
- (3) MTTs -- especially where description does not adequately identify team as to specific type (e.g., MTT -- other).
- (4) Services.
- (5) Other Training Support/Costs.
- (6) Supplies/Materials.
- (7) Field Training Services.

b. Execution Agency Codes. For use in submitting requirements, Table 10-II-3 of this chapter prescribes the execution agency (EXA) identifier codes to be used to identify the agency responsible for providing the service, the funding command or agency, and the school or training activity at which services are expected to be performed.

4. Submission of Program Data. Planning year, budget year, current and all prior year training requirements under IMET will be recorded in the DSAA 1000 system. Training data for these programs will be maintained current by continual updating by the SAOs.

a. Channels of Submission. SAOs will submit initial budget year IMET requirements data and all subsequent changes thereto directly to the MILDEPs, with information copies to DSAA and the Unified Command. The MILDEPs will review submissions for availability of the training requested and transmit accepted requirements to DSAA.

b. Submission of Final Current Year Program Changes. Submission of final current year program changes (increases and/or additions) to IMET program requirements must arrive in DSAA not later than 15 August in order to be considered during the end-of-year closeout of that program on 30 September. To accomplish this, SAO program changes must arrive at the appropriate MILDEP agency no later than Monday of the week before 15 August. Only changes justified as an urgent requirement will be considered after the 15 August cutoff date. These must be approved prior to submission by DSAA and approval will be contingent upon sufficient time remaining to process the change and obligate funds by the end of the fiscal year. *

c. SAO Submission Instructions. As a minimum, the following data will be submitted to the MILDEPs by an SAO when requesting/programming training. Enter the Country, IMET, and Program Year and WCN (when known) in the message subject line. *

(1) Program Additions. "4" Card.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Enter "4".
14-20	Item Identification Number	Enter IIN exactly as it appears in the MASL.
--	Course Title	Enter the course title as it appears in the MASL.
25	Student Code	Enter the appropriate student code as listed in Appendix D to this manual.
26-29	Quantity	Enter the number of students, or in the case of teams, the number of personnel on the team. Officers/enlisted/civilians are listed in separate program lines. For a training program dollar value line, no entry is made.
30	Program Originator	Enter the appropriate program originator code as listed in Appendix D.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
33-34	Duration	Enter the duration from the MASL where listed. Where the duration in the MASL is variable (VA), enter the number of weeks for students, the number of man weeks for teams, and the number of man months for field training services (FTS).
51-56	Travel and Living Allowance	Enter the travel and living allowance cost (TLA) for each student or team member when programming training with the Army. Air Force and Navy do not require the SAO to provide the TLA cost unless the data varies from SAMM computation procedures or data as known by the MILDEPs. See Paragraph K for TLA computation procedures.
61-65	Worksheet Control Number	Enter the worksheet control number (WCN) as assigned by the SAO. Indicate sequential/follow-on courses in alphabetical sequence in the order in which the training is to be conducted: 1234L (language training) 1234A 1234B, etc. Use 1234Y or Z for continuing sequential training funded in the new FY but originating in the previous FY.
66	Implementing Agency Code	Enter the implementing agency code (first digit of the execution agency code) from the MASL.
70	Availability/Reporting Quarter	Enter "1" "2" "3" "4" or "5" (IMET only) to indicate the quarter in which the student will be available. Program all medical cost lines in the same quarter as the earliest programmed training.
72	Requirements Priority Code	Enter "A, B, C, or D" depending on the priority of the training requirement.

(2) Program Changes. "Q" Card.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Enter "Q".

2-5	Record Control Number	Enter the record control number (RCN) exactly as it appears in the DSAA detail listing.
61-65	Worksheet Control Number	Enter the worksheet control number (WCN) as it appears in the DSAA detail listing. If the WCN itself is being changed, enter the revised WCN.

Changes: Make desired changes to specific data elements by identifying the data element (card column/description) and providing the revised data entry. Do not give the amount of the actual change.

(3) Program Deletions. "R" Card.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Enter "R".
2-5	Record Control Number	Enter the RCN as it appears in the DSAA detail listing.
61-65	Worksheet Control Number	Enter the WCN as it appears in the DSAA detail listing.

d. MILDEP Submission Instructions. Following are detailed instructions for MILDEP preparation of each type of transaction.

(1) Program Additions. "4" Card.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Must be filled. Enter "4".
2-5	Record Control Number	Leave blank or enter RCN.
6	Blank	Leave blank.
7	Action Code	Leave blank.
8-13	Blank	Leave blank.
14-20	Item Identification Number	Must be filled. Enter Item ID number exactly as it appears in the same columns of the MASL.
21	Generic Code	Must be filled. Enter "N" (1st position only, of the generic code).
22	Blank	Leave blank.
23-24	Reason for Change Code	Must be filled. Enter appropriate code from list of reason for change codes in Appendix D.
25	Student Code	When applicable, enter appropriate code from list of student codes in Appendix D.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
26-29	Quantity	Leave blank for dollar lines. Enter the number of students, or in the case of teams, the number of personnel on the team. Right justify (units position in column 29, ten position in column 28, etc.).
30	Program Originator Code	Must be filled. Enter appropriate code from list of program originator codes in Appendix D.
31-32	Country/Activity Code	Must be filled. Enter appropriate code from list of country/activity codes in Appendix D.
33-34	Duration	Enter duration from the MASL, where listed. Where duration in the MASL is variable (VA) enter the number of weeks to be programmed for students, the number of man weeks for teams, and the number of man months for field training services (FTS). Right justify and enter "Ø" in unused columns.
35	Type of Assistance Code	Must be filled. Enter appropriate code from list of type of assistance codes in Appendix D.
36-43	Unit Price	Enter course cost from the MASL where listed. When not indicated in the MASL, enter the unit price as determined by the MILDEP. Entries must be right justified. Leave dollar value lines blank.
44	Blank	Leave blank.
45-46	Program Year	Must be filled. Enter last two digits of fiscal year in which the item is programmed or to be programmed.
47-50	Funding Date/Case	Enter the report or start date of the training (whichever is earlier) by month/day (MM/DD) in columns 47-50 for all unfunded training lines with confirmed quotas. The date entered will be for the first course in a series of training courses for the same student. This data element entry will be eliminated by DSAA when funding occurs. For FMS training only, enter the FMS case designator (last three digits of the FMS case number) in columns 48-50.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
51-56	Travel and Living Allowance	Enter the appropriate travel and living allowance cost from Table 10-II-2 of this chapter for each student, or appropriate costs for mobile training team member. Where cross/sequential training is programmed, see Paragraph K for instructions.
57	Status Code	Leave blank. Status Codes are entered by DSAA to indicate funding status.
58	DSAA Waiver	An "A" will be entered by DSAA for training lines for which constraints were waived. An "R" is entered when a waiver is required.
59	Blank	Leave Blank.
60	TLA Command	(Optional) Entered by Army to indicate command receiving funding for travel and living allowance cost.
61-65	Worksheet Control Number	<p>Must be filled. Enter Worksheet Control Number (WCN) assigned to the item in the training requirements worksheet. In the units position (column 65) enter sequential or follow-on courses in alphabetical sequence in the order in which the training is to be conducted:</p> <p>1234L 1234A 1234B 1234C, etc. 1234Y or Z for continuing training programmed and funded in new FY 1234S - Late cancellation penalty 1234T - Attrition charge</p> <p>Where no sequential training is planned, leave the units position blank.</p>
66-68	Execution Agency Code	Must be filled. Enter execution agency identifier from the MASL. Where cross training is involved, enter the identifier of the MILDEP that will conduct the majority of the training. The same execution agency identifier will be used for all training lines in the cross training sequence. See Table III of this chapter.
69	Change Originator Code	Must be filled. Enter appropriate code from list of change originator codes in Appendix D.

70	Availability/ Reporting Quarter	Must be filled. Enter number 1, 2, 3, 4 or 5 (IMET only) to indicate the quarter in which student availability occurs. All medical cost lines will be programmed for the same quarter as the earliest programmed training.
71	Fiscal Code	Leave Blank. Data will be entered by DSAA when funded.
72	Requirements Priority Code	Must be filled. Enter "A" "B" "C" or "D" as appropriate for priority of training requested.
73-80	Total Cost	Enter total cost to the nearest dollar. Total cost is computed by multiplying the sum of the entries in columns 36-43 (unit price) and 51-56 (travel and living allowance cost) times the entry in columns 26-29 (quantity). Right justify, enter dollar position in column 80.

(2) Program Changes. Program changes are accomplished by a "Q" card. Q cards contain the same data element fields as 4 cards and should be completed according to the following instructions:

(a) Control Fields. The following control fields (data elements) must be entered in the Q card as they appear in the current Master File; if data on any of these control fields must be changed, a program deletion (R card) and a new addition (4 card) must be submitted.

<u>Card Column</u>	<u>Instructions</u>
2-5	Record Control Number. The Record Control Number for a line is never changed, although it will be removed from the Master Program File if the line is deleted.
31-32	Country/Activity Code.
45-46	Program Year.

(b) Other Required Fields. In addition to the above control fields, the following fields are also required on all Q cards:

<u>Card Column</u>	<u>Instructions</u>
1	Must be filled. Enter "Q"
23-24	Must be filled. Enter appropriate reason for change code from list of codes in Appendix D.
69	Must be filled. Enter appropriate change originator code from list of codes in Appendix D.
70	Must be filled. Enter appropriate availability reporting quarter.

(c) Revisions to Data Elements. Enter only the revised data elements (complete field) in the remaining columns of the Q card. Leave unchanged any data elements that are not being revised.

1. When a change is required due to a revision in the MASL item identification or generic code, both the item identification (columns 14-20) and the generic code (column 21) must contain an entry. Leave columns 14-21 blank if there is no change in item identification and/or generic code.

2. For changes in quantity (columns 26-29) and/or total cost (columns 73-80), enter the revised quantity and/or the revised total and not the amount of the change.

3. For changes in unit price (columns 36-43) and travel and living allowance (columns 51-56), enter the revised unit price or revised TLA and not the amount of the change.

4. A change must be made to the funding date (columns 47-50), when the training moves into a later quarter. If the training has already been funded, a new funding date must be entered.

5. To blank out a data element entry, punch an asterisk (*) in the right-most column (units position) of the data element field. For example, enter an asterisk (*) in column 56 to delete travel and living allowance. Control fields or any other field where data is required to be filled cannot be blanked out with an asterisk.

6. Right justify entries for the following data element fields whenever a change is required.

<u>Card Column</u>	<u>Data Element Field</u>
25-29	Quantity
31-43	Unit Price
51-56	Travel and Living Allowance
73-80	Total Cost

(3) Program Deletions. Program deletions are accomplished by "R" cards. The following format and instructions apply:

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Must be filled. Enter "R".
2-5	Record Control Number	Must be filled. Enter the RCN exactly as it appears in the DSAA detail listing.
6-22	Blank	Leave blank.
23-24	Reason for Change Code	Must be filled. Enter appropriate code from list of reason for change codes in Appendix D.
25-30	Blank	Leave blank.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
31-32	Country/Activity Code	Must be filled. Enter code exactly as it appears in the DSAA detail listing.
33-44	Blank	Leave blank.
45-46	Program Year	Must be filled. Enter program year exactly as it appears in DSAA detail listing.
47-68	Blank	Leave blank.
69	Change Originator Code	Must be filled. Enter appropriate code from list of change originator codes in Appendix D.
70-80	Blank	Leave blank.

e. Confirmation.

(1) For agencies receiving AUTODIN feedback, DSAA will confirm the action taken on program changes as follows:

(a) Posted to DSAA Master Program File.

1. Additions and Deletions. Action code "A" or "M" will be entered in card Column 7, in cards 4, or R, as appropriate, and cards will be returned to the program originator. (See Action Codes in Appendix D.)

2. Changes. Posting of changes will be recorded and confirmed as a two-part operation as follows. First, the program line being changed will be maintained in the DSAA data base and a card R prepared to indicate deletion of this existing program line. Action code "A" will be entered in card column 7. Second, card 4 will be prepared to indicate addition of a program line revised to reflect the changes desired. The changed program line will contain the same record control number as assigned prior to the change, and an action code "A" will also be entered in card Column 7 of the confirming 4 card.

3. Program Amendment/IMET Orders. The procedure outlined above provides for confirmation of additions, deletions, and changes through return of cards 4 or R to the program originator concerned. A listing of deletions and additions, called a "program amendment," provides the basis for manual review of changes effected to the program. Upon receipt of confirmation, card R must be processed by recipients before the card 4; otherwise, duplicate items could appear and create problems in deleting the proper data.

(b) Disapprovals. Action code "X" will be entered in card column 7 and the cards 4, Q, and R returned to the change originators concerned.

(c) Errors. Appropriate code will be entered in card column 7 and the cards 4, Q and R returned to the change originator. See Action Code in Appendix D.

(2) DSAA will prepare and mail the following ADP reports to each SAO.

(a) Item detail listings of the revised IMET country programs will be mailed on a monthly basis for one prior year, until program roll-up; for the current year; and for the budget year.

(b) Copies of IMET orders will be mailed after each weekly update of the DSAA Master Program File. IMET orders will be issued in accordance with Paragraph L of this chapter, for funded lines and changes to funded lines.

(c) Such other reports as may be requested.

K. IMET PROGRAMMING INSTRUCTIONS.

1. Formal Training, U.S. (Generic Codes N1A-N1J). Formal training is programmed under generic codes N1A-N1J, see Appendix D, Table D-9 of this manual. Two elements of cost are involved in determining the Total Cost entry to be entered in columns 73-80 of cards 4 or Q for students who will train at U.S. schools and facilities. These cost elements are the IMET Unit Price and Travel and/or Living Allowance (TLA). Each of these two cost elements is computed on a "per person space" basis. The Total Cost entry, columns 73-80 of cards 4 or Q, is obtained by multiplying the sum of the IMET Unit Price in columns 36-43 and the TLA in columns 51-56 by the Quantity (number of personnel spaces) in columns 26-29, i.e., (IMET Unit Price + TLA) x Quantity = Total Cost. The following is cost factor guidance for deriving the two elements of cost involved in the Total Cost:

a. IMET Unit Price (Columns 36-43). The course cost, where listed in the IMET Military Articles and Services List (MASL), will be entered in columns 36-43.

(1) Where the MASL indicates "N/C" (no charge), no charge is made by the MILDEP for the training. Leave columns 36-43 blank for these items.

(2) Where the MASL indicates "EST" (Estimate), a unit price estimate is to be made by the program originator, and entered in columns 36-43. A number of variables normally are related to unit price determination, such as the number of personnel spaces or the length of the OJT. The basis for estimating the unit price will be provided in supplementary guidance furnished by the MILDEPs.

b. IMET Travel and Living Allowance (Columns 51-56). The unit (per personnel space) TLA cost is comprised of three cost elements -- travel, living allowance while in a training status, and special factors.

(1) First Training Destination Known. Where the first training destination in the United States is known at the time of programming or can be provided by the MILDEP at or prior to the annual training workshop, travel costs will be calculated in accordance with paragraphs (2)(a) and (b), below; otherwise, a composite travel cost factor provided by the MILDEPs in their supplementary guidance may be used.

(2) Cost Included in Travel. Travel includes the cost of transportation to and from the U.S., within the U.S., and baggage and living allowances during travel. Transportation by military or commercial aircraft (when authorized), ship, bus, rail, or other conveyance will be paid when the U.S. provides the transportation, as indicated in paragraph F.3. of this section. The following specific guidance is provided for calculating travel costs to and from the United States and within the United States.

(a) Travel to and from U.S. Round trip travel between the embarkation point in the recipient country and the gateway terminus (point of debarkation) in the U.S. will be programmed for all trainees, unless otherwise directed.

(b) Travel within CONUS. Round trip travel between the gateway terminus and the city nearest the training facility at which the initial training is to be conducted will be programmed for all trainees, unless otherwise directed. When the first destination is not known, an estimated cost will be added to cover the round trip travel, baggage and living allowance while in a travel status. NOTE: In all cases students are required to travel over the most direct, least cost route.

(3) Living Allowances While in Training Status. A living allowance will be programmed for all trainees in a training status, unless otherwise directed, as indicated in paragraph F.4. of this section.

(4) Special Instructions.

(a) Cross Training, Sequence or Prerequisite Training. Cross training, sequence training, or prerequisite training is training following an initial course of instruction or preceding a course of instruction (prerequisite), without the trainee returning to home country between courses. When programming of this type is required, column 65 of cards 4 or Q is to be used by program originators to indicate whether the training is a single line item or whether cross training is involved. If cross training is programmed, the letter "A" will be entered in column 65 for the initial course, the letter "B" will be entered in column 65 for the second course, the letter "C" for the third course, and so on in alphabetic sequence. When English language is programmed as a prerequisite course, the worksheet control number suffix (column 65) will be the letter "L," and the courses following will have worksheet control number suffixes A, B, C, etc. Each course will be costed separately. Course "A" will be charged with the round trip trans-oceanic travel costs and the round trip CONUS costs. For sequential training conducted at another location, the best estimate of transportation costs will be programmed. When English language training is a prerequisite, the cost of round trip will be included in the "A" line computed on the basis of the location of the "L" line. The living allowance while in a training status will be costed separately for each course in accordance with paragraph 1b(3) above.

(b) Cross-Service Training. Cross-service training is a training series for a foreign student provided by more than one U.S. military service.

1. Training in Schools of Another Service. When a trainee from one foreign military service is selected for training exclusively within schools of another U.S. military service, such training will be requested in the program of, and administered by, the U.S. military service providing the training.

2. Training in Schools of More Than One Service. When a trainee is selected for training involving courses of more than one military service, the training will be programmed by the service providing the majority of the training (excluding English language training).

3. Orientation Tours to U.S. Installations of More Than One Service. Orientation tours to U.S. military installations of more than one military service will be programmed and administered by the U.S. military service corresponding to the military service of the trainee(s) or by the service having predominant interest.

4. Joint Service Courses. Joint service courses will be included in the program of the service having administrative agency responsibility for the course.

(4) Cancellation of Training - Penalty Charge. Rescheduling or cancellation requests must be received at least 60 days in advance of the scheduled course start date. In the event cancellation or rescheduling is requested less than 60 days prior to the scheduled start date, the country's IMET program will be charged 50% (100% of contract training cost) of the tuition rate for cancellations or a proportionate share of the tuition rate for trainees not completing a course of instruction, for courses which fall within that 60 day period. Penalty charges will be determined by MILDEPs and requests for waivers to these penalty charges should be addressed to the responsible MILDEP. The cancellation penalty will not be applied when (a) cancellation is due to the fault of the U.S. (deletion of classes, rescheduling, etc.), (b) cancellation is due to unavoidable circumstances within country, such as national disaster, or (c) cancellation entails no loss to the U.S. in terms of cost or training capability. These charges are to be programmed for applicable courses, and will be earmarked by an "S" or "T" in column 65 to indicate that a penalty fee was charged for that particular training line.

(5) Orientation Tours.

(a) TLA Entries. The TLA entry for columns 51-56 should be computed as the composite cost of living allowances, transportation based on itinerary, and excess baggage. A total of 100 pounds is authorized.

(b) Escort Officers. An escort officer may be programmed for orientation tours. A factor of \$600.00 per man week will be used and entered under TLA in columns 51-56.

(c) Living Allowances for Participants in OCONUS Orientation Tours. A factor of \$100.00 per man week will be used to cover travel and living allowance in the overseas area where the tour is being conducted.

The \$100.00 factor will be added to the cost of the round trip travel and the total amount per personnel space will be entered in columns 51-56 of cards 4 or Q.

(d) Observer Training. The procedures above do not apply to observer training. Observer training will be costed in the normal manner described in paragraph 1a. above.

(6) Temporary Duty Costs. A factor of \$1,000 per personnel space may be added to cover the cost of temporary duty travel for country liaison officer, when programmed.

2. Formal Training Overseas (O/S) (Generic Codes N1N - N1W). The same two cost elements described in paragraph 1 (IMET unit price and TLA), are involved in determining the total cost entry in columns 73-80 for students who will train at overseas schools and facilities. The course cost shown in the IMET MASL will be entered in columns 36-43 of cards 4 or Q. The TLA factors for overseas training also differ from United States training and are described below, by Command.

a. U.S. European and Pacific Commands.

(1) Travel Costs.

(a) Trainees in Own Country. Each country will pay its own transportation for those trainees training in their home country.

(b) Training Costs for Sequential Training. Travel costs for courses subsequent to the original course will not be included; however, \$50.00 per trainee will be added for travel (including living allowance during travel) for courses which follow the initial course and are conducted at a different location.

(2) Living Allowance While in Training Status.

(a) Trainees Training in Their Own Country. Each country will pay its own living allowance rates for trainees training in their home country.

(b) Trainees Training Outside Their Own Country. If training is conducted at a location other than within their home country, the programming factor for living allowance while in training status will be computed at the applicable JTR rates.

(c) Sequential Training. In some cases students have a waiting period before entering a follow-on course. The living allowance is authorized for the waiting period, and will be included in the TLA for the following course ,

b. U.S. Southern Command.

(1) Living Allowances While in Training Status.

(a) Programming Factor, Panama Canal Area Military Schools (PACAMS). The programming factor for student living allowance for students while in training status at U.S. service schools in the Panama Canal Area (Army School of the Americas (USARSA)), Navy Small Craft Instruction and Technical Training School (SCIATTS) and Air Force Inter-American Air Forces Academy (IAAFA) will be computed at the rate of \$98.00 per week for officers and \$60.00 per week for enlisted personnel.

(b) Reimbursement to MILDEPs for Enlisted Personnel Services. Not all of the \$60.00 per week programmed for enlisted personnel is paid to the student. The rate of daily living allowance payment is shown in Table II of this chapter. The remainder is reimbursed to the appropriate MILDEP for student laundry and subsistence.

(c) PACAMS Trainees from the Republic of Panama. Panamanian trainees attending PACAMS or other training conducted in the Republic of Panama will be paid living allowances for periods of training only if they reside in quarters provided by the U.S. Government.

(2) Special Instructions.

(a) Foreign Guest Instructors (Panama Canal Area Military Schools). Costs incidental to the use of foreign guest instructors are to be included in the operating costs of activities utilizing guest instructors and included in course tuition costs.

(b) OJT/Observer Training. A living allowance while in a training status will be paid by IMET. Living allowances will be programmed in accordance with paragraph b.(1), above.

c. Third Country Training. Third country training should be encouraged, with the two participating countries making their own arrangements for the training and associated costs.

(1) Tuition Funding by the U.S. When it is considered necessary that tuition costs be funded by the U.S., the SAO, in coordination with the Chief of the Diplomatic Mission, should submit a request for offshore procurement certification, in accordance with DoD Directive 2125.1, to the Director, DSAA, with information copies to the appropriate MILDEP, Unified Commander, and Component Commander.

(2) Requests for Offshore Procurement Certification. The request for offshore procurement certification should include a detailed description of tuition costs and training services to be provided. In no case will costs include items acquired under the security assistance program by the country providing the services.

(3) Commitments for Third Country Training. No commitment to the third country offering the training will be made until the request for offshore procurement certification is approved. SAOs will use the fund citation contained in the student ITO to provide reimbursement of tuition costs to the country furnishing the training.

L. IMPLEMENTATION. Program implementation and the movement of trainees to training facilities and activities is authorized only after IMET orders, program directives, or other specific approvals are issued by DSAA. Such orders, directives, or approvals are required prior to the issuance of ITOs or the obligation of funds for programmed training. When necessary in cases of emergency, requests for approval to issue ITOs prior to receipt of IMET Orders will be submitted directly to DSAA, and authorized via message or telephone by DSAA Comptroller.

1. IMET Orders.

a. Purpose.

(1) Definition. The term "IMET Order" is used to describe the document issued by DSAA which authorizes and directs the furnishing of military training to designated IMET recipients. It also identifies the fund source for each program line. For example, FY 1984 funding is indicated by a "4" in column 71 to indicate funding from the 1984 appropriation.

(2) Purpose. IMET Orders show additions, changes, and deletions to funded lines. Additions will be reflected as a program line in 4 card format, including the record control number (RCN). A deletion of a previously funded line will be shown as a single entry and identified by a "program year" and previous IMET Order number at the right of the program data under the heading "IO-AJ." A change to a previously funded line will be identified by a two-line entry, the first entry reflects the funding that was authorized in a prior order and will also reflect the order number and year it was issued under the "IO-AJ" heading. The second entry reflects the revised line and may be identified by a blank in the "IO-AJ" column.

b. Procedure.

(1) Country. A separate IMET Order will be issued for each country or activity, and the IMET Order number will include the appropriate country/activity code.

(2) Number. The number assigned to IMET Orders and amendments thereto will be composed of the Program Year, Implementing Agency, Country/Activity code, and a two-digit sequential number.

(3) Identification. The initial IMET Order issued for each country or activity for a given program (fiscal) year will be identified by sequential number 00. Subsequent IMET Orders for the program year will be issued as amendments to the initial IMET Order and will be numbered 01 through 99, followed by alpha-numeric characters, as necessary.

2. IMET Order Recipients. The recipients of an IMET Order and associated fund allocation are responsible for implementation of the order, including accounting and fiscal reporting, as prescribed by DoD Instruction 7290.1. The implementing agency will be identified in the IMET Order number. IMET Orders for training program lines will be issued to the MILDEP providing the training, except in the case of cross-service training. IMET Orders for entire Worksheet Control Number (WCN) sequences containing cross-service

training will be issued to the MILDEP providing the majority of the training or designated as the cognizant MILDEP.

M. ANNUAL INTEGRATED ASSESSMENT OF SECURITY ASSISTANCE (AIASA) REPORTS. IMET program resources requirements will be included in the AIASA submitted for all security assistance recipients to the State Department to facilitate decisions as to the allocation of security assistance resources. Information copies of these reports are required by DSAA as part of the planning process.

SECTION II - FOREIGN MILITARY SALES TRAINING
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A. PURPOSE.

1. This section provides guidance and instructions for providing military training to eligible foreign countries and international organizations as authorized under the Arms Export Control Act (AECA).

2. Basic guidelines for FMS training are similar to those for IMET (see Section I). This section addresses training matters which are unique to FMS training or which require some change from IMET procedures. Detailed FMS training programming instructions are provided by each MILDEP.

B. BASIC GUIDELINES.

1. AECA Provisions.

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

b. Prohibitions. Personnel providing defense services (including training) are prohibited from performing duties of a combatant nature by the AECA, Section 21(c). This precludes activity related to training and advising which may engage U.S. personnel in combat activities, outside the U.S., in connection with the performance of defense services. This prohibition is applicable only during hostilities involving the country where the training is taking place.

c. Reimbursement. The additional cost to the USG in furnishing * FMS training must be paid by the foreign purchaser. Payment must be cash on * acceptance, unless a determination is made in the national interest that * payment be made prior to "performance" of the training. For billing purposes, formal training is considered "performed" on the date that the student enters the course or, in the case of Mobile Training Teams (MTTs) or Field Training Services (FTS), when a team member leaves his home station. At all times,

there must be cash available to the DoD in advance of the performance of the training. Normally, a training case for the current fiscal year will not be used to fund any element of the training case for the following year.

d. Bilateral, Combined, or Multilateral Exercises. Bilateral, combined, or multilateral exercises conducted to test and evaluate mutual capabilities do not require authorization or funding under the AECA. Costs of foreign participation in these exercises may not be paid directly or reimbursed from DoD funds, including O&M funds. DoD funds may be used to pay just the costs of U.S. armed forces participation which would have been incurred in the absence of foreign participation in the exercise. The costs of any U.S. support provided to the participating countries or international organizations for training exercises must be reimbursed under an FMS case. This is because providing exercise support is providing a defense service as defined in the AECA, Section 47(4) and Section 47(5).

e. Separate and Specific Statutory Authorization. Outside the context of an exercise, USG costs of providing training for foreign military or paramilitary personnel must be borne by the foreign government or international organization under an FMS case. If there is separate and specific statutory authorization for such training, as in the case of the senior ROTC program or U.S. service academies, this general rule may not apply. Existing authority and regulations do not permit formal or informal training on a non-reimbursable or quid-pro-quo basis. This includes orientation, observation, or familiarization tours, as opposed to short formal visits.

2. FMS Training Initiation and Program Development Sequence.

a. Initiation. The same general initiation and annual programming process applies to FMS training as applies to IMET. Foreign purchasers may initiate training requests through normal FMS channels as they would for any other defense service. Requests for establishing new FMS training programs in countries where no FMS training program previously existed should be made through the American Embassy to the Department of State, with a copy to the Secretary of Defense (DSAA). Foreign governments (host-country defense establishments), with the help of the SAO, are encouraged to develop annual FMS training programs.

b. Annual Country Program Review. Except for some countries with large, complex FMS programs, annual FMS training programs should be reviewed and, where appropriate, integrated with the country's IMET requirements during the unified command training workshop. Programs presented by the country representatives should be fully coordinated with host governments and, to the extent practical, represent the country's annual training requirements. FMS programs will be accepted for planning and for allocating quotas. When appropriate, programs may also be accepted as requests for LOAs. FMS training should be scheduled annually through regular workshop procedures.

c. Fund Deposits. A 25 percent deposit is normally required for annual training cases using open-end LOAs in excess of \$25,000. Full payment in advance is required on cases less than \$25,000, or where the training is less than 90 days duration. Countries having both IMET and FMS training programs should ensure that the programs complement each other.

d. Unprogrammed Requirements. Unprogrammed FMS training requirements, not included in the annual program, are handled on an exception basis. Unscheduled requirements have an adverse impact on the total training effort. This is particularly true in the case of courses where quota availability is a major constraint, for short notice assignment of MTT personnel from operational units for specialized requirements, or the preparation of tailored curricula. Unprogrammed training requirements distort planning and make forecasting ineffective. Annual training programs should, therefore, be adhered to as initially developed and reviewed at workshops, with add-ons by the host government during the program year being generally discouraged.

e. Program Finalization. The MILDEP conducting the training assigns an FMS case identifier, prepares the LOA and submits it to the host country representative for acceptance and initial deposit. The MILDEP will implement the case by authorizing the issue of ITOs only after the case has been accepted and funded, and after the Security Assistance Accounting Center (SAAC) provides obligation authority. Any exception to this must be approved by DSAA, Comptroller.

f. Program Amendments.

(1) Changes. After implementation, changes in the scope of definitive training requirements may be made by using DD Form 1513-1. Customer requested changes for additions or deletions of programmed students or courses to an already signed FMS case are not considered as substantial changes in scope, if the same general area of training and the number of students are not substantially changed. Substantial changes will be noted in amendments to the annual case when they occur. All changes which reflect an increase in price of \$50,000 or more must be coordinated with DSAA. For deletions and for changes not affecting scope, the DD Form 1513-2 should be used.

(2) Changes within Ceiling. Changes in requirements within the dollar ceiling of annual open-end training cases do not require the use of DD Form 1513-2. This type of change may be made administratively.

g. Fifth Quarter Planning. The IMET 5th quarter planning and programming concept is not applicable to FMS training.

3. Programming Training Under FMS. Requesting and programming training provided via an FMS case is the same general process as that used for IMET. Procedures for the provision of programming data by the SAO and the MILDEPs are the same as previously discussed for the IMET program. The only differences are in specific IMET data elements which do not apply to FMS training. See paragraph J. in Section I of this chapter.

a. SAO Submission Instructions. As a minimum, submit the following data to the MILDEPs. Enter the country, FMS, and FMS case number in the message subject line.

(1) Program Additions, "4" Card. Only those procedures which differ from previous IMET submission instructions are indicated. (See IMET instructions in paragraph J.4.d., Section I.)

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
51-56	TLA	Do not enter. Pertains only to IMET.
72	Requirements Priority Code	Do not enter. Pertains only to IMET.

(2) Program Changes, "Q" Card.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Enter "Q"
2-5	RCN	Do not enter. Although an RCN is assigned for FMS training, MILDEP documentation available to the SAO may not contain the RCN.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
14-20	Item Identification Number (MASL IIN)	Enter the IIN as it appears in MILDEP documentation. This will provide a cross reference in the event of an error in the following WCN.
61-65	Worksheet Control Number	Enter the WCN as it appears in MILDEP documentation. If the WCN itself is being changed, enter the revised WCN.

Changes: Make desired changes to specific data elements by identifying the data element and providing the revised data entry. Do not give the amount of the actual change.

(3) Program Deletions, "R" Card.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Enter "R".
2-5	RCN	Do not enter.
14-20	MASL IIN	Enter the IIN as it appears in MILDEP documentation.
61-65	WCN	Enter the WCN as it appears in MILDEP documentation.

b. MILDEP Submission Instructions.

(1) Program Additions, "4" Card. Only those procedures which differ from previous IMET instructions are indicated. (See IMET instructions in paragraph J.4.e., Section I.)

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
48-50	Case	Enter the FMS Case Designator (last three digits of the FMS Case Number).
51-56	TLA	Do not enter. Pertains only to IMET.
60	TLA Command	Do not enter. Pertains only to IMET.
72	Requirements Priority Code	Do not enter. Pertains only to IMET.

(2) Program Changes, "Q" Card. Only those procedures which differ from previous IMET instructions are indicated. (See IMET instructions in paragraph J.4.e., Section I.)

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
51-56	TLA	Do not enter. Pertains only to IMET.

(3) Program Deletions, "R" Card. Same as IMET instructions. See paragraph J.4.e., Section I.

4. Training Requirements Related to Purchase of Major Equipment.

a. General. Training is an essential, key element in the successful introduction of a new piece of equipment or weapons system. The time required to conduct adequate training should be given careful consideration when requesting delivery dates of equipment. In developing an "introductory training plan," the needs of each country must be considered separately. While general training requirements can be determined for any item, the exact composition and duration of the training program associated with the introduction of a new system or item of equipment will vary, based on the unique requirements and capabilities of the country.

b. Planning Programs. Training programs must be planned realistically, taking into account the availability of personnel, the skills that must be developed, the background and experience of the individuals selected for the training, and the time required to plan, implement, and complete the program. In the final analysis, the success of any training program also depends on student capability and potential for success. The individual and collective performance of the students will set the pace and measure the true progress of a program. It is important to have a good, workable selection and screening process to make sure the right student is fitted into the right training program.

c. Use of IMET Funds. Training in support of FMS equipment purchases should normally be programmed as part of the overall FMS agreement.

IMET funds should not be used to support major equipment purchases unless specifically approved by DSAA. Requests for exceptions to this policy should be referred to DSAA with appropriate justification on a case-by-case basis. In no event may a discrete training course, single training team, or a training aid be funded by both IMET and an FMS case.

C. ENGLISH LANGUAGE TRAINING. It is the responsibility of the purchaser to ensure that trainees meet the English Comprehension Level (ECL) required for direct entry into the DoD training system. If possible, in-country English Language Training Programs (ELTP) should be used. Countries without an adequate ELTP should be encouraged to develop a program to qualify trainees for direct entry or, as a minimum, for entry into the Defense Language Institute English Language Center (DLIELC). It should be noted that IMET funds, as well as FMS, may be used to establish and maintain in-country ELTPs. Letters of Offer and Acceptance for Foreign Military Sales cases which include provisions for English Language Training will be coordinated with DLIELC prior to negotiation.

D. FMS TRAINING TUITION RATES. FMS Training tuition rates will be priced in accordance with DoD 7290.3-M, Chapter 7, paragraphs 71001-71105. Other costs, associated with training, such as students' meals, custodial fees for quarters, medical care, and transportation, are not included in tuition rates. These costs must be paid by the purchaser.

E. CANCELLATION OF TRAINING-PENALTY CHARGE.

1. Rescheduling or Cancellation in Advance. Purchasers must submit rescheduling or cancellation requests at least 60 days in advance of the scheduled course start date. If cancellation or rescheduling is requested less than 60 days prior to the scheduled course start date, the FMS case will be billed for 50 percent of the cost of the course(s) which commence within that 60-day period. The date the request is received from the country by an appropriate U.S. representative (e.g., the SAO) will constitute an official notification date. The cancellation penalty will not be applied when:

a. Cancellation is the fault of the U.S. (deletion of classes, rescheduling, etc.);

b. Cancellation is due to unavoidable circumstances within the country (e.g., a natural disaster); or

c. Cancellation entails no loss to the U.S. in terms of cost or training capability. The 60-day penalty provisions will be effective when the LOA is signed by the country.

2. Failure to Complete Course. FMS countries will be charged a proportionate share, but not less than 50 percent of the tuition rate for trainees not completing a course of instruction.

F. TRAINING AT CIVILIAN INSTITUTIONS OR BY CONTRACTOR.

1. Civilian Institutions. The AECA, Section 47, defines training for defense purposes at civilian institutions as training that may be sold under

FMS. This type of training is more appropriately handled by direct negotiation between the civilian institution and the purchasing country. Training at civilian institutions, therefore, generally will not be permitted under FMS. Requests for exceptions to this policy should be addressed to DSAA.

2. Training by Contractors.

a. Foreign military personnel receiving training directly negotiated between the purchasing country and a contractor may not use U.S. military facilities to support the training.

b. Administrative support for direct contractor training normally is not provided through an FMS case. Room and board, medical care and related support arrangements for students undergoing commercial, contractor training must be arranged between the contractor and the purchaser.

G. TRANSPORTATION AND TRAVEL.

1. Responsibility. The purchasing country is responsible for all transportation and travel costs for FMS students. These costs are not included in the LOA.

2. Mode of Travel. Use of U.S. civilian carriers is encouraged, although any desired mode of travel or carrier can be used. Trainees may be allowed to travel by Military Airlift Command (MAC) aircraft in their ITO. Reimbursement for MAC travel will be on a direct billing basis at the non-government rate.

3. Baggage. Since baggage shipping costs are paid by the purchasing country, no limitation is established; however, students are encouraged to limit baggage to a minimum. Baggage shipment costs are not included in the FMS case.

4. Student Retainable Instructional Material (RIM). Postage charges for mailing retainable instructional material to the SAO are included in the tuition cost, based on the weight allowances listed in Section I, paragraph F.5.a.2. Mailing procedures and other provisions of the paragraph cited apply, as for IMET.

H. LIVING ALLOWANCES/PRIVILEGES.

1. Living Allowances. An FMS student's living costs are defrayed by the student or by his government. The purchaser should ensure that students receive sufficient allowances to meet all mandatory living costs and personal expenses. Allowance costs are not included in tuition course costs, nor are they included in the FMS case. SAOs should be particularly aware of the status of living allowance provisions for their host country's students. Any difficulties or anticipated problems should be aired immediately.

a. Subsistence. Officers and enlisted personnel will pay for meals taken in government dining facilities at the rate prescribed by the MILDEPs.

b. Quarters. All FMS training students who occupy military quarters must personally pay the service charge or custodial fee as established by the installation commander.

2. Privileges. Foreign military personnel involved in security assistance training, on competent orders (ITOs) authorized by the MILDEPs, and bona fide dependents, will be extended commissary, exchange and similar privileges ordinarily available to military personnel of the U.S. armed forces of similar rank. Equivalent rank assigned in the ITO must be based on U.S. armed forces grade structure, reflecting time in service, experience and age -- not the rank title of the foreign country.

3. Medical Care.

a. NATO personnel involved in security assistance training, on competent orders (ITOs) authorized by the MILDEPs, and bona fide dependents are eligible for outpatient care in DoD medical (to include dental) facilities, on the same basis as U.S. military personnel and their dependents. In-patient medical care and emergency dependent dental care must be reimbursed at rates established by DoD.

b. Non-NATO personnel and their dependents and all associated civilian trainees and their dependents will be provided medical care on a space-available, reimbursable basis at rates established by DoD.

I. TRAINING OF CIVILIANS UNDER FMS.

1. Eligibility. Foreign civilian personnel may receive training provided they are Ministry of Defense (MOD) employees of eligible FMS countries, or employees of military agencies of eligible international organizations. Civilians must meet the normal course requirements, including having the proper security clearance.

2. Protocol Status. Civilians are generally afforded the same protocol status as their equivalent military counterparts, as stated in the ITO.

3. Privileges. Civilians are not authorized commissary and exchange privileges. The MILDEPs or Unified Commanders may grant exceptions to this policy.

J. FMS ORIENTATION TRAINING COURSES AND VISITS.

1. Orientation training and visits are available to FMS purchasers on a fully reimbursable basis, including expenses for U.S. escort officer(s), CONUS travel of tour participants, local project officers, extraordinary expense and asset use charges. SAOs should plan orientation visits far enough in advance to permit adequate planning and should specify any unusual tour requirements early, as required by the cognizant MILDEP, as stated in the JSAT regulation.

2. Each orientation tour will be covered by a separate FMS case except when an open-end FMS training case exists under which the costs of the tour are covered with the consent of the country.

K. MOBILE TRAINING TEAMS AND FIELD TRAINING SERVICES. MTTs and FTSS (see Section I of this chapter) are available on a fully reimbursable basis in accordance with DoD 7290.3-M. MTTs and FTSS are separate training items.

L. TRAINING RELATIONS. SAOs have the same responsibilities for FMS training as for IMET. Where practical, foreign governments will be encouraged to be as self-sufficient as possible in supervising and administering their training programs (e.g., pre-departure student processing, briefing, etc.).

M. RESTRICTIONS OF TRANSFER OF TRAINING.

1. Purchasing governments may not transfer training related to the use of U.S. material or services to other countries or organizations, or to anyone not an officer, employee, or agent of the purchasing government, nor use or permit the use of such training for purposes other than those for which furnished, without the consent of the USG. Therefore, technical skills and information acquired through FMS training may not be used by the purchasing country to train personnel from a third country unless approved in advance. Requests to transfer training to third parties should be submitted via diplomatic note to the Department of State. Training transfer requests received by the MILDEPs should be referred to DSAA for forwarding to the Department of State.

N. POLICE, INTELLIGENCE AND OTHER SENSITIVE TRAINING. DoD policy on police, intelligence, and other sensitive training is stated in Section I. Any questions should be referred to DSAA for resolution.

O. SECURITY ASSISTANCE MANAGEMENT TRAINING. Courses designed to train foreign personnel in the significant aspects of the foreign military sales (FMS) program, including U.S. legislation, policies and procedures, and management concerns of purchaser/recipient countries, and including MTTs of this nature, should be purchased via FMS procedures.

TABLE 10-II-2

TABLE OF DAILY LIVING ALLOWANCES
FOR IMET FOREIGN MILITARY TRAINEES

	OFFICER AND CIVILIAN EQUIVALENTS	ENLISTED(1)
In Travel Status, Including Unscheduled Delays(2).....	Various	Various
In Training Status:		
Neither Quarters Nor Mess Available.....	\$33	\$33
Quarters Available, Mess Not(3).....	20	17
Mess Available, Quarters Not(3).....	23	19
Both Quarters and Mess Available(3).....	14	7
Both Quarters and Mess Available, Free of Charge (Aboard Ship).....	7	7
Both Quarters and Mess Available Officers Charged for Mess (Aboard Ship).....	10	N/A
Dependent Authorized(4).....	33	N/A
On Leave(5).....	Various	Various
In Military Hospital(6).....	7	7
Orientation Tour Participants(7).....	23	N/A

NOTES:

- (1) Not applicable to enlisted foreign military trainees (FMTs) attending training at the United States Army School of the Americas (USARSA), Small Craft Instruction and Technical Training School (SCIATTS) or the Inter-American Air Forces Academy (IAAFA). The daily living allowance rate authorized for these enlisted FMTs is \$3.50 per day. *
- (2) Travel allowance rate is authorized to include the day of arrival at, and day of departure from, training installation except for FMTs who receive no U.S. Government living allowance. Rates on travel status, including unscheduled delays, are based on rates equal to those in the JTR for U.S. personnel.
- (3) In overseas areas where U.S. Government quarters and mess are not available the rates authorized are equal to those authorized for U.S. personnel in the JTR. "Quarters Available" means that U.S. Government quarters were either furnished or made available. "Mess Available" means three meals per day were available in a U.S. Government mess, whether or not actually consumed. U.S. Government mess excludes open mess and is not considered available to officer FMTs except during maneuvers, field exercises, training in the field or when an officer's field ration mess is specifically available (e.g., officers field ration mess is available at Lackland AFB and Maxwell AFB, both with a heavy student load).

TABLE 10-II-2. Table of Daily Living Allowances for IMET FMTs.

MILDEPs will be reimbursed from IMETP funds for costs of meals and quarters furnished free of charge to eligible FMTs. All FMTs not authorized a U.S. Government living allowance will pay for their meals. Meals taken in other food service facilities will be paid for by the FMT at the menu rates.

- (4) This rate is authorized only for accompanied FMTs attending certain courses designated by the MILDEPs (AC&CS, SOS, AWC, CGSC, NCC, NSC, AFIT, MCC&SC, SWOS, PGS) and includes authorized leave periods. This rate is applicable regardless of availability of quarters and is payable whether FMT lives on or off post.
- (5) Living allowance for leave periods following termination of training is not authorized. Leave with living allowances may be granted during periods of class breaks, authorized holidays, between consecutive courses and delays at a port while awaiting transportation at the rate that is appropriate to the training status.
- (6) In those cases where an officer FMT is authorized an increased living allowance for accompanying dependents (see Note 4, above) and is subsequently hospitalized, an increased living allowance (\$33) shall apply during period of hospitalization rather than the reduced rate specified herein.
- (7) Meal allowance only. Cost of quarters to be paid from programmed funds by Class A agent/cashier escort officer.

TABLE 10-11-2. (Continued)

TABLE 10-II-3

MILDEP EXECUTION AGENCY IDENTIFIER CODES

A. ARMY EXECUTION AGENCY (EXA) CODES.

The EXA code used by the Army is a three digit alpha numeric wherein the first alpha represents the Army (B), the second alpha the funding agency and the the third alpha or numeric the training agency. The following codes are to be used for Department of the Army IMET programming.

B. Department of the Army.

- A. U.S. Army Material Development and Readiness Command (DARCOM)
 - A. Army Logistics Management Center, Ft Lee, VA
 - B. Army Management Engineer Training Activity, Rock Island, IL
 - C. Army Defense Ammunition School, Savanna, IL
 - D. Joint Military Package Training Center, Aberdeen Proving Ground, MD
 - E. Army Tank-Automotive Command, Warren, MI
 - G. Army Depot Systems Command, Chambersburg, PA
 - H. Letterkenny Army Depot, Chambersburg, PA
 - K. Lone Star Ammunition Plant, Texarkana, TX
 - L. Army Test and Evaluation Command, Aberdeen Proving Ground, MD
 - M. New Cumberland Army Depot, New Cumberland, PA
 - N. Army Troop Support and Aviation Material Readiness Command, St. Louis, MO
 - P. Army Mobility Equipment Research and Development Command, Ft. Belvoir, VA
 - Q. Pueblo Army Depot, Pueblo, CO
 - R. Army Natick Research and Development Laboratories, Natick, MA
 - S. Army Electronics Research and Development Command, Adelphi, MD
 - T. Army Communications Electronics Command, Ft. Monmouth, NJ
 - U. Red River Army Depot, Texarkana, TX
 - V. Army Aviation Research and Development Command, St. Louis, MO
 - W. Tobyhanna Army Depot, Tobyhanna, PA
 - X. Tooele Army Depot, Tooele, UT
 - Y. Yuma Proving Ground, Yuma, AZ
 - 2. US Army Security Assistance Center (USASAC), Alexandria, VA
 - 3. Anniston Army Depot, Anniston, AL
 - 4. Dugway Proving Ground, Dugway, UT
 - 6. Corpus Christi Army Depot, Corpus Christi, TX
 - 7. Army Armament Research and Development Command, Dover, NJ
 - 8. Army Armament Material Readiness Command, Rock Island, IL

TABLE 10-II-3. MILDEP Execution Agency Identifier Codes.

- 9. Army Missile Command (MICOM), Redstone Arsenal, AL
- O. (Unidentified DARCOM Location)
- C. U.S. Army Training and Doctrine Command (TRADOC)
 - A. Army Aviation School, Ft Rucker, AL
 - B. Army Training Support Center (Correspondence Courses), Ft Eustis, VA
 - C. U.S. Army War College, Carlisle, PA
 - D. Defense Language Institute, Monterey, CA
 - E. Army Engineer School, Ft Belvoir, VA
 - F. Army Field Artillery School, Ft Sill, OK
 - G. Army Infantry School, Ft. Benning, GA
 - H. Army Ordnance School, Aberdeen Proving Ground, MD
 - I. Defense Information School, Ft Benjamin Harrison, IN
 - J. Army Quartermaster School, Ft Lee, VA
 - K. Army Chemical School, Ft McClellan, AL
 - L. Army Soldier Support Center, Ft Benjamin Harrison, IN
 - M. Army Chaplain School, Ft Monmouth, NJ
 - N. Army Military Police School, Ft McClellan, AL
 - P. Army Signal School, Ft Gordon, GA
 - Q. Judge Advocate General School, Charlottesville, VA
 - R. Army Air Defense School, Ft Bliss, TX
 - S. Army Transportation School, Ft. Eustis, VA
 - T. Army Command and General Staff College, Ft. Leavenworth, KS
 - U. Army Intelligence School, Ft. Huachuca, AZ
 - V. Aviation Logistics School, Ft. Eustis, VA
 - W. Army Institute for Military Assistance, Ft. Bragg, NC
 - X. Army Missile and Munitions School, Redstone Arsenal, AL
 - Y. Army Armor School, Ft Knox, KY
 - Z. U.S. Army Organizational Effectiveness Training Center and School, Ft Ord, CA
 - 1. Ft Dix, NJ
 - 2. Ft Leonard Wood, MO
 - 3. Ft Jackson, SC
 - 7. TRADOC Security Assistance Training Field Activity (SATFA), Ft. Monroe, VA
 - 8. TRADOC Combined Arms Test Activity (TCATA), Ft Hood, TX
 - 9. HQ, TRADOC, Ft Monroe, VA
 - O. (Unidentified TRADOC Location)
- E. Office, Chief of Engineers
 - O. (Unidentified Chief of Engineers Location)
- F. U.S. Army Finance and Accounting Center (USAFAC)
 - A. USAID Training All Areas
 - B. Defense Intelligence Agency (DIA), Washington, DC
 - C. U.S. Coast Guard Training
 - D. Defense Logistics Agency (DLA), Washington, DC
 - E. Defense Systems Management College, Ft Belvoir, VA
 - F. National Defense College (Correspondence Course), Ft. McNair, Washington, DC

 TABLE 10-II-3. (Continued)

CHAPTER 11

MILITARY ASSISTANCE PROGRAM (MAP)

SECTION I - USE OF MAP FUNDS TO FINANCE FOREIGN MILITARY SALES

A. GRANT AID (MAP) FUNDING. This chapter provides implementing procedures for the utilization of MAP funds to finance FMS.

1. Legislation. Effective with the FY 1982 MAP appropriation, the FAA,** Section 503(a)(3) authorizes the transfer of MAP funds to the FMS Trust Fund (Account 8242) for merger with country trust fund deposits. The law also stipulates that these MAP funds are to be used solely for payment on obligations of the recipient country for purchases from the U.S. Government made under the AECA. FY 1982 and subsequent MAP appropriations, except to the extent utilized for prior year supply operations, administrative expenses, and the FAA, Section 506(a) reimbursements, will be implemented under Section 503(a)(3) procedures. These MAP funds may not legally be used for either (1) funding direct commercial purchases, or (2) financing interest or repayments of principal or guaranty fees with respect to Federal Financing Bank loans. Funds must be obligated within the period of availability prescribed in the annual appropriation act or the Continuing Resolution Authority (CRA).

a. Allocation. The State Department determines which country** shall receive a MAP fund allocation and the amount, through inter-agency coordination on a country-by-country basis. When the allocation is determined, State prepares a program justification for each country that is to receive MAP funds, and submits these to the Office of Management and Budget (OMB), requesting apportionment. OMB reviews requests and submits the approved apportionment to the DSAA, Comptroller.

b. Transfer of Funds. Upon receipt of an approved apportionment** of MAP funds from OMB, the DSAA Budget Division will:

(1) Allocate funds from the MAP parent account to the transfer** account, where they become available for transfer to the FMS Trust Fund.

(2) Prepare a SF 1081 (Voucher and Schedule of Withdrawals and** Credits), charging the MAP appropriation and crediting the FMS Trust Fund Receipt account. This document will serve to obligate and expend MAP funds; however, no check will be issued. SF 1081 will contain breakout by country as specified in apportionment document.

c. Application of Formerly MAP Funds. The SAAC, after receipt of** the SF 1081, will deposit the funds into unique country trust fund MAP clearing accounts identified on the SF 1081 and will transfer merged MAP funds from clearing accounts into country trust fund accounts to:

(1) Finance LOAs which specify MAP type of assistance funding.** (Total case value will be transferred from clearing account.)

(2) Satisfy required initial deposits on specific LOAs. (MAP** portion of financing will be identified in Block 27 of LOA.)

(3) Liquidate arrearages of 90 days or more on customer DD Form** 645 FMS Billing Statements issued quarterly (at specific direction of DSAA Comptroller only).

(4) Offset current amounts due and payable on DD Form 645 FMS** Billing Statements (at specific direction of DSAA Comptroller only).

SAAC must ensure that adequate procedures and controls are available to** preclude refunds of merged MAP funds to the foreign purchaser.

d. MAP Fund Accounting and Reporting. The DSAA FR&CPD will** maintain records of obligations and transfers of funds made on the basis of SF 1081s and report to the Treasury (at the appropriate level) in compliance with Treasury Fiscal Requirements Manual.

e. MAP Restrictions. Procurements financed by merged MAP funds** will not be governed by the delivery procedures and reversionary rights requirements applicable to the FY 1981 and prior year MAP. Delivery deadlines will not be established for purchases financed with FY 1982 and subsequent year merger funds. Procurement and delivery will be carried out in accordance with FMS procedures. Reversionary title rights will not accrue to the U.S. on any defense article sold under FMS procedures even when merger funds may have been used to finance the purchase in whole or in part. Accordingly, the recipient countries will not be required, as they are under FY 1981 and prior year MAP, to return the article to the U.S. when the article is no longer needed. Restrictions on transfers to a third party, however, will continue to apply, as they do to all defense articles and services sold under FMS.

f. Excess Defense Articles (EDA). Recipients of merged MAP funds** are not eligible for the grant of EDA. They may, however, purchase EDA under FMS procedures.

2. Exceptions. The guidance provided above does not apply to FY 1981** and prior MAP programs, to those general costs funds programmed in FY 1982 and subsequent years which are intended for the close-out of those programs, or to emergency drawdowns authorized under Section 506(a) of the Foreign Assistance Act of 1961 (FAA), as amended. For those program years and funds, management and close out are discussed by separate guidance, which will be forwarded to applicable addressees.

SECTION II - UTILIZATION, REDISTRIBUTION AND DISPOSAL OF MAP MATERIEL

A. PURPOSE. This section provides utilization, redistribution, and disposal procedures for materiel furnished to foreign countries by the U.S. as grant aid, under a "MAP Order" prior to FY 1982 or as a result of Section 506(a), FAA, emergency drawdown authority. It does not apply to materiel purchased as a result of transfer of MAP funds to the FMS trust fund (See Section I of this chapter).

B. LEGAL LIMITATIONS. Neither the SECDEF (DSAA) nor the Unified Command, or the SAO, have the legal authority to consent on behalf of the President either (1) to the use of MAP materiel by anyone not an officer, employee, or agent of the recipient government, or to the transfer of such materiel by any means to anyone not an officer, employee, or agent of the recipient government, or to the use of such materiel for purposes other than those for which furnished as identified in section 502 of the FAA, or (2) to other disposition of such materiel than the return to the United States Government without charge when such materiel is no longer needed for the purposes for which furnished. These two Presidential functions under section 505(a)(1) and section 505(a)(4) of the FAA have been delegated to the Secretary of State by section 1-201(a)(4) of Executive Order No. 12163. Requests for consent under these statutory provisions should be addressed to the Secretary of State through diplomatic channels with an information copy to the Director, DSAA.

C. SUPERVISION OF END-ITEM USE AND MAINTENANCE OF INVENTORIES. SAOs assigned to countries which were the recipients of grant aid material (MAP) under programs initiated prior to FY 1982 are required to monitor the status of such materiel. As a minimum, this normally will consist of an inventory maintained by the SAO and updated at least annually by the foreign government, of major items of MAP origin held by the foreign armed forces, with estimates as to when the items are expected to become excess to the foreign force needs. Major items normally will include aircraft, ships, radar, armored vehicles, general purpose vehicles, artillery and mortars, missiles, and such other items as the SAO Chief deems appropriate. SAOs should encourage the host country to declare MAP equipment excess when it is no longer needed. The Unified Commander may modify these instructions to accommodate the situation in a particular area or country.

1. Action by the Chief of the SAO. End-item utilization (inventory) reporting (to DSAA, with an information copy to the unified command) is required only if discrepancies are uncovered. These end-item utilization responsibilities normally do not require dedicated travel for inspection purposes and must be undertaken with resources assigned or otherwise available primarily for other purposes. Noting the presence and utilization of U.S. origin equipment should be done during the course of other duties and end-use inspection or MAP-related functions will not justify SAO personnel authorizations. Note that end-use observation and reporting extends to items of U.S. origin acquired other than through MAP, although there is no requirement to seek periodic reports from the host government on such items. When MAP materiel is declared excess to the needs of its armed forces by the holding foreign country, the SAO or other DoD element responsible for MAP administration in the country will determine its condition. To the extent practicable, the determination will be based on physical inspection by qualified U.S. personnel. In the case of lack of resources, however, classification by the foreign government authorities may be accepted.

a. Economic Repairability. Economic repairability will be determined in accordance with DoD Instruction 7220.21.

(1) Standard Condition Codes. Standard condition codes as set forth in the Defense Disposal Manual (DoD 4160.21M) will be used.

(2) Unserviceable Equipment. If materiel declared excess by the foreign country is determined to be unserviceable and not economically repairable by overseas standards, it will be treated as disposable MAP property and processed in accordance with paragraph (4), below.

(3) Screening Excess Against Other In-Country Requirements. SAOs will screen reported excess MAP materiel against other MAP user requirements within the recipient country. Where such requirements exist and where the MAP property would continue to serve a MAP purpose, the SAO Chief may authorize continued use within the country. The SAO will maintain local records of internal transfers made under the authority of the paragraph identifying the item, quantity, materiel condition, and the loaning and gaining MAP elements.

(4) Reports of Non-Redistributed MAP Excess. If excess MAP materiel is not redistributed within the holding country, the Chief of the SAO will report major items (programmed as "each" items listed in the MASL with unit of issue other than "XX") and secondary items, with a value of \$1,500 or more per line item value, to the designated agency in the format specified by MILDEP directives with information copy to the Unified Command. Excess reports will include recommendations for disposition by the Chief of the SAO, as appropriate.

2. Action by the MILDEP. The MILDEPs will provide detailed procedures for reporting and screening MAP excess major and secondary items (including standard and non-standard materiel) under their cognizance. Procedures shall include identification of reporting channels, screening agencies, and reporting formats.

a. Worldwide Screening of Major and Secondary MAP Excess Materiel. Major and secondary MAP excess materiel will be screened by the MILDEP against worldwide security assistance requirements. Should such requirements not exist however, the following actions will be taken:

(1) Major items will be offered under the Major Item Materiel Excess (MIMEX) system.

(2) Secondary items will be screened for not more than 30 days against other MAP requirements within the reporting theater.

b. Post Screening Actions. Upon conclusion of screening, all requirements received from the SAOs will be reviewed. Appropriate transfer actions will be initiated by the MILDEPs pursuant to allocations of major items by DSAA. Redistribution actions for secondary items will be initiated by the cognizant MILDEP in accordance with established procedures and priorities. Comments on an exception basis from the unified command shall be considered in making redistribution decisions.

c. Disposition of Non-Allocated Items. Major items not allocated under MIMEX, and all secondary items not required for security assistance requirements will be utilized by the MILDEPs to meet other than MAP requirements as appropriate. Any materiel not so utilized will be reported to the Defense Property Disposal Service (DPDS).

D. TRANSFER OF MAP EXCESS MATERIEL.

1. Submission of Requirement. The SAOs shall screen program requirements against MIMEX offers and secondary item screening lists and advise DSAA and MILDEPs, with information copy to the unified command, of requirements for acceptable MAP excess materiel. The unified command is allowed to comment on the country's requirements. No comment will be construed as no objection.

a. Transfer by SAO Holding Excess Materiel. A SAO holding MAP excess materiel previously reported for screening will accomplish transfer of the MAP materiel in accordance with redistribution or disposal instructions received from the cognizant MILDEP or agency.

b. Actions by SAO Receiving Redistributable MAP Property. SAOs receiving redistributable MAP property will:

(1) Advise the appropriate MILDEP or agency on a case-by-case basis when transfer of the last article has been completed.

(2) Ensure that all due-ins or outstanding requisitions for items received are cancelled.

(3) Submit appropriate program change data to DSAA.

c. Reimbursable Transfer. MAP property used for any purpose other than to meet approved security assistance or other DoD requirements, including transfer for disposal, will be transferred on a reimbursable basis. Proceeds of the transfer will be reimbursed to MAP accounts in U.S. dollars, except where special government-to-government arrangements specify otherwise.

2. Accessorial Charges and Rehabilitation Costs.

a. Delivery Procedures and Charges for MAP Excess Materiel - Other Than MIMEX, Ships, and Aircraft. MAP property, other than MIMEX Offer allocations, ships and aircraft, will be delivered by the releasing country.

(1) Redistributable MAP Items. Redistributable MAP items will be delivered free alongside vessel. MAP will pay for unloading from carrier and loading items aboard ship.

(2) Items Being Returned for U.S. MILDEP Stocks or Disposal. Items being returned for U.S. Military Department stock or disposal will be delivered free alongside vessel. U.S. MILDEP will pay for unloading from carrier and loading items aboard ship for such items.

(3) MAP Property shipped via Rail or Highway. When MAP excess property is shipped via rail or highway the releasing country will ship to its border at its expense. The new recipient will pay costs from the border to the country receiving redistributable property. U.S. MILDEPs will pay costs from the border of the releasing country to designated overseas storage locations.

b. Redistributable Property Sold Under Foreign Military Sales (FMS). For redistributable MAP excess property sold under FMS the purchasing country will pay all inland carrier, loading, unloading, and ocean costs.

c. Delivery Costs of Ships and Aircraft. Ships and aircraft will be delivered in accordance with arrangements made between the USG and the releasing country.

d. Packing, Crating, and Handling (PCH) Charges. Packing, crating and handling costs will be born by the releasing country for:

(1) Redistributable MAP Property and Items Returned to U.S. Stocks.

(a) Redistributable MAP property, and
(b) Items being returned for U.S. MILDEP's stock or disposal.

(2) Redistributable Property Sold Under FMS. Packing, crating and handling costs will be borne by the purchasing country for redistributable MAP property sold under FMS.

e. Rehabilitation Costs. Rehabilitation costs will be borne:

(1) Redistributable MAP Property. By the receiving country current year MAP program for redistributable property.

(2) Property Being Returned to U.S. Stocks. By the MILDEP for property being returned to its stock.

(3) Redistributable Property Sold Under FMS. By the country purchasing the redistributable MAP property under FMS.

f. Application of Accessorial Charges. Accessorial charges will be applied in accordance with DoD Instruction 7510.4.

E. CANNIBALIZATION AND RETENTION OF MAP PROPERTY. In accordance with paragraph B of this section, requests for authority to cannibalize MAP property will be addressed to the Department of State with info copy to DSAA. The Department of State will prepare and transmit the response to the U.S. mission in the country concerned. Requests for authority to retain MAP property to be used for purposes other than those for which originally furnished will be handled in the same manner as requests for authority to cannibalize MAP property.

F. DISPOSAL OF MAP PROPERTY.

1. Legislative Requirements.

a. As regards to the method of disposal in paragraph F.2., below, the 1973 legislation amended the FAA of 1961 with Section 505(f), which provides: "Effective July 1, 1974, no defense article shall be furnished to any country on a grant basis unless such country shall have agreed that the net proceeds of sale received by such country in disposing of any weapon, weapons system, munition, aircraft, military boat, military vessel, or other implement of war received under this chapter will be paid to the U.S. Government and shall be available to pay all official costs of the U.S. Government

payable in the currency of that country, including all costs relating to the financing of international, educational, and cultural exchange activities in which the country participates under the programs authorized by the Mutual Education Cultural Exchange Act of 1961."

b. The FAA, Section 505(f) does not legally affect paragraph F.2.a. method of disposal or alter the requirements of the FAA, Section 605(d) with regard to deposit of sale proceeds exclusively in the parent MAP account.

c. The FAA, Section 505(f) extends to disposals by the recipient countries of MAP origin defense articles if such countries were the recipient of grant aid materiel after 1 July 1974 whenever the articles were originally granted to any such country, even if granted prior to date of agreement required under Section 505(f). "Net proceeds" means the balance of the gross proceeds of sale to be paid to the U.S. Government after reasonable administrative costs of the sale of MAP origin equipment are deducted by the foreign government.

d. The FAA, Section 505(f) constitutes a condition of eligibility for recipients of grant defense articles programmed in FY 1975 and subsequently. A mandatory agreement pursuant to Section 505(f), was concluded with the countries which were programmed to receive grant aid defense articles after 30 June 1974, even though disposals may be made by DPDS in most, if not all instances.

e. For countries other than those in d. above no agreement pursuant to the FAA, Section 505(f) is legally required so long as no grant defense articles were programmed for them after 30 June 1974. Nevertheless, defense policy with regards to such other countries is to require (unless an agreement with a particular country in force on 30 June 1974 provides to the contrary) a recipient country commitment to return to U.S. Government (for deposit in Treasury miscellaneous receipts, along with funds received by U.S. Government under the FAA, Section 505(f)) the net proceeds of sale whenever such country requests release of disposable MAP property to it.

2. Methods of Disposal. Assuming an item has survived screening for further utilization and has been determined to be disposable MAP property, it may be disposed of in one of two following methods:

a. Disposal Through Defense Property Disposal Office (DPDO). This method is in accordance with the provisions of the Defense Disposal Manual (DoD 4160.21M) through the DPDOs, in which case net funds generated thereby are deposited in the parent MAP account. The FAA, Section 605(d) provides: "Funds realized by the U.S. Government from the sale, transfer, or disposal of defense articles returned to the U.S. Government by a recipient country or international organization as no longer needed for the purpose for which furnished shall be credited to the respective appropriation, fund or account used to procure such defense articles or to the appropriation, fund, or account currently available for the same general purposes."

b. Country-to-Country Special Arrangements. This method is in accordance with the provisions of special country-to-country disposal arrangements under which the MAP recipient country disposes of disposable MAP property.

c. Preferred Method of Disposal. It is preferable from the DoD standpoint to use the Defense Property Disposal Service for disposal of disposable MAP property. However, in many cases it is not practical to exercise this option, either because there is no DPDO in-country or for practical reasons it may be more desirable to have the country dispose of the item. In some cases, agreements with the country require disposal by the country if no U.S. Government utilization is found.

3. Demilitarization of Disposable MAP Property. Where munitions list materiel is involved, regardless of its economical recoverability, if the SAO is unable to ensure by physical inspection that appropriate demilitarization has been accomplished in accordance with the criteria specified in DoD Manual 4160.21, the materiel will be recovered by the U.S. and disposed of through the U.S. DPDS.

CHAPTER 14
SPECIAL PROGRAMS AND ACTIVITIES

SECTION I - SPECIAL DEFENSE ACQUISITION FUND (SDAF)

A. AUTHORITY AND PURPOSE.

1. Authority. The SDAF was authorized in 1981 by Chapter 5 of the Arms Export Control Act and the SDAF Charter and Operation Instructions were approved by the Principal Deputy Assistant Secretary of Defense (Comptroller) on 30 December 1982.

2. Purpose. The SDAF funds the procurement of defense articles in anticipation of their sale or transfer to foreign governments. The basic objective of the fund is to facilitate delivery of materiel in advance of normal procurement lead times and establishing a readily available source of selected items of materiel. Such source enhances the USG capability to satisfy urgent military requirements of allied and friendly nations while avoiding diversions from production for U.S. forces or withdrawals from U.S. stocks.

B. MANAGEMENT. The Defense Security Assistance Agency (DSAA) manages the SDAF. DoD components perform selected tasks for the DSAA as described herein. These tasks include planning, letting of contracts, contract management, FMS case management for buy outs of the SDAF equities, maintaining general ledgers, and accounting for the SDAF monies. The Security Assistance Accounting Center (SAAC) performs centralized accounting and disbursing for the SDAF funds and other accounting duties as assigned.

C. FUNDING.

1. Source of Capitalizations. The SDAF is a revolving fund. Since 29 December 1981 it has been capitalized with collections received for the following charges on export sales by the U.S. Government and its contractors:

- Nonrecurring RDT&E charges
- Nonrecurring production charges
- Asset use charges
- Contractor rental payments for use of U.S. Government plant and production equipment.

a. Once capitalized, the SDAF incurs obligations for the purchase of defense items. The sale of these items to foreign governments is another source of funds for the SDAF and permits the SDAF dollars to revolve within the limits established by Congress. The authorization for the SDAF was limited to \$600,000,000 for FY 1983, and is limited to \$900,000,000 cumulative for FY 1984 and each year thereafter. The SDAF may not be obligated without prior Congressional approval obtained through the annual budgeting process in appropriations acts.

2. Other Collections into the Fund. Collections on FMS cases resulting from sales of SDAF stocks are deposited to the SDAF account and are used thereafter to fund additional procurements. Collections into the fund also occur when SDAF stocks are transferred to foreign governments under the Military Assistance Program (MAP), and when SDAF items which have been transferred to a MILDEP. *

3. Method of Collection. MILDEPs deposit amounts collected on FMS and commercial sales as listed in subparagraph (a) above to the SDAF (Account Symbol 11X4116). Monthly, each MILDEP reports deposits to the DSAA via the report: RCS 1147(M), DoD Component Deposits to the SDAF. *

D. OPERATING CONCEPTS. An annual procurement plan developed by the DSAA in consultation with the MILDEPs, the Joint Chiefs of Staff (JCS) and Department of State forms the basis for initiating SDAF procurements. Following the decision to buy an item, the DSAA issues a Military Interdepartmental Purchase Request (MIPR), DD Form 448, to the appropriate MILDEP to procure the items. Normal operation of the SDAF provides for foreign governments to buy out the SDAF equity from on-going contracts prior to physical delivery of the end items to the U.S. Government. Thereafter, the items are delivered to the foreign purchasers in less than normal procurement lead times. Aside from selling SDAF stocks through the FMS programs, transfers occur as authorized by MAP or other security assistance legislation. In other instances, SDAF items may be sold to MILDEPs to replace items diverted from MILDEPs to foreign governments.

E. CRITERIA FOR PROCUREMENT. Several criteria are used to select items for procurement by the SDAF. No single criterion determines whether or not an item qualifies for SDAF procurement; however, emphasis is required by statute to be placed on items that are in short supply for U.S. forces that also have anticipated foreign customer requirements. The criteria are:

- Items should be those which, based on experience, judgement, and an analysis of the historical data and a projection of needs, are most likely to be needed to meet foreign requirements in less than normal procurement lead times.

- Items should be those whose withdrawal from active or reserve force inventories, or diversion from production dedicated to active or reserve forces, would result in adverse impact on the combat readiness of U.S. forces.

- Items should be capable of being produced from existing or expanded production lines.

- Items should, if not transferred to meet foreign requirements, be required to meet established acquisition objectives of U.S. forces.

- Items should have significant anticipated FMS demands.

- Items should be those with long procurement lead times, particularly over 24 months.

- Items should have the capability of being approved for foreign sale under current national disclosure policy.

Thus, the decision to buy with SDAF also takes into account stock levels, production base availability, mobilization base requirements, procurement options, availability of replacement items, national disclosure policy, the available capital in the SDAF, and the investment in items from previous procurements.

F. PROGRAM IMPLEMENTATION.

1. Plan. The DSAA will develop an annual SDAF procurement plan in consultation with the MILDEPs, the JCS, and the Department of State. The annual plan will form the basis for initiating procurements throughout the forthcoming year. To initiate an SDAF procurement, the DSAA will issue a Military Interdepartmental Purchase Request (MIPR) as explained below. Prior to the issuance of a MIPR, the DSAA will coordinate with the procuring MILDEP to define item configuration, ancillary items, and delivery scheduling for the purchase.

2. Procurement. The DSAA issues MIPRs (DD Form 448s) to the appropriate MILDEP or agency for the purchase of SDAF items. The MIPR is processed generally in accordance with DOD Federal Acquisition Regulation (FAR) Supplement, Subpart 8.70 - Coordinated Procurement. Implementing agencies negotiate separate contracts for SDAF procurements together with a direct citation (Category II) method of funding. If separate contracts are not feasible, the SDAF procurement will be a separate contract line item. The SAAC is the central paying station for all SDAF disbursements and will be so identified in each contract for SDAF procurements. Each SDAF MIPR is restricted to one major end item with associated spare parts, ground support equipment, or other related items. "Ship To" and "Mark For" addresses are provided by the DSAA in subsequent amendments to the initial MIPR at such time as an SDAF buy-out case is signed or when the items are ready for delivery. *

Upon receipt of the MIPR, the implementing agency processes "Acceptance of MIPR" (DD Form 448-2). Category I Method of Funding (Reimbursable) is prohibited unless specifically agreed upon by DSAA in advance. The MIPR acceptance must be accompanied by a forecast of disbursements for the procurements covered by the MIPR. The disbursement forecast requires annual updating based upon the cumulative disbursements for all contracts and inhouse efforts. *

3. Procurement of SDAF Items. Procurements for SDAF shall be subject to the FAR and in particular to FAR 25.7303 on notification to prospective sources of the procurement for a potential Foreign Military Sale (FMS) and to FAR 25.7304 on pricing such acquisitions. Copies of contracts for SDAF procurements (except ammunition) will be provided to SAAC, FSO, Denver, Colorado 80279, within 10 days of contract award. *

4. Payments for Contract Administration Services (CAS). Military Departments will bill CAS to SAAC simultaneous with other CAS billings for FMS. SAAC will make payment to the Military Departments from the CAS account. The CAS account will be replenished at a 1.5% rate applied to contract disbursements on SDAF purchases. In the event SDAF assets or equities are sold

to an FMS customer for which a reciprocal waiver of CAS is in effect, the amount for CAS paid to the U.S. Military Department will be refunded to the SDAF account. DSAA will provide SAAC a separate MIPR each fiscal year for CAS reimbursement.

5. Requisitioning and Billing Procedures for Items Purchased from U.S. Service Stocks (MILSTRIP). U.S. Government requisitioning activities will prepare MILSTRIP Requisitions (DD Form 1348) using signal code L, fund code 3M, and unique DODACs and project codes to segregate SDAF requisitions from others. Military requisitioning activities will be reimbursed through inter-fund billings for stock funded and secondary items and by SF 1080 billings to SAAC for major items. Contractor-initiated requisitions will not use fund code 3M. Reimbursement to the supplying Military Department for contractor-initiated requisitions will be accomplished by SF 1080 billing to SAAC. All bills (interfund and SF 1080s) must identify MIPR and line.

6. Pricing of SDAF Items Purchased from U.S. Service Stocks. Stock funded items sold to the SDAF will be priced at standard price plus the current replacement surcharge rate for non-CLSSA customers. Procurement funded secondary items are priced at standard price plus a 10% replacement factor. The price of major items sold from stock will be based upon a determination as to when the items will be replaced in kind, replaced with an improved item or not replaced. See FMS Financial Management Manual, DoD 7290.3-M, Section 702, paragraph 7020E for a description of this pricing technique. *

7. Application of Select Pricing Elements.

a. Contractor Rental Fees. Contractor rental fees incurred on SDAF procurements will be included in the items' unit price when billed to SAAC.

b. Personnel Costs. Civilian and military personnel costs directly attributable to SDAF procurements will be funded on separate MIPR lines. These labor costs shall be computed per the guidance in DoD 7290.3-M, paragraphs 70102 and 70103.

c. FMS Add-Ons. Add-on factors for non-recurring RDT&E, non-recurring production, asset use, and PCH&T will not be charged to the SDAF.

8. Reporting Deliveries to the SDAF Account. Delivery of stock items to the SDAF must be reported to the SAAC within seven days of transfer in ownership. Interfund bills (via MILSBILLS) will serve as delivery reports for stock funded and secondary items. Major items shipped from stock and ammunition items will be reported to SAAC via MILSTRIP shipment status cards, DD Form 1348. For contract deliveries, the DD Form 250 serves as the SDAF Delivery Report. *

9. Delivery Reporting Summation. The SAAC will maintain automated records of reported deliveries to the SDAF account for major items and subsequently match them to DD Form 1517s, FMS Detail Delivery Reports prepared for the sale of SDAF items. Reconciling discrepancies is the responsibility of the SAAC. *

10. Interdepartmental Orders. Sub-MIPRs issued by one Military Department to another may not cite SDAF funds. Sub-MIPRs must cite the issuing services funds.

11. Payment for Transportation of SDAF Items. Costs incurred to transport materiel to assembly and/or holding points that are not included in the item price are funded on the original MIPR issued for such materiel as a separate line. Recoupment of transportation expenses for FMS buy-outs will follow existing FMS guidance in DoD 7290.3-M, Chapter 8.

12. Storage of SDAF Inventories. Major SDAF equipment held in DoD inventories will normally be segregated from other DoD items. However, as an exception to this general policy, SDAF items with a limited shelf life may be co-mingled with service inventories so long as separate and accurate inventory records are maintained. Military Departments will forward bills for SDAF storage to the SAAC. Bills will be for direct out-of-pocket costs incurred on major equipment. *

13. Inventory Losses. All inventory losses related to SDAF secondary items will be absorbed at the time of the loss by the Military Department responsible for storing the items. However, an appropriate pro rata cost of all inventory losses will be charged to the SDAF in the price of the secondary item at the time of sale to the SDAF. If SDAF major items are lost while held in inventory by the responsible Military Department, that department will conduct an investigation in accordance with the requirements of DOD 7200.10-M. Results of this investigation will be forwarded to the Director, DSAA, for disposition. **

14. Billing for Ammunition. The U.S. Army will bill the SDAF account by SF 1080 to reimburse the Conventional Ammunition Working Capital Fund. **

G. FMS SALES OF SDAF ITEMS.

1. Price and Availability Data. Requests for Price and Availability (P&A) and Planning and Review (P&R) data for items that are known to be on contract for SDAF procurement are coordinated with the DSAA prior to responding to the foreign inquiry. The DSAA decides on whether to fill the customer's request from SDAF stocks or from inventories, and, after appropriate coordination, notifies the MILDEP of this decision. The MILDEP will then respond to the potential foreign purchaser with P&A or P&R data. Commitments to the sale must be approved by the State Department in accordance with standard procedures. State Department will also approve any required notification to Congress under Sec 36(b) AECA.

2. Sale of SDAF Items.

a. LOA Preparation. DSAA will direct the appropriate U.S. Military Department to prepare an FMS case for the sale of SDAF items. Cases will be prepared in accordance with guidance provided in this manual, Chapter 7, except as follows:

-- FMS case designators will be assigned by DSAA.

- Case lines will match MIPR lines from the original DSAA MIPR.
- SDAF and non-SDAF items will not be included on the same case.
- Financial Analysis Worksheets, in the format shown in Figure 7-II-4 will be provided for each case line.
- Cases will clearly indicate to the purchaser the U.S. Military Department points of contact responsible for transportation, supply information, MAPAD information, processing Reports of Discrepancy, status of discrepancies and material returns, and other non-financial information. (Identified points of contact will respond to foreign inquiries.)
- Cases will identify SAAC as the point of contact for financial information.
- Sales prices for procurement items will be computed normally using the SDAF cost increased by applicable FMS add-ons. *
- Sales prices for stock items will be computed using replacement pricing criteria in Chapter 7 of 7290.3-M. *
- FMS estimated payment schedules will be provided for each case.
- Initial deposits as normally computed for FMS cases will be increased by the value of disbursements already made for SDAF items being sold. The SAAC is prepared to provide disbursement information on SDAF items upon request to activities preparing SDAF LOAs.

b. Implementing Guidance. Case implementing guidance normally applied to FMS will also apply to sales of SDAF items. However, if additional instruction to the responsible Military Department is required such instructions may be issued by amendment to the appropriate MIPR.

c. DD Forms 2060/2061. SAAC will prepare DD Form 2060 and 2061 for DSAA cases that sell SDAF items.

3. FMS Detail Reporting on Cases that Sell SDAF Items.

a. Spares and Support. Concurrent spares and support items owned by the SDAF and sold to a FMS customer will be reported to SAAC by the Military Departments on DD Form 1517s or modified MILSBILLS detail billing cards. (SAAC prepares DD Form 1517s from modified MILSBILLS cards.) See 7290.3-M paragraphs 80302 and 80303 for detail descriptions on the preparation of these reports. Reports will be submitted to SAAC within 7 days of drop from inventory and contain the latest FMS price for the items being sold.

b. Major Equipment. Major SDAF equipment items shipped to FMS customers will be reported to SAAC by the Military Departments on DD Form 1517s or shipment status cards (MILSTRIP AS_) within 10 days of shipment. SAAC will prepare DD Form 1517s for deliveries of SDAF items sold to FMS customers and reported on MILSTRIP AS_ cards. Major items will be initially billed at the estimated unit price per the DD Form 1513. Once all final charges are known estimated prices will be reversed and actual prices charged. *

c. Customer Billing. SAAC will assure that all costs incurred on a case for the sale of SDAF items are billed to the FMS customer. *

H. EQUIPMENT LOANS. Items procured by the SDAF and loaned to the MILDEPs require either restoration to their original condition at the end of the loan period or replacement at MILDEP expense. The receiving MILDEP is responsible for storage and/or operation and maintenance costs incurred for the loaned equipment. In the event loaned equipment is permanently transferred to a MILDEP the transaction is priced at the amounts specified in the loan agreement. (See Figure 14-I-1) *

I. TRANSFERS FINANCED BY MILITARY ASSISTANCE PROGRAM (MAP) FUNDS. The SAAC executes MAP when SDAF items are provided. The DSAA disburses MAP funds to the SDAF as required to meet contractual and in-house payments incurred for MAP items.

J. REPORTING.

1. Reporting. The SAAC prepares the reports listed below in accordance with the applicable sections of the DoD 7220.9-H.

<u>Report</u>	<u>Applicable Section of DoD 7220.9-H</u>	
Statement of Financial Condition, Std. Form 220 and 221 with Supporting Schedules	Chapter 94	*
Analysis of Appropriation and Fund Balances, TFS Form 2108	Figure 93-1	*
Report of Budget Execution DD Form 1176	Figure 93-2	*

2. Collection Reporting. DoD components are responsible for identifying SDAF collections from the authorized sources and for depositing these collections to Account 11x4116. Monthly reporting of SDAF deposits to the DSAA (COMPT/FR&CPD) is required by the 15th day following the end of each month. As a minimum, a segregation of the SDAF deposits into the following subheads (limits) that show the source of collections is required:

<u>Accounting Subhead</u>	<u>Source</u>
.1*	Nonexcess principal/major end items which will not be replaced within the obligation availability of current procurement appropriations. (See Note below.)
.2*	Excess stock fund and procurement secondary items. (See Note below.)
.3	Nonrecurring RDT&E and production charges.
.4	One percent (1%) asset use charge.
.5	Four percent (4%) asset use charge.
.6	Contractor rental payments for U.S. Government plant and production equipment.
.7	Payments from FMS Trust Fund or Military Assistance Appropriation for sale of SDAF equity in contracts and inventories.
.8	Payments from MILDEPs appropriations for SDAF items transferred to the MILDEP for temporary use and which are not returned.

* NOTE: Although authorized to capitalize the SDAF, other conflicting legislation prohibits the use of this source of funds for SDAF capitalization at this time.

3. Congressional Reporting. Not later than December 31 of each year, the DSAA will submit to the Congress a comprehensive report on acquisition of defense articles and defense services under the SDAF. Each report includes:

a. A description of each contract for the acquisition of defense articles or services which was entered into during the preceding fiscal year;

b. A description of each contract for the acquisition of defense articles or services which is anticipated to be entered into during the current fiscal year;

c. A description of each defense article or service acquired that was transferred to a foreign country or international organization during the preceding fiscal year; and

d. An evaluation of the impact of the utilization of the authority of the SDAF on U.S. defense production and the readiness of the U.S. Armed Forces.

E

EA	Expenditure Authority
ECL	English Comprehension Level
ECP	Engineering Change Proposal
EDA	Excess Defense Articles
EDD	Estimated Delivery Date
EOQ	Economic Order Quantity
EPG	European Producing Group
ESF	Economic Support Fund
ETSS	Engineering and Technical Service Specialist

F

FAA	Foreign Assistance Act of 1961, as amended
FAD	Force Activity Designator
FAMJT	Familiarization Job Training
FAPSS	Foreign Affairs Planning and Scheduling System
FAR	Federal Acquisition Regulation
F/F	Freight Forwarder
FFB	Federal Financing Bank
FLO	Foreign Liaison Office (located within CONUS)
FORDAD	Foreign Disclosure Automated Data Systems
FMS	Foreign Military Sales
FMSCR	Foreign Military Sales Credit
FMSMP	Foreign Military Sales Management Plan
FMSO I	Foreign Military Sales Order (stock level sales case)
FMSO II	Foreign Military Sales Order (requisition/consumption sales case)
FMT	Foreign Military Trainee
FOB	Free On Board
FSC	Federal Supply Classification
FSL	Foreign Service Local (Embassy Employee)
FSO	Foreign Service Officer (Department of State)
FST	Field Service Team
FTO	Foreign Training Officer (U.S.)
FTS	Field Training Service
FYDP	Five Year Defense Program

G

GA	Grant Aid
GAO	General Accounting Office
GBL	Government Bill of Lading
GFAE	Government Furnished Aeronautical Equipment
GFE	Government Furnished Equipment
GSA	General Services Administration
GSE	Ground Support Equipment

H

[None at this time.]

I

IA	Implementing Agency
ICP	Inventory Control Point
IDCA	International Development Cooperation Agency
IL	International Logistics
ILCO	International Logistics Control Office
ILP	International Logistics Program
ILS	International Logistics Support
IM	Item/Inventory Manager
IMET	International Military Education and Training
IP	Informational Program
ISA	International Security Affairs
ISP	International Security Policy
ISSL	Initial Spares Support List
ITAR	International Traffic in Arms Regulations
ITO	Invitational Travel Order

J

JCS	Joint Chiefs of Staff
JFM	Joint Forces Memorandum
JMP	Joint Manpower Program
JSAM	Joint Security Assistance Memorandum
JSPD	Joint Strategic Planning Document (Document replacing the JSOP)
JSPDSA	Joint Strategic Planning Document Supporting Analysis (Portion of the JSPD, which will be submitted by the field)
JSPS	Joint Strategic Planning System

K

[None at this time.]

L

LOA	Letter of Offer and Acceptance
LOI	Letter of Intent
LOR	Letter of Request
LTD	Language Training Detachment

APPENDIX C

DOD DIRECTIVES, INSTRUCTIONS, AND MANUALS

The following is a list of DoD directives, instructions, and manuals pertaining to the security assistance program.

DoD Federal Acquisition Regulation Supplement *

DoD Directive 1005.3 - Decorations from Foreign Governments

DoD Directive 1130.2 - Management and Control of Engineering and Technical Services

DoD Instruction 1215.12 - Alien Student Participation in Senior Reserve Officers' Training Corps Program

DoD Directive 1315.7 - Military Personnel Assignments

DoD Directive 1315.13 - Assignment of Military Personnel to the Office of the Secretary of Defense, the Organization of the Joint Chiefs of Staff and the Defense Agencies

DoD Directive 1400.6 - Civilian Employess in Overseas Areas

DoD Instruction 1400.10 - Employment of Foreign Nationals in Foreign Areas

DoD Instruction 1400.11 - Payments to Civilian Employees and their Dependents During an Evacuation

DoD Instruction 1400.23 - Employment of Dependents of Military and Civilian Personnel Stationed in Foreign Areas

DoD Instruction 1404.3 - Standardized Tours of Duty for DoD Civilian Employees

DoD Directive 2000.3 - International Interchange of Patent Rights and Technical Information

DoD Instruction 2000.8 - Cooperative Logistics Supply Support Arrangements

DoD Directive 2000.9 - International Co-Production Projects and Agreements Between the U.S. and Other Countries or International Organizations

DoD Directive 2000.10 - Selection and Training of Security Assistance Personnel

DoD Directive 2010.1 - Support of International Military Activities

DoD Instruction 2010.4 - U.S. Participation in Certain NATO Groups Relating to Research, Development, Production, and Logistics Support of Military Equipment

DoD Directive 2010.5 - DoD Participation in the NATO Infrastructure Program

DoD Directive 2010.6 - Standardization and Interoperability of Weapon Systems and Equipment within the North Atlantic Treaty Organization

DoD Directive 2010.8 - Department of Defense Policy for NATO Logistics

DoD Directive 2010.9 - Mutual Logistics Support Between the United States and other NATO Forces

DoD Instruction 2010.10 - Mutual Logistics Support Between the United States and Other NATO Forces - Financial Policy

DoD Instruction 2015.4 - Mutual Weapons Development Data Exchange Program (MWDDEP) and Defense Development Exchange Program (DDEP)

DoD Instruction 2045.2 - Agreements with Australia and Canada for Qualification of Products of Non-Resident Manufacturers

DoD Instruction 2050.1 - Delegated Approval Authority to Negotiate and Conclude International Agreements

DoD Directive 2100.3 - United States Policy Relative to Commitments to Foreign Governments Under Foreign Assistance Programs

DoD Instruction 2110.8 - Transfer of Releasable Assets of the DoD to Eligible Foreign Countries and International Organizations on a Foreign Military Sales Basis

DoD Instruction 2110.31 - Contributions by Foreign Governments for Administrative and Operating Expenses of Military Assistance Programs

DoD Instruction 2110.32 - Foreign Military Sales Between the United States and the Federal Republic of Germany

DoD Instruction 2110.33 - Preparation of U.S. Inventory Material for Transfer Under the Grant Aid Military Assistance Program

DoD Directive 2125.1 - Military Assistance Program Offshore Procurement

DoD Directive 2140.2 - Recoupment of Nonrecurring Costs on Sales of USG Products and Technology

DoD Instruction 2140.4 - Collecting and Reporting of Foreign Indebtedness Within the Department of Defense

DoD Directive 3100.3 - Cooperation with Allies in Research and Development of Defense Equipment

DoD Directive 3100.4 - Harmonization of Qualitative Requirements for Defense Equipment of the U.S. and its Allies

DoD Directive 4100.37 - Retention and Transfer of Materiel Assets

DoD Directive 4140.2 - Management of War Reserves

DoD Instruction 4140.42 - Determination of Initial Requirements for Secondary Item Spare and Repair Parts

APPENDIX D

DSAA INFORMATION SYSTEMS DATA ELEMENT DICTIONARY

A. PURPOSE. The purpose of this appendix is to provide the users of the DSAA 1000 and 1200 Systems with information about the data elements used in the systems.

B. DESCRIPTION. All codes listed in this appendix are used in either of the two systems as processing tools or as a means of segregating and recording essential data pertaining to the program involved, thereby according a means of retrieving data to satisfy management level officials.

C. ALPHABETIC LIST OF CODES WITH DEFINITIONS.

1. Acceptance Date - 1200 System. The date a country representative signs the formal United States Department of Defense Letter of Offer and Acceptance (LOA), DD Form 1513. It indicates the calendar date on which a foreign buyer agrees to accept the terms and conditions contained in the offer portion of the LOA. This date is expressed in a year, month, and day (YYMMDD) format.

2. Acceptance Fiscal Year/Quarter - 1200 System. A three digit numeric code contained in the data base and generated from the Acceptance Date of the case (e.g., 794 is generated for the fourth quarter of fiscal year 1979).

3. Action Code - 1000 System. A single digit alpha code used in conjunction with the updating of the master program file. MILDEPs are furnished advice on program changes originating within their respective agency based on this code. It advises the program originator of exactly what action was taken by DSAA on the input submitted to update the master program file. The action code is used in the ADP feedback and is reflected in column 7 of cards, card images, and printed detail listings. The feedback procedure provides input error, program feedback listings and cards or card images reflecting errors in input and the action taken by DSAA on the program change data. Approved data appears on the MAP and IMET orders and in all MAP/IMET order cards or card images. The following action code advice is furnished to the MILDEPs following each update, as applicable. Rejects: Action Code D, G, H, I, M, Q, V, and Y. Disapprovals: Action Code X only. (For a list of all action codes and their meaning, see Table D-1.)

4. Advance Notification to Congress Date - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the calendar date on which an advance notification of a potential major foreign military sale or foreign military construction sale is furnished to Congress.

5. Area Code - All Systems. The area code is a single digit numeric code assigned as supplemental data in the DSAA data bases for use in selecting and sorting data by geographical area. Country/Activity codes for each area are shown in Table D-7 of this appendix. Applicable codes are as follows:

<u>Code</u>	<u>Meaning</u>
1 -----	East Asia and Pacific (EAP)
2 -----	Near East and South Asia (NESAs)
3 -----	Europe and Canada (EUR)
4 -----	Africa (AFR)
5 -----	American Republics (Latin America) (AR)
6 -----	Non-Regional (NR)

6. Availability Reporting Quarter - 1000 System. A single digit numeric code used in training programs to indicate the quarter in which the student availability reporting date occurs. Applicable codes are 1 through 4 representing the four quarters of a fiscal year, plus code 5 which represents the period of 1 October through 30 December of the next fiscal year, thus providing a "fifth quarter" in which to implement training (under IMET) in a given fiscal year.

7. Cancellation Date - 1200 System. A six position numeric code expressed in a YYYYDD format, which reflects the calendar date the LOA (or request for LOA) was actually cancelled.

8. Card Code/Transaction Type.

a. 1000 System. A single digit alpha or numeric code which identifies each card or card image that can be used in the updating of data in the 1000 system.

<u>Code</u>	<u>Meaning</u>	
3 -----	MAP Program addition/amendment transaction (Defense Articles and Services)	*
4 -----	Training Program addition/amendment (IMET and FMS)	*
8 -----	MAP Delivery transaction (Defense Articles and Services)	*
P -----	MAP change transaction (Defense Articles and Services)	*
Q -----	Training change transaction (IMET and FMS)	*
R -----	MAP/Training program deletion (Defense Articles and Services, IMET, FMS)	*

b. Transaction Type - 1200 System. A two position code assigned to each card or card image used in the 1200 System data base. The first digit is a constant "S" (system code) and is used to distinguish data in the 1200

System from other card or tape data used by DSAA in other security assistance operations. The second digit is numeric and identifies the type of data being processed.

<u>Code</u>	<u>Meaning</u>
S1 -----	Letter of Request Format -- this transaction is used for additions, changes and deletions to the data base.
S2 -----	Congressional Transaction Format -- this transaction is used for processing status changes and/or deletions to the Congressional cycle of the data base.
S3 -----	DD Form 1513 Format - this transaction is used for recording LOAs when countersigned and for processing changes and/or deletions at the offer, acceptance, implementation, and closure stage of the LOA cycle.
S4 -----	Implementing Agency Format - this transaction is used to record pertinent implementation actions to an accepted case record.
S5 -----	Redesignating Key Format - this transaction is used to change (convert) a control field in a previously established record.
S6 -----	Under DoD Preparation Format - this transaction is used to add/change data in the system relative to the Congressional cycle portion of the data base.
S7 -----	Under DoD Preparation Format - this transaction is used to change data relative to the Congressional cycle portion of the data base.

c. Military Articles and Services List (MASL) - 1000/1200 System.
The following cards or card images are approved for use when processing data to the MASL data base:

<u>Code</u>	<u>Meaning</u>
1 -----	Use to add, change and/or delete a record in the Materiel MASL.
2 -----	Use to add, change and/or delete a record in the training MASLs.
G-0 -----	Trailer cards used in the Materiel MASL to add supplemental data and/or a brief description to a record.

*

9. Case Amendment Number - 1200 System. A two position numeric code assigned by the Implementing Agency (IA) to identify and distinguish between the basic FMS or Foreign Military Construction (FMCS) case and subsequent amendments thereto. All amendment numbers must fall in the range of 01 through 99.

10. Case Description - 1200 System. A short title specifically prepared for each case and containing from 15 to 40 characters. In the case of ships, combat vehicles, aircraft, and other designated major defense equipment (MDE), the description will contain the quantity of the MDE item in parenthesis. Data entered in this field should be as descriptive as possible. Any special characters used are restricted to the character set used in the 1200 system.

11. Case Designator - 1200 System. A unique designation within a single country and implementing agency, assigned by the IA to each FMS or FMCS case, consisting of a three digit code to identify a specific offer to a country customer. This designator, assigned upon receipt of the Letter of Request (LOR), permanently identifies the sale or offer unless deleted jointly by the DSAA and the IA. The first digit is always alpha and the second and third digits may be alpha or numeric.

12. Case Establishment Date - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the actual date a country customer is notified that a FMS or FMCS case is implemented on its behalf.

13. Case Identifier - 1200 System. The case identifier is a means of identifying a case throughout its existence. It consists of the country code, implementing agency code, case designator, and the amendment number if any.

14. Change Originator Code

a. 1000 System. The change originator code identifies the organization originating a change (add, change, or delete card) to the DSAA master program file. Changes originated by an overseas Security Assistance Organization (SAO) are required to be submitted through a military department. The Military Department enters change originator codes A, N, or F, as appropriate, prior to forwarding the card to DSAA. Approved codes are as follows:

<u>Code</u>	<u>Explanation</u>
A -----	Department of the Army
C -----	Coast Guard
F -----	Department of the Air Force
J -----	Department of the Air Force (Headquarters and Foreign Military Training Affairs Group - IMET)
K -----	Marine Corps
N -----	Department of the Navy
S -----	Defense Security Assistance Agency (DSAA)
U -----	Unified Command

b. 1200 System. Change originator codes identify the organization originating a change (add, change or delete) in the 1200 system.

<u>Code</u>	<u>Meaning</u>
A -----	Department of the Army
C -----	Department of the Navy (CNO)
F -----	Department of the Air Force
J -----	Department of the Air Force (Hdqtrs)
L -----	Defense Audio Visual Agency (DAVA)
M -----	Department of the Navy (Naval Materiel)
N -----	Naval International Logistics Control Office (NAVILCO)
R -----	Defense Logistics Agency (DLA)
S -----	Defense Security Assistance Agency (DSAA)
U -----	Defense Mapping Agency (DMA)
V -----	Defense Contract Audit Agency (DCAA)
W -----	Defense Advanced Research Projects Agency (DARPA)
Z -----	Defense Nuclear Agency (DNA)

15. Classification Code. An alphabetic code assigned by the cognizant MILDEP or Agency which designates the Security classification of that particular line item. **

<u>Code</u>	<u>Classification</u>
C -----	Confidential
D -----	Confidential-classified for national defense purposes
U -----	Unclassified

16. Closure Date - 1200 System. A six position numeric code, reported by SAAC, expressed in a YYMMDD format, which reflects the calendar date a case was officially closed by SAAC.

17. Commercial Item - 1000 System. The use of a numeric "1" in column 53 of the Materiel Card 3 indicates DSAA prior approval of a commercial type item. (See Chapter 11 for detailed instructions on the programming of commercial type items.)

18. Commitment Code - 1000 System. A single position numeric code used to describe the U.S. commitment, by type (see definition), for each defense article and defense service programmed. (For a list of commitment codes with an explanation of each see Table D-2 of the appendix.)

19. Communications/Ancillary Item/Concurrent Spare Parts Code - 1000 System. A single position alpha code used in column 54 of the Program Materiel Card 3 to alert supply agencies that specific items of communications or other ancillary equipment are not to be shipped directly to the recipient country/ activity, but are to be mounted on or installed in a major piece of equipment also programmed for the recipient. In addition the code identifies the major items of equipment which are to have separately programmed CSP and/or communications or ancillary equipment installed prior to delivery.

<u>Code</u>	<u>Explanation</u>
A -----	Communications or other ancillary equipment to be mounted on or installed in a major piece of equipment prior to shipment of the latter.
M -----	This piece of equipment should have separately programmed communications or other ancillary equipment installed prior to shipment.
N -----	This piece of equipment should have CSP separately programmed.
P -----	This piece of equipment should have separately programmed CSP, and communications or other ancillary equipment installed prior to shipment.

20. Completed Line Item Code - 1200 System. An optional alpha code "C" entered in the item detail data by the implementing agency thru the SAAC to indicate that all defense articles have been delivered and/or all defense services have been performed against the line.

21. Condition Code - 1000 System. An alpha code is entered in column 53 of the Materiel Card 3 to assign condition codes to all items programmed under MAP and available as Excess Defense Articles (EDA). Codes are used to reflect the degree of serviceability, condition, and completeness in terms of readiness for issue and use. A list of all condition codes is contained in Table D-3 of this chapter. For non-excess entries column 53 is used to indicate commercial type items which are programmed under MAP. (See Commercial Item - 1000 System, above.)

22. Congressional Approval Date - 1200 System. A computer generated six position numeric code expressed in a YYMMDD format which reflects the final date of the statutory Congressional review period for a 36(b) case. This date is based on the statutory notification date that a 36(b) was forwarded to Congress.

23. Congressional Year of Interest - 1200 System. A two position numeric code, generated by the computer, which reflects the probable fiscal year projected for an FMS or FMCS case acceptance.

24. Congressional Notification Transmittal Number - 1200 System. A five position alpha/numeric code assigned by the DSAA and used for tracking notifications sent to the Congress. The first two characters always represent the fiscal year in which the notification was made. In advance notifications the last three positions are alpha characters. In statutory (formal) notifications the last three positions are numeric characters.

25. Construction Indicator - 1200 System. A single digit alpha code entered in case transactions or generated by the computer to identify a Foreign Military Construction Sale, FMCS.

26. Continuing Resolution Authority (CRA) Code - 1000 System. All initial input for materiel 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 used 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. All training "each" lines must contain the code 0 (zero) for program years prior to 78. For IMET beginning with fiscal year 78 and for subsequent years this field in the Card 4 is used for requirements priority. (See Requirements Priority - 1000 System of this appendix.)

<u>Code</u>	<u>Amount Required</u>
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
0(alpha)	Used for prior years

27. Control Code - 1000/1200 System. A alphabetic code assigned to all MASL data. All material MASL records are distinguished by a Code of "K" which is entered in card column 53 of the card 1 format. All training records contain a code based on the type of training (i.e., IMET, FMS, FMS/IMET, or FMS-NATO) and the PY. **

28. Cost Code - 1000 System. This data element is used in the training detail listing to provide the total cost of a training program line. An alpha code assigned to each record in the data base used to identify program cost categories to provide a general indication as to what part of each annual program is necessary to operate and maintain the force capability and what part will increase the force capability. (For a list of applicable codes with explanation of each see Table D-4, this appendix.)

29. Country/Activity Code - All Systems. The country and activity codes shown in Tables D-5 through D-7 of this appendix are used throughout the Department of Defense systems to identify the country, international organization, or account which is the recipient of defense articles or services furnished, sold, leased, loaned, transferred, or exchanged. Inclusion of a country in these lists does not, in itself, indicate that the country is an independent country, that an organization is an independently eligible international organization, or that the country or organization or other account is now, ever has been, or will be a recipient of MAP Grant Aid, IMET, FMS, FMCS, or FMS training. For ease of reference, Table D-5 is listed in alphabetic name sequence. Table D-6 is listed alphabetically by country/activity code sequence, and Table D-7 is segregated by area and countries/organizations are listed alphabetically within each area. It should be noted that certain

country/activity codes contained in these listings and prescribed for use are at variance with the DoD/Federal Information Processing Standard Publication (FIPS) standard for Countries of the World (CO-XV) contained in DoD 5000.12M.

30. Course Title - 1000 System. The abbreviated course title used in the training MASL to identify the course of instruction, training team, or other training service or item provided by the Military Department.

31. Customer Within Country Code - 1000 System. A single digit alpha or numeric MILSTRIP code used in the materiel program 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 to determine the code. This code is not required in program data for those program lines for which requisitions will be submitted by the recipient country/SAO. It is essential that it be entered for all other materiel line items to ensure shipment to the proper in country designation.

<u>Department</u>	<u>Directive</u>
Army -----	Army Regulation No. 725-50
Navy -----	NAVSUP Publication 437 "MILSTRIP/MILSTRAP"
Air Force ---	DoD 4140.17M

32. Delivery Commitment Date - 1200 System. The delivery commitment date is that date reflected in the DD Form 1513 for complete delivery of the total value and/or quantity of the line item, and is expressed by a three digit numeric code. The first two digits represent the fiscal year and the third digit represents the quarter of the fiscal year.

33. Delivery Forecast Date - 1200 System. The delivery forecast date is that date in which delivery of the line item (supply/services) is estimated to be completed. The first two digits represent the fiscal year and the third digit represents the quarter of the fiscal year.

34. DSAA Waiver - 1000 System. Some categories of training require DSAA approval before programming. An alpha "A" used in column 58 of the 4 Card indicates that constraints have been waived by the DSAA on the item of training programmed. (See Chapter 10.)

35. Duration Code - 1000 System. The duration code is a two position alpha/numeric code which appears in the training MASL and detail records. It indicates, where applicable, the course length in weeks for formal training and should be expressed in man weeks for teams and man months for field training services. Courses that exceed 99 weeks should be coded as follows.

<u>Code</u>	<u>Weeks</u>
AO-A9	100-109
BO-B9	110-119
CO-C9	120-129
DO-D9	130-139
etc.	

When the duration in the MASL is coded as "VA" (variable), it signifies that the training line item has a nonspecific variable duration which should be determined separately.

36. End Use Code - 1000 System. The following codes identify end use of the defense articles and defense services programmed for MAP prior to FY 78. For FY 78 and subsequent years this field was redesignated to fiscal code. (See Fiscal Code - 1000 System of this appendix.)

<u>Code</u>	<u>Meaning</u>
A -----	Naval Defense Forces (CINCS only)
B -----	Civil Action
C -----	Internal Security
D -----	Western Hemisphere Defense

37. English Comprehension Level/Specialized English Training Requirement - 1000 System. This data element is used in the training MASL to provide the required English Comprehension Level (ECL) and Specialized English Training (SET) requirement for course attendance. The ECL is entered as -- 60, 70, 80, etc. The SET requirement is indicated as SET advised -- SA or SET required -- SR, etc.

38. Excess Offer Number Code - 1000 system. This code is used to identify transferable assets to countries which are eligible to receive Grant Aid defense articles through MIMEX, MAPEX and MASFEX. Column 60-64 of the Materiel Card 3 should be used to identify the MILDEP MIMEX Offer Number, Defense Property Disposal Service (DPDS) listing or flyer number, and the MAPEX or MASFEX project numbers. For card column 60 one of the following codes should be used for all items programmed from transferable assets. For card columns 61-64 enter the serial number of the offer assigned by the MILDEP, flyer/listing number as assigned by DPDS, or the MAPEX/ MASFEX project number as assigned by CINCPAC. Right justify and zero fill the field. Examples: Army MIMEX Offer 194, enter A0194. DPDS listing number 71/D-11, enter L0011. On non-excess items columns 60-64 may be used to identify Issue Priority/Required Delivery Date codes. (See Issue Priority/ Required Delivery Date Code - 1000 System of this appendix.)

<u>Code</u>	<u>Meaning</u>
A -----	Army
D -----	DPDS flyer
F -----	Air Force
L -----	DPDS listing
N -----	Navy
X -----	MAPEX/MASFEX

39. Execution Agency (EXA) Code - 1000 System. A three digit code used with all training program lines to identify the MILDEP providing the training, the funding command or agency, and the school or training activity at which training is to be performed. The first digit of the EXA code corresponds to the Implementing Agency Code-1000 System and is used to identify the MILDEP other agency responsible for providing the training. The second digit is an alpha character assigned to identify each funding command or agency, as applicable. The third digit is an alpha or numeric character that can be assigned to identify each school or training activity within the MILDEP. Not

all MILDEPs identify individual schools with the EXA code. Chapter 10 provides a breakdown of Execution Agency Codes by MILDEP.

40. Federal Supply Group (FSG) - All Systems. The first two positions of the Federal Supply Classification Code (FSC) identifies the specific group of commodities of supply.

41. Federal Supply Classification Code (FSC) - All Systems. A four digit code which identifies the supply classification of an item of supply identified under the Federal Cataloging Program as an item of production, and/or a homogeneous area of commodities with respect to their physical or performance characteristics. The first two digits identify the federal supply group and the last two digits identify the federal supply classification within each group.

42. Fiscal Code - 1000 System. A single digit numeric code used to identify the fund source for each program line. For example:

<u>Code</u>	<u>Meaning</u>
2	1982
3	1983
4	1984
etc.	

43. Footnote Code - 1000 System. A two digit alpha code used to provide significant supply information on defense articles and defense services. (See Table D-8 of this appendix for a complete list of codes.)

44. Formal (Statutory) Notification to Congress Date - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date on which the statutory notification of a 36(b) case was forwarded to Congress.

45. Funding Date/Case - 1000 System. This data element is used in the IMET detail training records to indicate the date by which the individual training line must be funded. The date is entered by the appropriate Military Department in a MM/DD format. In the FMS training records the second, third and fourth digits of this data element are used to record the FMS case designator.

46. Funding Priority Code - 1000 System. The funding priority code identifies the order in which materiel items and services (groups of inter-related 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 alphabetic characters indicating the sequence of funding. For example:

<u>Funding Priority</u>	<u>Code</u>
1	AA
3	AC
26	AZ
27	BA

47. Generic Code - All Systems. A three digit code assigned to each item in the MASL and perpetuated throughout program data, to classify defense articles, services and training according to the budget activity/project account classification and to aggregate articles, services and training into generic groupings for reporting and management purposes. The first digit of the generic code is an alpha character identifying one of the following budget activities. The second digit is a numeric assigned each Budget Project (BP). The BP is classified at the second level of aggregation in the generic code. The third digit is an alpha character assigned each generic grouping of defense articles, services and training with similar characteristics. The generic grouping is classified at the third level aggregation in the generic structure. A complete list of generic codes is shown in Table D-9 of this appendix.

<u>Code</u>	<u>Meaning</u>
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
U -----	Foreign Military Sales Order (FMSO)

48. IA Completion Date - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date on which the implementing agency completed preparation of the LOA documentation.

49. IMET Order - 1000 System. The document issued by DSAA which authorizes and directs the furnishing of military training to the designated IMET recipient. The IMET order identifies the fund source for each program line (FY 1984 funding is indicated by a "4" in the fiscal code -- column 71).

50. IMET Order Adjustment - 1000 System. This data element contains the last two positions of the latest IMET order number that either funds, unfunds, or modifies an IMET record. **

51. Implementing Agency (IA) Code.

a. 1000 System. A single digit alpha code assigned by the DSAA and identifying the Military Department or agency to be the recipient of the MAP/IMET Order.

<u>Code</u>	<u>Meaning</u>
B -----	Department of the Army
D -----	Department of the Air Force
P -----	Department of the Navy
S -----	Office Secretary of Defense

b. 1200 System. A single digit alpha code identifying the Military Department or agency which has made the sale on behalf of the U.S. Government.

<u>Code</u>	<u>Meaning</u>
B -----	Department of the Army
D -----	Department of the Air Force
L -----	Defense Audio Visual Agency (DAVA)
M -----	Army (Other)
P -----	Department of the Navy
Q -----	Defense Security Assistance Agency (DSAA)
R -----	Defense Logistics Agency (DLA)
U -----	Defense Mapping Agency (DMA)
V -----	Defense Contract Audit Agency (DCAA)
W -----	Defense Advanced Research Projects Agency (DARPA)
X -----	Security Assistance Accounting Center (SAAC)
Z -----	Defense Nuclear Agency (DNA)

52. Item Detail Data Flags - 1200 System. A one position alpha code created during item detail processing indicating that an error or possible error condition exists in the data provided by SAAC. These codes contained in a listing of data for which they apply are furnished to the SAAC on a monthly basis after the 1200 updating cycle has been completed. The following codes may appear in these listings:

<u>Code</u>	<u>Explanation</u>
B -----	Purchased quantity or delivered quantity is inconsistent with the unit of issue code in the MASL.
E -----	Completed line code is inconsistent with data reported in the purchase/delivery fields.
J -----	No master file case record exists for the corresponding item detail data as provided.
L -----	The item detail submission contains duplicates (multiple) records for the same control fields.
M -----	The item detail record is unmatched to the materiel MASL or generic code and NSN.
P -----	The item detail line contains a delivered value but no quantity delivered for a non-dollar (XX) line.
V -----	The delivered value for a specific line exceeds the purchase value.

53. Item Identification Number (IIN) - 1000 System. A seven digit number used to identify each specific training item available for IMET or FMS training programming. The first digit represents the Military Department supplying the training (See Implementing Agency Code - 1000 System above).

The next three digits are prescribed by DSAA and are listed in Chapter 10. The first four digits are used as a "root" by the Military Departments who add the last three digits to complete the seven digit identification number.

54. Issue Priority/Required Delivery Date Code - 1000 System. Provision is made in the Materiel Card 3 format for inclusion of issue priority and required delivery date (RDD) codes. The purpose is to provide all necessary data, to the implementing agency, for use in the preparation of requisitions for definitized items by the Military Departments upon receipt of the MAP Order Materiel Card 5. Issue priority codes used for MAP are those prescribed in the MILSTRIP regulations and are entered into the system by using columns 60-61 of the Materiel Card 3. The RDD is entered by using columns 62-64 of the Materiel Card 3. The first position indicates the last digit of the calendar year the item is required and the second and third digits indicate the month of the calendar year. Military Departments can convert the RDD to MILSTRIP system when the requisition is prepared. Columns 60-64 are used to identify the MIMEX excess offer number on items that are available from excess stocks. (See Excess Offer Number Code - 1000 System in this appendix.)

55. Lead Time Code - 1000 System. A single digit numeric code used in the materiel portion of MAP to identify the interval between the initiation of a procurement request and receipt of an item in the supply system.

<u>Code</u>	<u>Lead Time</u>	<u>Explanation</u>
0 -----	0 to 12 months -----	Delivery (articles) or expenditure of funds (services) during the same FY as programmed.
1 -----	13 to 24 months -----	Delivery (articles) or expenditure of funds (services) during the FY following the one in which programmed.
2 -----	25 to 36 months -----	Delivery (articles) or expenditure of funds (services) during the second FY following the one in which programmed.
3 -----	37 to 48 months -----	Delivery (articles) or expenditure of funds (services) during the third FY following the one in which programmed.
4 -----	49 to 60 months -----	Delivery (articles) or expenditure of funds (services) during the fourth FY following the one in which programmed.

56. Letter of Request (LOR) Date - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date shown on the LOR for defense articles and defense services as received from the country customer and as entered into the 1200 system.

57. LOR IA Receipt Date (Complete) - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date on which the IA received an LOR which is complete with respect to definition of the defense articles, defense services, and related elements of the LOA.

58. LOR IA Receipt Date (Incomplete) - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date on which the IA received an LOR which is incomplete with respect to defense articles, defense services, and/or terms desired by the potential customer.

59. Major Defense Equipment (MDE) Indicator - MASL. A single digit numeric code which indicates that the item is on the MDE List contained in Chapter 7. A "Y" indicates the item is on the list and "N" indicates that the item is not on the list.

60. MAP Element Code - 1000 System. A four digit code that defines intermediate levels of forces and activities or support requirements in descending order of detail for which requirements are programmed. The code is patterned after the major program and program element structure for the U.S. forces in the DoD Five Year Forces Structure and Financial Program. The first digit is numeric and identifies the Military Assistance major program. The second and third digits are alpha characters and further define sub-divisions of forces or activities within the major program. The fourth digit normally will be the numeral 0 (not the letter O). An alpha may be substituted for the zero in the fourth digit when it is necessary to relate programmed requirements to specific force units or when specific unit identification is of particular importance to decision-making and control over program execution. The structure of the MAP Element Code is shown in Table D-10 of this appendix.

<u>Code</u>	<u>Meaning</u>
2 -----	Air and Missile Defense Forces
3 -----	General Purpose Forces
4 -----	Airlift and Sealift Forces
5 -----	Reserve Forces
6 -----	Research and Development
7 -----	General Support

61. Method of Funding - 1000 System. A numeric code assigned only by the DSAA and indicates the following:

<u>Code</u>	<u>Meaning</u>
0 -----	No funds required
1 -----	.001 fund appropriation
2 -----	.002 fund appropriation
3 -----	.003 fund appropriation
4 -----	Contract Authority
5 -----	Currency other than those appropriations used for MAP/IMET.

62. MILSTRIP Routing Identifier Code (MRI) - All Systems. A three digit code used in MILSTRIP, and to be found in Military Department and DLA supply publications, which defines a specific supply and distribution organization and its address. In the MAP 1000 system, the first digit of the MRI code, as shown in all MASL data and in all MAP program data records, is used to identify the MILDEP or other agency that, under normal circumstances, will be the recipient of MAP Orders for the items programmed. In the FMS 1200 system, the first digit of the MRI code as shown in all MASL data, indicates the supplying agency of the item programmed. The second and third digits of the MRI are

selected by the agency preparing and submitting the MASL input to the system, and may or may not correspond to pertinent MRI codes used in the MILSTRIP system.

<u>Code</u>	<u>Meaning</u>
A, B, or W ----	Army
M, N, or P ----	Navy
D or F -----	Air Force
S -----	OSD
Y -----	Department of State

63. National Codification Bureau Code (NCB) - All Systems. A two position code used in the Federal Cataloging Program to identify the NATO country or other foreign country which originally cataloged an item of supply. This code appears as the fifth and sixth digit of all National Stock Numbers. Following are applicable codes extracted from DoD 4100.38-M, Appendix III A, Table 9:

<u>Code</u>	<u>Country</u>
00	United States
01	United States
11	NATO
12	Germany
13	Belgium
14	France
15	Italy
17	Netherlands
21	Canada
22	Denmark
23	Greece
24	Iceland
25	Norway
26	Portugal
27	Turkey
28	Luxembourg
29	Argentina
30	Japan
31	Israel
32	Singapore
66	Australia
98	New Zealand
99	United Kingdom

64. National Item Identification Number (NIIN) - All Systems. A nine digit numeric code assigned to each approved item of supply in the Federal Cataloging Program. The NCB code described above makes up the first two positions of this number and the last seven digits represent a specific number assigned to each item of supply for unique identification.

65. National Stock Number (NSN) - All Systems. The NSN for an item of supply in the Federal Cataloging Program is comprised of the applicable four position FSC plus the applicable nine position NIIN assigned to each item of supply. All standard items in the U.S. supply system are assigned an NSN which permits precise identification of each item in an abbreviated format.

The 13 position standard NSNs are used in both the 1000 and 1200 system Master Program Files along with pseudo-NSNs, assigned by the DSAA or the Military Departments, for groups of secondary items, services, some aircraft, ships and ammunition.

66. Notification to State Department Date - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date on which a proposed Congressional notification of a 36(b) case was forwarded to the State Department for coordination and clearance.

67. Obligation Authority Date (Implementation Date) - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date on which SAAC, after receipt of an accepted LOA, issues funding authority to the Implementing Agency.

68. Offer Date (Countersignature) - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date the authorized representative of DSAA, Comptroller countersigns the LOA on which defense articles and defense services are formally offered to an eligible buyer.

69. Offer Expiration Date - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date that the formal offer on the LOA expires.

70. Prerequisite Course Number - 1000 System. This data element is used in the training MASL by the Military Departments to provide the MASL item identification number of required prerequisite training.

71. Program Directive Date - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date that the implementing directive is issued to the activity(ies) responsible for procurement/supply action on a specific case.

72. Program Originator Code - 1000 System. The Program Originator Code identifies the SA element corresponding to the country using service or the country service responsible for storage and distribution of articles for two or more using services. With reference to cross-service training, the Program Originator Code identifies the country using service rather than the U.S. military service providing the training. Program Originator Codes determine the content of, and page breaks in, information copies of MAP/IMET Orders mailed to the overseas Security Assistance Organizations (SAO). Therefore, the use of program originator code "S" on country programs will be limited to lines showing distributed Supply Operations Cost (SOC) and for program lines originated by DSAA in activity accounts.

<u>Code</u>	<u>Meaning</u>
B -----	SA (Army)
C -----	SA (Coast Guard)
P -----	SA (Navy)
D -----	SA (Air Force)
K -----	SA (Marine Corps)
S -----	OSD
T -----	SA (Joint Service)
X -----	SA (Other Defense Organizations/Activities)

73. Program Year Code - 1000 System. A two digit numeric code appearing in all records in the Master Program File. It reflects the fiscal year in which the item is programmed or is to be programmed. In the IMET training program, the program year consists of five fiscal year quarters -- the fifth quarter being the first quarter (Oct - Dec) of the following fiscal year.

74. Quantity - 1000 System. This data element is used in the detail training records to indicate the number of students, or in the case of a training team, the number of personnel on the team. For a training program dollar value line, no entry is made. As used in the MAP materiel listings, it indicates the quantity of equipment items.

75. Reason for Change Code - 1000 System. This code is used to identify the purpose of the change to a MAP, IMETP, or FMS training program record. The following represent the codes that should be used by the MILDEPS in transactions submitted to the DSAA: **

<u>Code</u>	<u>Meaning</u>	
B4	Add/Change/Delete action to a programming line currently in unfunded status	**
D4	Change/Delete action to a programming line currently in funded status	**
P3	Deviation action used to prevent the computer from performing standard computations (i.e., (unit price + TLA) x Qty). The line must be deleted and re-submitted in order to remove the P3 (e.g., used to reflect penalties).	**
The following codes will be used only by the DSAA:		**
M3	Change/Delete transaction generated as a result of a MASL change/delete action. These changes are generated only for unfunded status lines.	**
S1	Add/change/delete action taken for funding/management purposes.	**

76. Record Control Number (RCN) - 1000 System. A four position alpha/numeric code assigned each record in the 1000 system data base. The RCN, combined with Country/Activity Code and Program Year, constitutes an identification number for each record which is perpetuated on all MAP/IMET/FMST transactions, including MILSTRIP documentation. This number may be computer assigned or manually assigned by those offices inputting data into the system. The first and second digits must be alpha characters and the third and fourth digits must be numeric. DSAA has allocated blocks of numbers as indicated below:

- AA00 through AZ99 - Reserved for DSAA. Use of any RCN in this block requires DSAA approval.
- BA00 through DZ99 - This block may be used by anyone desiring to enter an RCN in their initial submission. **
- EA00 through GZ99 - Reserved for Navy/Chief Naval Education and Training.
- HA00 through JZ99 - Reserved for the Air Force/Foreign Military Training Affairs Group.
- KA00 through MZ99 - Reserved for the Army/Security Assistance Training Field Activity.
- NA00 through ZZ99 - Reserved by the DSAA for computer assignment. **

77. Record Serial Number - 1200 System. A three position alpha/numeric code assigned by the IA and used to identify individual item records within a FMS or FMCS case.

78. Requirements Priority Code - 1000 System. A one position alphabetic code assigned by the MILDEP to identify the priority that a particular record has within a country's training program. The valid codes are A through D with A holding the highest priority and D the lowest. **

79. Selected Item Description Number/Selected Item Sequence Number and Quantity Control Code - All Systems. The Selected Item Description Number is a three digit numeric code assigned by DSAA to each materiel MASL line and appears in columns 62-64 of the Materiel MASL Card 1. This code does not appear in program listings or program cards, but is contained in each Master File Record to provide a means for identification and roll-up of detail records into standard groups or categories (summary level) for the preparation of summary documents and Congressional data. The Selected Item Sequence Number is a three digit alpha/numeric code assigned to each summary MASL line by DSAA and is used to arrange summary data in a sequence prescribed by DSAA. The Quantity Control Code is also assigned by the DSAA and appears in columns 59 of the Materiel MASL Card 1. This code is used to determine the quantity count in reports as follows: 1 = quantity is counted and accumulated into the summary line, and 2 - quantity is dropped when item is accumulated to the summary line.

80. Service Course Identification Number - 1000 System. This number is used in the training MASL assigned by the Military Departments to provide the military service course identification number. The last three digits are used to provide a course location code (Air Force and Navy only).

81. Source of Supply - 1000 System. A single digit alpha code used to identify the source from which the supply of a defense article or defense service is anticipated. For a complete list of codes with an explanation of each see Table D-12 of this appendix.

82. Spare Parts, Ground Support Equipment (GSE), and Equipment Attachment Codes - 1000 System. The following codes are used in the Materiel 3 Card

when programming concurrent spare parts (CSP) packages, AGE packages, or equipment attachments for certain engineer equipment.

<u>Code</u>	<u>Meaning</u>
A -----	Ground Support Equipment (GSE)
E -----	Equipment Attachments
N -----	Concurrent (initial issue) Spare Parts (CSP)

83. Special Supply Procedures Code-1000 System. A single digit alpha code used in column 34 of the Materiel 3 Card which signifies application of a special supply procedure and/or a different and unusual procedure.

<u>Code</u>	<u>Explanation</u>
A -----	A MIMEX transaction. Indicates item is on a refined shortfall list.
C -----	This line is included in a government-to-government commitment.
D -----	Items programmed with Source of Supply "T" (from MAPOM which were part of the MAPOM inventory on 30 Jun 1963.)
J -----	Item was located in Philippines prior to delivery.
K -----	Equipment transferred to the Republic of Korea under PL 91-652 at no cost to MAP.
L -----	Item was located in Laos prior to delivery.
P -----	A PAMEX transaction.
R -----	Item was located in Thailand prior to delivery.
A -----	A SIMEX transaction.
T -----	A MIMEX transaction. Indicates item is on the country gross shortfall but is not included on the refined shortfall list.
V -----	Item was located in South Vietnam prior to delivery.
X -----	A MAPEX transaction.

84. State Department Approval Date - 1200 System. A six position numeric code expressed in a YYMMDD format which reflects the date on which the State Department approves a 36(b) case.

85. State Department List Date - 1200 System. A six position numeric code expressed in a YYMMDD format which reflects the date of the daily report of all LOAs needing State Department approval. This report is forwarded to the State Department daily.

86. Status Code.

a. 1000 System. A single digit alpha code used to indicate the approval, funding or deferral action of a program line.

<u>Code</u>	<u>Explanation</u>
A -----	Approved Requirement. Implementation is not authorized until a MAP or IMET Order is issued and financed.
D -----	Deferred by MILDEP

**

<u>Code</u>	<u>Explanation</u>
F -----	Funded requirement which has been released via MAP/IMET Order for implementation.
S -----	Deferred by DSAA.
U -----	Item is posted to the master program file indicating a requirement over and above the ceiling of the program currently approved by the Secretary of Defense.

b. 1200 System. A single digit alpha code used to denote the status of a FMS or FMCS case from its inception as a letter of request to a foreign government until all deliveries and financial transactions have been completed. (For a list of all codes along with the explanation for each code see Table D-13 of this appendix).

87. Student Code - 1000 System. A single digit alpha code designating the civilian or military category of students as follows:

<u>Code</u>	<u>Meaning</u>
S -----	Senior Officer
O -----	Officer
C -----	Civilian
E -----	Enlisted
I -----	Interpreter - Officer
J -----	Interpreter - Enlisted
D -----	DoD Engineering and Technical Service Specialists (ETSS). This code is used in Field Training Services - Budget Project N3 program lines to indicate that the service will hire civilian personnel of the Department of Defense.

88. Sub-Agency Code - 1200 System. A single position field set aside for the use of the Implementing Agency for identifying the subordinate activity, which has been assigned by the IA, to implement a FMS case.

89. Summary Control Record (SCR) Serial Number -1200 System. The serial number precedes the assignment of a case number and identifies those potential 36(b) cases which are entered into the system prior to an official letter of request, i.e., prior to case designator assignment.

90. Supply Completion Date - 1200 System. A six position numeric field expressed in a YYMMDD format, which reflects the date on which supply of defense articles/services are provided complete with respect to an FMS or FMCS case. This date is reported to the system by the IA.

91. System Identifier Code - 1000 System. A single digit alpha or numeric code used in the materiel program by the SAOs for special purpose identification of a "package" of items which are in some way related to one another. Any one of the full range of alphabetic or numeric digits may be used to identify a given "package".

92. Travel and Living Allowance (TLA) - 1000 System. This data element is used in the IMET detail training records to record the dollar amount that is programmed (budgeted) to pay the travel and living allowance expense for an individual line of training. See Chapter 10 for the cost computation procedures.

93. Travel and Living Allowance (TLA) Command - 1000 System. A single digit code used by the Army to indicate the command to receive the TLA funds.

94. Transaction Type - 1200 System. (See Card Code/Transaction Type above.)

95. Type of Assistance Code - 1000 System. The type of assistance code is used in the MILSTRIP system to distinguish between various types of U.S. military assistance transactions. In MAP and IMET 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" denotes that the item has been programmed under Section 506 of the Foreign Assistance Act). (For a complete list of codes along with an explanation of each code see Table D-14 of this appendix.)

96. Under DoD Preparation Receipt Date (DSAA Operations) - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date of receipt in the DSAA, Operations Directorate of a 36(b) sale or a potential 36(b) sale.

97. Under DoD Preparation Receipt Date (DSAA Comptroller) - 1200 System. A six position numeric code expressed in a YYMMDD format, which reflects the date of receipt from the Military Department/IA of an advance Congressional notification of a potential 36(b) sale.

98. Unified Command Code - All Systems. Unified Command codes are not contained in cards or card images but are assigned as supplemental data in master program 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 Command.

<u>Code</u>	<u>Meaning</u>
C -----	Central Command
E -----	European Command
L -----	Atlantic Command
P -----	Pacific Command
S -----	Southern Command
N -----	Non-Regional

99. Unit of Issue - All Systems. See Table D-15 of this appendix for a list of approved unit of issue codes that can be used in both the 1000 and 1200 systems. This code designates the unit of measurement to be used in programming defense articles, services and training and in shipping items of supply.

100. Unit Price - 1000 System. This data element is used in the detail training records to indicate the unit price per student (team member, etc.) as listed in the training MASL or as determined by the Military Department.

101. Worksheet Control Number (WCN) - 1000 System. A five position alpha/numeric code used to designate a single item or sequence of training. The unit position is used to identify sequential training which is entered in alphabetical sequence, i.e., 1234, 1234A 1234B, and 1234C, etc. Where no sequential training is programmed the units position is blank.

102. 36(b) Indicator - 1200 System. A single digit alpha code used to identify a 36(b) case. The code "Y" indicates the record is a 36(b) case, and the code "N" indicates the record is a non-36(b) case.

TABLE D-1
ACTION CODE - 1000 SYSTEM

Card Code	Action Code	Meaning
A. <u>CHANGES MECHANICALLY REJECTED</u>		
(Change was rejected during edit)		
3-4-P-Q-R	Y	Card not properly prepared or does not match MASL.
(Change was rejected during update)		
3-4-P-Q-R	L	Duplicate transaction in the same input group (first card accepted, all others rejected), or add with an existing RCN.
P-Q-R	M	Unmatched change or delete.
P-Q	V	Proposed change is rejected because it results in no change to the program line.
P-Q	D	Invalid action code (code for approval or disapproval) but no proposed change, add, or delete pending in the Master File. This code pertains only to input created by the DSAA.
(Change was rejected because the system cannot process a proposed change when a previous change against same program line is still pending.)		
P-Q	G	Proposed delete is rejected because an add, delete, or change is pending.
P-Q	H	Proposed change is rejected because an add, change, or delete is pending.
P-R	Q	Proposed decrease or deletion is rejected because delivery has been reported.
B. <u>CHANGES PRESENTED TO PROGRAM MANAGER FOR DECISION</u>		
3-4-R	A	Change approved for entry in Master File.
3-4-R	X	Change disapproved (2 cards showing record before and after change). Add, delete disapproved.

TABLE D-1. ACTION CODE - 1000 SYSTEM. [Page 1 of 2]

Card Code	Action Code	Meaning
-----------	-------------	---------

(Program Manager has suspended action. Do not submit additional changes until action completed on these pending changes)

3-4-R	B	Delete Pending	**
3-4-R	C	Change pending (record after change has been applied)	
3-4-R	D	Change pending (record before change has been applied)	
3-4	E	Addition pending	

(Program manager has taken a different action. Look at program amendment for action taken.)

3-4-R	F	Proposed delete, superseded by an approved change	**
3-4-R	J	Proposed change, superseded by approved delete (2 cards).	
3-4-R	K	Change approved, but in modified form (2 cards).	
3-4	N	Add approved, but in modified form.	

(Proposed change reflected a reduction in excess of the dollar value of the line)

P-Q	S	Proposed change has been modified to reflect reduction equal to the existing dollar value of the program line.
-----	---	--

C. CODES TO FACILITATE MACHINE IDENTIFICATION AND PROCESSING

(These codes appear on MAP; IMET Order cards only, and consequently indicate an approved item)

5-6	T	MAP/IMET Order add. Indicates this line is appearing on the Order for the first time.
5-6-R	W	MAP/IMET Order change. This code appears on both of the cards documenting a change to a MAP/IMET Order line previously issued.
R	R	MAP/IMET order delete. Indicates deletion of a MAP/IMET Order line previously issued.

TABLE D-1. (Continued) [Page 2 of 2]

TABLE D-2
COMMITMENT CODE - 1000 SYSTEM

<u>Code</u>	<u>Commitment</u>
0	No U.S. commitment involved.
2	The U.S. commitment involves the furnishing of this specific article or service but is such that price, source, and required delivery date adjustment can be made in the normal manner should they occur.
3	The U.S. commitment involves the furnishing of this specific article or service and requires that no adjustment be made in price, source, or required delivery date.
4	No U.S. commitment involved. Specific DoD or MILDEP instructions involved the initial programming of this specific article or service at an agreed unit price other than that stated in the MASL. This unit price may be adjusted at a later date pursuant to supply execution action.
5	The U.S. commitment requires that this article or service must be furnished on or before the required date. Price and source adjustments can be made in the normal manner.
6	No U.S. commitment involved. This article or service is not to be delivered prior to the required delivery date.
9	No U.S. commitment involved, unit price, supply source, and leadtime for this article or service is based on price and availability data received from the Implementing Agency.

TABLE D-2. COMMITMENT CODE - 1000 SYSTEM.

TABLE D-3
CONDITION CODE - 1000 SYSTEM

<u>Code</u>	<u>Title</u>	<u>Explanation</u>
A	Serviceable (issuable without qualification)	New, used, repaired, or reconditioned materiel which is serviceable and issuable to all customers without limitation or restriction.
B	Serviceable (issuable with qualification)	New, used, repaired, or reconditioned materiel which is serviceable and issuable for its intended purpose but which is restricted from issue to specific units, activities, or geographical areas by reason of its limited usefulness or short service life expectancy.
C	Serviceable (test modifi- cation)	Items which are serviceable and issuable to selected customers, but which must be issued before condition A and B materiel to avoid loss as a usable asset.
D	Serviceable (test modifi- cation)	Serviceable materiel which requires test, alteration, modification, conversion or disassembly.
E	Unserviceable (limited restoration)	Materiel which involves only limited expense or effort to restore to serviceable condition and which is accomplished in the storage activity.
F	Unserviceable (reparable)	Economically reparable materiel which requires repair, reconditioning or overhaul.
G	Unserviceable (incomplete)	Materiel requiring additional parts or components to complete the end item prior to issue.
H	Unserviceable (condemned)	Materiel classified by inspection, teardown analysis or engineering decision to be uneconomically reparable and of no value to the Government, except for value of materiel content.
1		A numeric 1 will be used to identify all commercial items programmed.

TABLE D-3. CONDITION CODE - 1000 SYSTEM.

TABLE D-4
COST CODE - 1000 SYSTEM

<u>Code</u>	<u>Cost Category</u>
I	Investment Cost - The term "Investment Cost" (Code I) is used to identify equipment, supplies, and services that will improve the forces' capabilities and includes such items as initial unit equipment, reserves of equipment and ammunition, concurrent spares and initial stockages of spare parts, replacement of obsolescent equipment to include that lost through attrition, overhaul and rebuild of equipment prior to initial issue, construction, equipment installed in facilities, projects such as communication systems, programmed as dollar value lines to facilitate implementation, and training associated with the introduction of new equipment or an improved capability.
0	Operating Cost - The term "Operating Cost" (code 0) is used to identify equipment, supplies, and services needed to train, operate, and maintain forces in being and includes such items as spare parts other than initial stockages, ammunition and missiles used in training or to replace such items consumed in training and operations, rebuild and overhaul (excludes overhaul modernization) of equipment subsequent to initial issue, training and other services that do not constitute investment costs, and administrative costs associated with overhaul program management administration.

The following examples are provided as guidance for the selected items listed below:

<u>Requirement</u>	<u>Investment</u>	<u>Operating</u>
<u>Material:</u>		
Ammo components or raw materials:		
For local manufacture tng ammo	-	X
For local manufacture W/R ammo	X	-
For Ammo maintenance	-	X
Class IV mods	-	X
Class V mods	X	-
Component of an aircraft, missile, Aircraft Control and Warning System (AC&W), fire control, communication or other system investment.	X	-
Equipment attachments		
Replacement of ships	X	-
Replacement of attrition losses	X	-
UN Forces support in Korea	-	X
<u>Services:</u>		
Contract technicians and contract services:		
Associated with introduction of investment items	X	-
Construction	X	-
Ship overhauls	X	-
<u>Training:</u>		
Training (Generic Codes N-10 through N-30)	X	-
Training Support (Generic Codes N-60 through N-70)	-	X

TABLE D-4. COST CODE - 1000 SYSTEM.

TABLE D-5
COUNTRY/ACTIVITY CODE - ALPHABETIC

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
Afghanistan	AF	CE	NESA
Algeria	AG	EG	NESA
Andorra	AN	EU	EUR
Angola	AO	EU	AFR
Anguilla	AV	SO	AR
Antigua and Barbuda (UK)	AC	AT	AR
Argentina	AR	SO	AR
Australia	AT	PA	EAP
Austria	AU	EU	EUR
Bahamas	BF	SO	AR
Bahrain	BA	CE	NESA
Bangladesh	BG	PA	NESA
Barbados	BB	AT	AR
Belgium	BE	EU	EUR
Belize (UK)	BH	SO	AR
Benin	DA	EU	AFR
Bermuda (UK)	BD	SO	AR
Bhutan	BT	EU	AFR
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
Cayman Islands (UK)	CJ	SO	AR
Central African Republic	CT	EU	AFR
Chad	CD	EU	AFR
Chile	CI	SO	AR
China	CH	PA	EAP
Colombia	CO	SO	AR
Comoros	CR	PA	AFR
Congo	CF	EU	AFR
Costa Rica	CS	SO	AR
Cuba	CU	SO	AR
Cyprus	CY	EU	EUR

TABLE D-5. COUNTRY/ACTIVITY CODE - ALPHABETIC. [Page 1 of 7]

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
Denmark	DE	EU	EUR
Djibouti	DJ	CE	AFR
Dominica	DO	AT	AR
Dominican Republic	DR	AT	AR
Ecuador	EC	SO	AR
Egypt	EG	CE	NESA
El Salvador	ES	SO	AR
Equatorial Guinea	EK	EU	AFR
Ethiopia	ET	CE	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	AFR
Ghana	GH	EU	AFR
Gibraltar (UK)	GI	EU	EUR
Greece	GR	EU	EUR
Greenland (DEN)	GL	SO	AR
Grenada	GJ	AT	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	AT	AR
Honduras	HO	SO	AR
Hong Kong (UK)	HK	PA	EAP
Iceland	IL	EU	EUR
India	IN	PA	NESA
Indochina	IC	PA	EAP
Indonesia	ID	PA	EAP
Iran	IR	CE	NESA
Iraq	IQ	CE	NESA
Ireland	EI	EU	EUR
Israel	IS	EU	NESA
Italy	IT	EU	EUR
Ivory Coast	IV	EU	AFR

TABLE D-5. (Continued) [Page 2 of 7]

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
Jamaica	JM	AT	AR
Japan	JA	PA	EAP
Jordan	JO	CE	NESA
Kampuchea (Cambodia)	CB	PA	EAP
Kenya	KE	CE	AFR
Kiribati	KR	PA	EAP
Korea (Seoul)	KS	PA	EAP
Kuwait	KU	CE	NESA
Laos	LA	PA	EAP
Lebanon	LE	EU	NESA
Lesotho	LT	EU	AFR
Liberia	LI	EU	AFR
Libya	LY	EU	NESA
Liechtenstein	LS	EU	EUR
Luxembourg	LX	EU	EUR
Macau (PORT)	MC	PA	EAP
Madagascar	MA	PA	AFR
Malawi	MI	EU	AFR
Malaysia	NF	PA	EAP
Maldives	MV	PA	NESA
Mali	RM	EU	AFR
Malta	MT	EU	EUR
Martinique (FR)	MB	SO	AR
Mauritania	MR	EU	AFR
Mauritius	NP	PA	AFR
Mexico	MX	SP	AR
Monaco	MN	EU	EUR
Mongolia	MG	PA	EAP
Montserrat (UK)	MH	SO	AR
Morocco	MO	EU	NESA
Mozambique	MZ	EU	AFR
Nambia	WA	EU	AFR
Nauru	NR	PA	EAP
Nepal	NP	PA	NESA
Netherlands	NE	EU	EUR
Netherlands Antilles (NE)	NA	SO	AR
New Caledonia (FR)	NC	PA	EAP
New Zealand	NZ	PA	EAP
Nicaragua	NU	SO	AR
Niger	NK	EU	AFR
Nigeria	NI	EU	AFR
Niue	NQ	PA	EAP
Norfolk Islands (AUST)	NF	PA	EAP
Norway	NO	EU	EUR

TABLE D-5. (Continued) [Page 3 of 7]

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
Oman	MU	CE	NESA
Pakistan	PK	CE	NESA
Panama	PN	SO	AR
Papua-New Guinea	PP	PA	EAP
Paraguay	PA	SO	AR
Peru	PE	SO	AR
Philippines	PI	PA	EAP
Pitcairn (UK)	PC	PA	EAP
Portugal	PT	EU	EUR
Qatar	QA	CE	NESA
Reunion (FR)	RE	EU	AFR
Romania	RO	EU	AFR
Rwanda	RW	EU	AFR
San Marino	SM	EU	EUR
Sao Tome and Principe	TP	EU	AFR
Saudi Arabia	SR	CE	NESA
Senegal	SK	EU	AFR
Seychelles	SE	PA	AFR
Sierra Leone	SL	EU	AFR
Singapore	SN	PA	EAP
Solomon Islands	EP	PA	EAP
Somalia	SO	CE	AFR
South Africa	UA	EU	AFR
Spain	SP	EU	EUR
Sri Lanka	CE	PA	NESA
St Christopher- Nevis (UK)	SC	AT	AR
St Helena (UK)	SH	EU	AFR
St Lucia	ST	AT	AR
St Pierre and Miquelon (UK)	SB	SO	AR
St Vincent & Grenadines	VC	AT	AR
Sudan	SU	CE	AFR
Suriname	NS	SO	AR
Swaziland	WZ	EU	AFR
Sweden	SW	EU	EUR
Switzerland	SZ	EU	EUR
Syria	SY	EU	NESA
Taiwan	TW	PA	EAP
Tanzania	TZ	EU	AFR
Thailand	TH	PA	EAP
Togo	TO	EU	AFR
Tonga	TN	PA	EAP
Trinidad-Tobago	TD	AT	AR
Tunisia	TU	EU	NESA

TABLE D-5. (Continued) [Page 4 of 7]

Country	Code	Unified Command Cognizance	Area/Congressional Grouping
Turkey	TK	EU	EUR
Turks and Caicos (UK)	TS	SO	AR
Tuvalu	TV	PA	EAP
Uganda	UG	EU	AFR
Union of Soviet Socialist Republics	UR	EU	EUR
United Arab Emirates	TC	CE	NESA
United Kingdom	UK	EU	EUR
Upper Volta	UV	EU	AFR
Uruguay	UY	SO	AR
Vanuata	NH	PA	EAP
Venezuela	VE	SO	AR
Vietnam	VS	PA	EAP
Western Samoa	WS	PA	EAP
Yemen (Aden)	YS	CE	NESA
Yemen (Sanaa)	YE	CE	NESA
Yugoslavia	YU	EU	FUR
Zaire	CX	EU	AFR
Zambia	ZA	EU	AFR
Zimbabwe	ZI	EU	AFR
Africa Region	R6	EU	AFR
American Republic Region	R5	SO	AR
Central Treaty Organization (CENTO)	T3	NR	NR
Department of Defense General Cost - MAP (GC-MAP)	00	NR	NR
East Asia/Pacific Region	R4	NR	NR
European Participating Group F-16 Contract Administration Services (EPG F-16 CASEUR)	22	PA	EAP
European Region	R2	NR	NR
International Civil Aviation Organization (ICAO HQ)	00	NR	NR
International Civil Defense Organization (ICDO HQ)	T7	NR	NR
MAP ICP-U.S. Army Logistics Depot, Japan (USALDJ)	T8	NR	NR
MAP Owned Materiel (MAPOM)	D4	PA	NR
	M3	NR	NR

TABLE D-5. (Continued) [Page 5 of 7]

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
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 Aircraft Early Warning and Control (Ground Environment Interfact) (NATO AEW+C (GEI))	K9	NR	NR
NATO Aircraft Early Warning and Control (Ground Environment Interface) (NATO AEW+C GEI))	K8	NR	NR
NATO Aircraft Early Warning and Control (Operations and Support Budget) (NATO AEW+C (O+S))	K7	NR	NR
NATO Headquarters	N6	NR	NR
NATO Infrastructure	N5	NR	NR
NATO Integrated Commu- nications System Manage- ment Agency (NIC SMA)	K4	NR	NR
NATO Maintenance and Supply Agency-General (NAMS A-General)	N4	NR	NR
NATO Maintenance and Supply Agency-Nike Training Center (NAMS A-NNTC)	K6	NR	NR
NATO Maintenance and (Supply Agency-F104 (NAMS A-F104))	K2	NR	NR
NATO Maintenance and Supply Agency- HAWK and NATO HAWK Production & Logistics Office (NAMS A-HAWK & NHPLO)	N7	NR	NR
NATO Missile Fire Instal- lation (NAMFI)	N9	NR	NR

TABLE D-5. (Continued) [Page 6 of 7]

Country	Code	Unified Command Cognizance	Area/Congressional Grouping
NATO Multi-Role Combat Aircraft (MRCA) Development & Prod. Agency (NAMMA)	K3	NR	NR
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
Panama Canal Area Military Schools (PACAMS)	11	SO	AR
SINAI Peacekeeping Force (Sinai Peace Force)	S2	NR	NR
South East Asia Treaty Organization (SEATO)	T4	NR	NR
Supreme Allied Commander Atlantic (SACLANT)	K5	NR	NR
Supreme Headquarters, Allied Powers, Europe (SHAPE)	A2	EU	EUR
United Nations (UN)	T9	NR	NR

NOTE: AT Atlantic Command
 CE Central Command
 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

* Not authorized for purchaser identification in Foreign Military Sales Cases.

TABLE D-5. (Continued) [Page 7 of 7]

TABLE D-6
FOOTNOTE CODE - MASL

<u>Code</u>	<u>Explanation</u>
A	Availability associated with production capability.
B	No assets currently available for delivery to MAP. Available for future delivery only.
C	Under study by R&D (Research and Development).
D	Limited supply available. Replacement or preferred item, if any, is also listed in the MASL. Under normal circumstances, preferred item should be programmed.
H	Ancillary equipment must be programmed separately.
J	Spell out desired configuration in separate correspondence.
K	MILSTRIP Routing Identifier data field in the MASL has been left blank because this is a dollar value line for which the program originator is required to select the appropriate implementing agency. Program originators will enter the appropriate MRI in columns 66-68 of Card 3 as follows:

<u>Implementing Agency</u>	<u>MRI</u>
Army -----	BY7
Navy -----	NBZ
Air Force -----	FAO

In selecting the Implementing Agency, the objective is to identify the Military Department best positioned to provide the required articles or service. As a general rule, the Military Department which is the normal recipient of MAP orders for the related end item (as indicated by the MRI assigned to the end item in the MASL) is in the best position to provide ancillary equipment and efficient and effective follow-on support. Source of supply codes B, F, J, N, O, R, S, or T require the use of specific MRIs. Where the source code is J, always use MRI code W03. Where the source code is S, always use MRI code FAO. Program originators will determine the proper MRI from the headquarters directing the use of source codes B, F, N, O, R, or T.

L	Items supplied in a variety of voltages and configurations. If shipment is to be effected direct to country without mounting in a vehicle or aircraft within CONUS, spell out the required voltage of the item by separate correspondence.
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<u>Code</u>	<u>Explanation</u>
NN or N	No source of supply normally available to MAP. However, in special circumstances, Military Department assets are made available to meet MAP requirements. SAOs should not program articles footnote coded NN unless previously advised of specific availability and price by the supplying MILDEP (Implementing Agency).
PP or P	For use by the DSAA-Indicates a summary line.
RR or R	Prior authority to program must be obtained by separate correspondence between the SAO and the DSAA.
TT	For use in processing records in the Republic of Korea (ROK) 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.

TABLE D-6. (Continued) [Page 2 of 2]

TABLE D-7
 GENERIC CODES - ALL SYSTEMS

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
A AIRCRAFT					
1	<u>Combat Aircraft</u>				
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	<u>Airlift Aircraft</u>				
C	Cargo Transport -----	FSC 1510 -----	X		
3	<u>Trainer Aircraft</u>				
T	Trainer -----	FSC 1510 -----	X		
4	<u>Helicopters</u>				
A	Attack -----	FSC 1520 -----	X		
C	Cargo Transport -----	FSC 1520 -----	X		
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	<u>Other Aircraft</u>				
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		

TABLE D-7. GENERIC CODES - ALL SYSTEMS. [Page 1 of 35]

TABLE D-7. (Continued) [Page 2 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
A 6	<u>Modification of Aircraft</u>				
A	Class IV -----			X	
B	Class V -----		X		
7	<u>Aircraft Support Equipment</u>				
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 (Including Modifications)	FSC 1740 -----		X	
9	<u>Aircraft Spares and Spare Parts</u>				
A	Gasoline Reciprocating Engines, Complete	FSC 2810 -----	X		
B	Gas Turbines and Jet Engines, Complete	FSC 2840 -----	X		
C	Aircraft Components, Parts and Accessories	FSC 16xx (except 1670), 1270, 1280, 1290, 1377, 1560, 2620, 2810 (Components), 2840 (Components), 2915, 2925, 2935, 2945, 2950, 2995, 6340, 6605, 6610, 6615, 6620		X	May include other FSG when supplied for aircraft.
B	<u>MISSILES</u>				
1	<u>Ground Launched Missiles</u> Missiles, Major Components, Class-V Mods -----		X		

* One dollar line provided
for initial stockage
and for follow-on.

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
B	Missile Shop Sets, Test Equipment, Trailers, Vans, Mod Kits, Other Components and Support Equipment -----				X
2	<u>Air Launched Missiles</u> Missiles, Major Components, Class V Mods -----		X		
	Missile Shop Sets, Test Equipment, Trailers, Vans, Mod Kits, Other Components and Support Equipment -----				X
3	<u>Sea Launched Missiles</u> Missiles, Major Components, Class V Mods -----		X		
	Missile Shop Sets, Test Equipment, Trailers, Vans, Mod Kits, Other Components and Support Equipment -----				X

The alpha codes indicated 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	X. Patriot
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	W. Roland	

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
The alpha codes indicated 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. Pheonix			
F.	Aerial Target Missile	V. Corporal			
The following codes will be used by the the military departments when submitting MASL data for sea launched missiles or associated dollar lines					
	K. Polaris				
	L. Trident				
	P. Terrier				
	Q. Tartar				
	R. Harpoon				
	W. Seasparrow				
B 4 Q	Drones -----	FSC 1520, 1550 -----	X		
6 A	Modification of Missiles -----				X
8	<u>Multipurpose Missile Equipment</u>				
A	Multipurpose Missile Equipment (includes FAAR) -----		X		X
B	Multipurpose Missile Equipment Parts (includes FAAR) -----				X
9	<u>Missile Spares and Spare Parts</u>				
A	Guided Missile Parts -----	FSG 14XX, FSC 1190, 1195, 4935 --	X		
B	Guided Missile Warhead ----	FSC 1336, 1337, 1338 -----	X		
C	Free Missile Parts -----	FSC 1055, 1190, 1195, 1340 -----	X		

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
C SHIPS					
1	<u>Warships</u>				
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	<u>Amphibious Ships</u>				
A	Tank Landing Ship -----	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	<u>Mine Warfare Ships</u>				
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	<u>Patrol Ships</u>				
A	Patrol Frigate (PF) -----	FSC 1905 -----	X		
B	Patrol Craft (PC) -----	FSC 1905 -----	X		
C	Patrol Craft Escort (PCE) --	FSC 1905 -----	X		

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
C	D Patrol Gunboat (PGM) -----	FSC 1905 -----			X
	E Seaward Defense Craft (SDC) -----	FSC 1905 -----			X
	F Fast Patrol Boat -----	FSC 1905 -----			X
	G Patrol Torpedo Boat (PT) ---	FSC 1905 -----			X
5	<u>Auxiliaries and Craft</u>				
	A Net Laying Ship (AN) -----	FSC 1925 -----			X
	B Oiler (AO) -----	FSC 1915 -----			X
	C Gasoline Tanker (AOG) -----	FSC 1915 -----			X
	D Fuel Oil Barge (YO/YSR) ----	FSC 1915 -----			X
	E Gasoline Barge (YOG) -----	FSC 1905, 1915 -----			X
	F Water Barge (YW) -----	FSC 1915, 1935 -----			X
	G Light Cargo Ship (AKL) ----	FSC 1925 -----			X
	H Auxiliary Ocean Tug (ATA/ATR) -----	FSC 1925 -----			X
	K Submarine Rescue Ship (ASR)	FSC 1915 -----			X
	L Seaplane Tender (AVP) -----	FSC 1925 -----			X
	M Small Harbor Tug (YTL) ----	FSC 1925 -----			X
	N Rescue Boat (AVR) -----	FSC 1940 -----			X
	P Medium Landing Craft (LCM) -	FSC 1905 -----			X
	Q Vehicle/Personnel Landing Craft (LCVP) -----	FSC 1905 -----			X
	R Surveying Ship (AGS) -----	FSC 1925 -----			X
	S Landing Craft Repair Ship (ARL) -----	FSC 1925 -----			X
	T Large Harbor Tug (YTB) ----	FSC 1925 -----			X
	V Repair Ship (ARB) -----	FSC 1925 -----			X
	W Submarine Tender (AS) -----	FSC 1925 -----			X
	X Floating Drydock (AFDL/SRD)	FSC 1950 -----			X
	Z Miscellaneous Boats and Craft -----	FSG 19XX -----			X
6	<u>Ships Support Equipment</u>				
	A Ship Overhaul/Modernization/ Construction (In Country)	-----			X

TABLE D-7. (Continued) [Page 6 of 35]

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Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
C 6 B	Shipbuilding Cost Sharing -----				X
9	<u>Ships Spares and Spare Parts</u>				
A	Ship Spare Parts, ----- Components, and Accessories	In FSG 20XX (except 2050), and 30XX			X
D	<u>COMBAT VEHICLES</u>				
1	<u>Armored Carriers</u>				
A	Personnel Carriers, Full --- Track	FSC 2320, 2350 -----			X
B	Personnel Carriers, Half --- Track	FSC 2320 -----			X
C	Armored Cars -----	FSC 2320, 2350 -----			X
D	Cargo Carriers -----	FSC 2320, 2350 -----			X
E	Weapons Carriers -----	FSC 2320, 2350 -----			X
2	<u>Self-Propelled Artillery</u>				
A	Anti-Aircraft -----	FSC 2350 -----			X
B	Anti-Tank -----	FSC 2350 -----			X
C	105mm Howitzer -----	FSC 2350 -----			X
D	155mm Howitzer -----	FSC 2350 -----			X
E	4.2 inch Mortar -----	FSC 2350 -----			X
F	8 inch Howitzer -----	FSC 2350 -----			X
G	175mm Gun -----	FSC 2350 -----			X
Z	Other Self-Propelled ----- Artillery	FSC 2350 -----			X
3	<u>Tanks</u>				
A	Light Tank -----	FSC 2350 -----			X
B	Medium Tank -----	FSC 2350 -----			X
4	<u>Tank Recovery Vehicles</u>				
A	Tank Recovery Vehicles ----	FSC 2320, 2350 -----			X

All Spare Parts for Combat Vehicles should be programmed under Generic Code K8A.

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
D 5	<u>Other Combat Vehicles</u>				
A	High Speed Tractors -----	FSC 2430 -----	X		
B	Amphibious Land Vehicles --	FSC 2320, 2350 -----	X		
C	Tank Mounted Bulldozers ---	FSC 2590 -----	X		
E	<u>TACTICAL AND SUPPORT VEHICLES</u>				
1	<u>Semi-Trailers</u>				
A	Tank -----	FSC 2320 -----	X		
B	Stake -----	FSC 2330 -----	X		
C	Van -----	FSC 2330 -----	X		
D	Low Bed -----	FSC 2330 -----	X		
E	Transporter -----	FSC 2330 -----	X		
Z	Other Semi-Trailers -----	FSC 2330 -----	X		
2	<u>Trailers</u>				
A	Cargo -----	FSC 2330 -----	X		
B	Tank -----	FSC 2330 -----	X		
C	Ammunition -----	FSC 2330 -----	X		
D	Fuel Service -----	FSC 2330 -----	X		
E	Low Bed -----	FSC 2330 -----	X		
F	Flat Bed -----	FSC 2330 -----	X		
G	Bolster -----	FSC 2330 -----	X		
H	Dolly -----	FSC 2330 -----	X		
Z	Other Trailers -----	FSC 2330 -----	X		
3	<u>Trucks</u>				
A	1/4 ton Cargo -----	FSC 2320 -----	X		
B	1/4 ton Ambulance -----	FSC 2310 -----	X		
D	3/4 ton Cargo -----	FSC 2320 -----	X		
E	3/4 ton Ambulance -----	FSC 2310 -----	X		
G	1 ton Cargo -----	FSC 2320 -----	X		
K	2 1/2 ton Cargo -----	FSC 2320 -----	X		
L	2 1/2 ton Dump -----	FSC 2320 -----	X		
M	2 1/2 ton Special Purpose -	FSC 2320 -----	X		

All Spare Parts for
Tactical & Support
Vehicles shuld be
programmed under
Generic Code K8A.

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
E 3 N	2 1/2 ton Tank -----	FSC 2320 -----			X
Q	2 1/2 ton Truck-Tractor ---	FSC 2320 -----			X
R	2 1/2 ton Wrecker -----	FSC 2320 -----			X
T	5-ton Cargo -----	FSC 2320 -----			X
U	5-ton Dump -----	FSC 2320 -----			X
W	5-ton Truck-Tractor -----	FSC 2320 -----			X
X	5-ton Wrecker -----	FSC 2320 -----			X
Z	Other Trucks -----	FSC 2320 -----			X
4	<u>Support vehicles</u>				
A	Station Wagon -----	FSC 2310 -----			X
B	Sedans -----	FSC 2310 -----			X
C	Buses -----	FSC 2310 -----			X
D	Motorcycles and Motor Scooters -----	FSC 2340 -----			X
E	Amublances -----	FSC 2310 -----			X
F	Commercial Trucks -----	FSC 2320 -----			X
Z	Other Support Vehicles ---	FSC 2310, 2320 -----			X
F	<u>WEAPONS</u>				
1	<u>Weapons, up to 75mm</u>				
A	Pistols -----	FSC 1005 -----			X
B	Carbines -----	FSC 1005 -----			X
C	Rifles -----	FSC 1005 -----			X
E	Sub-Machine Guns -----	FSC 1005 -----			X
F	Machine Guns -----	FSC 1005 -----			X
G	Mounts -----	FSC 1005, 1015, 1090 -----			X
H	Shotguns -----	FSC 1005 -----			X
J	Sub-Caliber Weapons -----	FSC 1005, 1010 -----			X
K	Anti-Aircraft Guns -----	FSC 1005, 1010 -----			X
L	Launchers -----	FSC 1005, 1010, 1055 -----			X
M	Mortars -----	FSC 1010 -----			X
Z	Other Weapons (up to 75mm) -	FSC 1005, 1010, 1090 -----			X

TABLE D-7. (Continued) [Page 9 of 35]

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Change No. 2, 2 Jan 1985

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
F 2	<u>Artillery, 75mm and over</u>				
A	75mm Guns -----	FSC 1015 -----			X
B	76mm Guns -----	FSC 1015 -----			X
C	90mm Guns -----	FSC 1015 -----			X
D	105mm Guns -----	FSC 1015 -----			X
E	155mm Guns -----	FSC 1029 -----			X
F	175mm Guns -----	FSC 1025 -----			X
G	75mm Howitzer -----	FSC 1015 -----			X
H	105mm Howitzer -----	FSC 1015 -----			X
J	155mm Howitzer -----	FSC 1025 -----			X
K	8-inch Howitzer -----	FSC 1030 -----			X
L	75mm Recoilless Rifles ----	FSC 1015 -----			X
M	90mm Recoilless Rifles ---	FSC 1015 -----			X
N	105mm Recoilless Rifles ---	FSC 1015 -----			X
P	106mm Recoilless Rifles ---	FSC 1015 -----			X
Q	120mm Recoilless Rifles ---	FSC 1015 -----			X
R	155mm Recoilless Rifles ---	FSC 1025 -----			X
S	81mm Mortar -----	FSC 1015 -----			X
T	107mm/4.2 inch Mortar ----	FSC 1015 -----			X
U	120mm Mortar -----	FSC 1015 -----			X
Z	Other Weapons (75mm ----- and over)	FSC 1015, 1025, 1030, 1035 -----			X
3	<u>Naval Ordnance Weapons</u>				
A	20mm Mounts -----	FSC 1005 -----			X
B	40mm Mounts -----	FSC 1010 -----			X
C	3 inch/50 Mounts -----	FSC 1015 -----			X
D	5 inch/25 Mounts -----	FSC 1020 -----			X
E	5 inch/38 Mounts -----	FSC 1020 -----			X
F	5 inch/54 Mounts -----	FSC 1020 -----			X
G	Loading Machines (all ----- Calibers)	FSC 1010, 1015, 1020 -----			X
H	Torpedo Launchers -----	FSC 1045 -----			X
J	Depth Charge Launchers ----	FSC 1045 -----			X
K	ASW rocket Launchers -----	FSC 1055 -----			X

TABLE D-7. (Continued) [Page 11 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
F 3 L	Harbor Nets, Booms, and Buoys	--- FSC 1070, 2050	-----	X	
M	Degaussing and Minesweeping Equipment	----- FSC 1075	-----	X	
N	Naval Fire Control Directors	----- FSC 1210	-----	X	
P	Naval Fire Control Computing Sights	----- FSC 1220	-----	X	
Q	ASW Fire Control Systems	-- FSC 1230	-----	X	
R	Gunfire Control Systems	--- FSC 1230	-----	X	
S	Torpedo Fire Control Systems	----- FSC 1210, 1220, 1230	-----	X	
T	Submarine Fire Control Systems	--- FSC 1230	-----	X	
U	Target Designating System	- FSC 1260, 1265	-----	X	
V	Fire Control Radar	----- FSC 1285	-----	X	
W	Close in Weapon Systems	--- FSC 1230	-----	X	
Z	Other Naval Ordnance Weapons	----- FSG 10 (except 1070, 1075), FSC 1240, 1250, 1260, 1265, 1270, 1280, 1287, 1290	-----	X	X (1)
4	<u>Other Weapons</u>				
A	Chemical Weapons and Equipment	----- FSC 1040	-----	X	X (1)
B	Camouflage and Deception Equipment	-- FSC 1080	-----	X	X (1)
D	Fire Control Equipment (Other than aircraft and naval ordnance)	---- FSG 12	-----	X	X (1)
Z	Miscellaneous (other) weapons and interchangeable assemblies	-----	-----	X	X (1)

TABLE D-7. (Continued) [Page 12 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
F 9	<u>Weapon Spare Parts, Components, and Accessories</u>				
A	Weapons -----	FSG 11XX, 12XX, FSC 1005, 1010, 1015, 1020, 1025, 1030, 1035, 1055, 1090, 1095, 2845 (other than Naval Ord)	--	X	
B	Naval Ordnance Weapons ----	FSG 10XX, 12XX, FSC 2845	-----	X	
G	<u>AMMUNITION</u>				
1	<u>Ammunition (up to 75mm) and Grenades</u>				
A	22 caliber -----	FSC 1305	-----	X	
B	30 caliber -----	FSC 1305	-----	X	
C	7.62mm -----	FSC 1305	-----	X	
D	38 caliber -----	FSC 1305	-----	X	
E	45 caliber -----	FSC 1305	-----	X	
F	50 caliber -----	FSC 1305	-----	X	
G	60 caliber -----	FSC 1305	-----	X	
H	20mm -----	FSC 1305	-----	X	
I	22mm -----	FSC 1305	-----	X	
J	37mm -----	FSC 1310	-----	X	
K	40mm -----	FSC 1310	-----	X	
L	57mm -----	FSC 1310	-----	X	
M	60mm Mortar -----	FSC 1310	-----	X	
N	Shotguns -----	FSC 1305	-----	X	
P	Grenades -----	FSC 1330	-----	X	
Z	Other Ammunition -----	FSC 1305, 1310, 1330	-----	X	----- X (1)
2	<u>Ammunition, 75mm and over</u>				
A	75mm -----	FSC 1315	-----	X	
B	76mm -----	FSC 1315	-----	X	
C	81mm Mortar -----	FSC 1315	-----	X	
D	90mm -----	FSC 1315	-----	X	
E	105mm -----	FSC 1315	-----	X	
F	106mm -----	FSC 1315	-----	X	
G	4.2 inch Mortar -----	FSC 1315	-----	X	

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
G 2 H	3 inch/50 -----	FSC 1315 -----	X		
J	5 inch/25 -----	FSC 1320 -----	X		
K	5 inch/38 -----	FSC 1320 -----	X		
L	5 inch/54 -----	FSC 1320 -----	X		
M	155mm -----	FSC 1320 -----	X		
N	8 inch -----	FSC 1320 -----	X		
P	175mm -----	FSC 1320 -----	X		
Z	Other Ammunition -----	FSC 1315, 1320 -----	X	----- X (1)	
3	<u>Land Mines and Explosives</u>				
A	Anti-personnel Mines -----	FSC 1345 -----	X		
B	Anti-tank Mines -----	FSC 1345 -----	X		
C	Demolition Kits -----	FSC 1375 -----	X		
D	Charges -----	FSC 1375 -----	X		
Z	Other Explosives and Land Mine Components -----	FSC 1345, 1375, 1376, 1377 -----	X	----- X	
4	<u>Naval Ordnance Ammunition</u>				
A	Service Mines, complete ---	FSC 1361 -----	X		
B	Drill Mines, complete ----	FSC 1350, 1351 -----	X		
C	Mine Components -----	FSC 1350, 1351 -----	X		
D	Torpedo Exercise Heads ---	FSC 1355, 1356 -----	X		
E	Anti-surface Torpedoes ---	FSC 1356 -----	X		
F	ASW Torpedoes -----	FSC 1356 -----	X		
G	Torpedo Components -----	FSC 1355, 1356 -----		----- X	
H	Depth Charges -----	FSC 1361 -----	X		
J	Depth Charge Components ---	FSC 1360, 1361 -----		----- X	
5	<u>Bombs and Rockets</u>				
A	Practice Bombs and Shapes -	FSC 1325, 1105 -----	X		
B	Armor Piercing Bombs -----	FSC 1325 -----	X		
C	Depth Bombs -----	FSC 1325 -----	X		
D	Fire and Incendiary Bombs -	FSC 1325 -----	X		
E	Fragmentation Bombs -----	FSC 1325 -----	X		
F	General Purpose Bombs -----	FSC 1325 -----	X		

TABLE D-7. (Continued) [Page 13 of 35]

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Change No. 2, 2 Jan 1985

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
G 5 G	Electronic Operated Guided Bombs -----	FSG 13 -----	X		
M	Bomb Components -----	FSC 1325 -----		X	
N	Other Bombs -----	FSC 1325 -----	X		
P	2.25 inch Rockets -----	FSC 1340 -----	X		
Q	2.36 inch Rockets -----	FSC 1340 -----	X		
R	2.75 inch Rockets -----	FSC 1340 -----	X		
S	3.5 inch Rockets -----	FSC 1340 -----	X		
T	5 inch Rockets -----	FSC 1340 -----	X		
U	7.2 inch Rockets -----	FSC 1340 -----	X		
V	Asroc Rockets -----	FSG 1356 -----	X		
W	Honest John Rockets -----	FSG 10, 11 & 13 -----	X	X	
Y	Rocket Components -----	FSC 1340 -----	X	X	(1)
Z	Other Rockets -----	FSC 1340 -----	X		
6	<u>Pyrotechnic and Chemical Munitions</u>				
A	Chemical Munitions -----	FSC 1365 -----	X	X	Agents - Articles other than agents in FSC 1365.
B	Pyrotechnics -----	FSC 1370 -----	X	X	(1)
7	<u>Other Ammunition</u>				
A	Ammunition Raw Materials --	FSC 9999 -----		X	
B	Fuzes and Primers -----	FSC 1390 -----	X	X	(1)
C	Ammunition Containers -----	FSC 8140 -----		X	
D	Miscellaneous Ammunition, Tools, and Specialized Equipment --	FSC 1385, 1386, 1395, 1398, 4915, 4927 -----		X	
H	<u>COMMUNICATIONS EQUIPMENT</u>				
1*	Telephone and Telegraph Equipment ---	FSC 5805 -----	X	X	(1)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
H 2*	Radio and Television Communications Equipment	FSC 5820, 5821, 5985, 5895	X	X	(1) Installation units will be programmed under dollar lines provided by DSAA.
3*	Radio Navigation Equipment	FSC 5825, 5825, 5826	X	X	(1)
4*	Radar Equipment	FSC 5840, 5841, 5895	X	X	(1)
5*	Underwater Sound Equipment	FSC 5845	X	X	(1)
6*	Other Communications Equipment (Include Modifications)	FSC 1810, 5810, 5815, 5830,	X	X	(1), (2) Installation units for equipment in FSG 58XX (other than 5820, 5821) will be programmed under appropriate dollar line provided by DSAA.

* The following alphabets will be used by the Military Departments as the third character of the Generic Code to identify the type of installation:

- | | |
|------------------------------|--|
| A Airborne | P Pack or Portable |
| F Fixed | V Ground, Vehicular |
| G Ground, General Ground Use | W Water, Surface, and Underwater |
| K Amphibious | Z Other Communications Equipment (Including Modifications) |

9 Communications Equipment Spare Parts and Electronic Supplies

A Communications Equipment, -- Spare Parts, and Electronic Supplies FSG 58XX, 59XX X

J SUPPORT EQUIPMENT

1 Chemical Equipment

A Decontaminating and Impregnating Equipment FSC 4230 X

TABLE D-7. (Continued) [Page 16 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
J 2	<u>Construction Equipment</u>				
A	Full Track Tractors -----	FSC 2410 -----		X	
B	Wheeled Tractors -----	FSC 2420 -----		X	
C	Earthmoving and ----- Excavating Equipment	FSC 3805 -----		X	
D	Cranes and Crane Shovels --	FSC 3810 -----		X	
E	Road Clearing Equipment ---	FSC 3825 -----		X	
F	Military Bridging -----	FSC 5420 -----		X	
Z	Miscellaneous ----- Construction Equipment	FSC 3815, 3830, 3895 -----		X	
3	<u>Materials Handling Equipment</u>				
A	Conveyors, Cranes and ----- Derricks	FSC 3910, 3950 -----		X	
Z	Other Materials Handling -- Equipment	FSG 39XX (except 3910, 3950) -----		X	
4	<u>Photographic Equipment</u>				
A	Cameras -----	FSC 6720 -----		X	
B	Projection Equipment -----	FSC 6730 -----		X	
C	Developing and Finishing -- Equipment	FSC 6740 -----		X	
Z	Other Photographic ----- Equipment, Supplies, and Spare Parts	FSC 67XX (except 6720, 6730, 6740) -----		X	
6	<u>Other Equipment</u>				
A	Parachutes and Aerial ----- Delivery Equipment	FSC 1670 -----		X	
D	Other Power Transmission -- Equipment	FSG 30XX -----		X	
E	Woodworking Machinery ----- and Equipment	FSG 32XX -----		X	
F	Metal Working Machinery ---	FSG 34XX -----		X	

TABLE D-7. (Continued) [Page 17 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
J 6 G	Special Industrial Machines -----	FSG 36XX -----		X	
N	Safety and Rescue Equipment -----	FSC 4220 & 4240 -----		X	
P	Steam Plant and Drying Equipment -----	FSG 44XX -----		X	
Q	Maintenance and Repair Shop Equipment -----	FSC 4910, 4930, 4931, 4933, 4940 -----		X	
R	Power and Distribution Equipment -----	FSG 61XX & 62XX -----		X	
T	Instruments and Laboratory Equipment -----	FSG 66XX (except 6610, 6630, & 6640) -----		X	
Z	Other Support Equipment ---	FSG 22XX, 3835, 6310, 6330, 6350 -----		X	
7	<u>Other Support Equipment</u>				
A	Medical/Surgical Equipment -	FSC 6515 -----		X	
B	Dental Equipment -----	FSC 6520 -----		X	
C	X-Ray Equipment -----	FSC 6525 -----		X	
D	Hospital Equipment -----	FSC 6530 -----		X	
E	Chemistry/Laboratory Equipment -----	FSC 6630, 6640 -----		X	
F	Laundry and Dry Cleaning Equipment --	FSC 3510 -----		X	
G	Shoe Repair Equipment -----	FSC 3520 -----		X	
H	Service and Trade Equipment -----	FSG 35XX (except 3510 & 3520) -----		X	
J	General Purpose ADP Equipment -----	FSG 70XX -----		X	
K	Office Machines -----	FSG 74XX -----		X	
L	Pumps and Compressors -----	FSG 43XX -----		X	
M	Plumbing and Heating Equipment -----	FSG 45XX -----		X	
N	Engines -----	FSG 28XX (except 2810, 2840, 2845) -----		X	
P	Prefab and Portable Structures -----	FSG 54XX (except 5420) -----		X	
Q	Mine Drilling Equipment -----	FSC 3820 -----		X	

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
J 7 R	Refrigeration and Airconditioning Equipment	FSG 41XX			X
S	Firefighting Equipment	FSC 4210			X
Z	Other Support Equipment	FSG 37XX, 46XX, 47XX, 48XX, 71XX, 72XX, 73XX			X
8	<u>Technical Books, Maps, and Publications</u>				
A	Technical Books, Maps, and Publications	FSG 76XX			X
K	<u>SUPPLIES</u>				
1	<u>Clothing and Textile Supplies</u>				
A	Clothing/Textiles and Individual Equipment	FSG 83XX & 84XX			X
2	<u>Medical Supplies</u>				
A	Drugs, Biologicals and Surgical Dressings	FSC 6505, 6510			X
Z	Other Dental and Medical Supplies	Supplies in FSG 65XX, (except FSC 6505, 6510)			X
3	<u>Subsistence</u>				
A	Human Subsistence	FSG 89			X
4	<u>General Supplies</u>				
A	Hand and Measuring Tools	FSG 51XX, 52XX			X
Z	Other General Supplies	FSG 40XX, 75XX, 77XX, 78XX, 79XX, 80XX, 81XX (except 8140), 85XX, 93XX, FSC 8710, 8820, 9905, 9920, 9925, 9930, 9999			X
5	<u>Industrial Supplies</u>				
A	Industrial Supplies	FSG 31XX, 53XX, 94XX, 95XX			X

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
K 6	<u>Fuels, Oils and Chemicals</u>				
A	Jet Fuel -----	FSC 9130 -----		X	
B	Aviation Gasoline -----	FSC 9130 -----		X	
C	Automotive Gasoline -----	FSC 9130 -----		X	
D	Diesel Fuel -----	FSC 9140 -----		X	
E	Navy Special Fuel Oil -----	FSC 9140 -----		X	
F	Chemicals -----	FSG 68XX -----		X	
G	Solid Fuel -----	FSC 9110 -----		X	
Z	Other Petroleum, Oil, ----- and Lubricants	FSG 91XX (except 9110, 9130, 9140) -----		X	
7	<u>Construction Supplies</u>				
Z	Construction Supplies -----	FSG 55XX, 56XX -----		X	
8	<u>Automotive Supplies</u>				
A	Automotive Supplies and ----- Spare Parts	FSG 23XX, 24XX, 25XX, 26XX ----- (except 2630), 28XX (except 2810, 2840, 2845), FSC 2910, 2920, 2930; 2940, 2990, and other spare parts		X	Automotive supplies and spare parts for equipment in Generics D, E, J & K
FOOTNOTES: (1) In those generics where both major item and dollar lines may be added to the MASL, the Military Departments must limit major item lines to those pieces of equipment for which visibility is considered absolutely essential to good program control and supply management.					
L	<u>SUPPLY OPERATIONS</u>				
1	<u>Transportation Costs</u>				
A	Inland Transportation-CONUS -----	01 -----		X	
B	Ocean Transportation -----	01 -----		X	
C	Air Transportation -----	01 -----		X	
D	Parcel Post -----	01 -----		X	
E	Commercial Carrier -----	01 -----		X	
F	Inland Transportation ----- Overseas	01 -----		X	

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TABLE D-7. (Continued) [Page 20 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
L 2	<u>Packing, Crating, Handling, Port Loading & Port Unloading Costs</u>				
A	Packing Crating and Handling	01	-----	-----	X
B	Port Loading	01	-----	-----	X
C	Port Unloading	01	-----	-----	X
3	<u>Operationa and Maintenance of MAP Installations</u>				
A	Operation and Maintenance - Costs	01	-----	-----	X
F	MAAG Housing	01	-----	-----	X
G	Maintenance and Repair of Real Property-MAP Installations	01	-----	-----	X
4	<u>Storage and Maintenance of Stockpiles</u>				
A	Storage and Maintenance of Stockpiles	01	-----	-----	X
5	<u>Offshore Procurement Expenses</u>				
A	Offshore Procurement Expenses	01	-----	-----	X
6	<u>Logistics Management Expense</u>				
A	Logistics Mangement Expense	01	-----	-----	X
7	<u>Travel Expenses</u>				
A	Travel Expenses	01	-----	-----	X
8	<u>Case Management</u>				
A	Case Management	01	-----	-----	X
M	<u>MAINTENANCE OF EQUIPMENT</u>				
1	<u>Technicians and Allied Services</u>				
A	Aircraft Technical Assistance	02	-----	-----	X
B	Missile Technical Assistance	02	-----	-----	X

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TABLE D-7. (Continued) [Page 21 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
M 1 C	Communications Technical Assistance	-- 02	-----	X	
D	EAM Services	----- 02	-----	X	
E	Other Technical Assistance	- 02	-----	X	
F	Technical Data Package (TDP)	02	-----	X	
G	Engineering Technical Assistance	----- 02	-----	X	
H	Technical Coordination Program (TCP)	---- 02	-----	X	
J	Aircraft Structural Integrity Program (ASIP)	----- 02	-----	X	
K	Non-Standard Item Support	-- 02	-----	X	
L	PMEL Calibration	----- 02	-----	X	
M	Engine CIP	----- 02	-----	X	
N	Technical Data Publications	02	-----	X	
Q	Ship Maintenance Technical	- 02	-----	X	
R	Logistics Technical Assistance	----- 02	-----	X	
2	<u>Repair/Rehabilitation/Replacement of Equipment</u>				
A	Repair/Rehabilitation/Replacement of Aircraft and Aircraft Engine Overhauls (Including Aircraft IRAN)	---- 02	-----	X	X
B	Overhaul of Ships	----- 02	-----	X	X
C	Repair/Rehabilitation/Replacement, Other	---- 02	-----	X	X
D	Combat Vehicles	----- 02	-----	X	X
E	Tactical/Support Vehicles	- 02	-----	X	X
F	Weapons	----- 02	-----	X	X
G	Ammunition	----- 02	-----	X	X
H	Communications/Electronics, Meteorological Equipment	02	-----	X	X

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TABLE D-7. (Continued) [Page 22 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
M 2 J	Support Equipment -----	02 -----		X	
K	Missiles -----	02 -----	X	X	
3	<u>Repair and Rehabilitation (R+R) of Excess Material</u> (FY63 and Prior Year Only)				
A	Repair and Rehabilitation - 01 ----- of Aircraft and Aircraft Engine Overhauls (Including IRAN)	01 -----		X	
B	Overhaul of Ships -----	01 -----		X	
C	Repair and Rehabilitation, - 01 ----- Other	01 -----		X	
N	<u>TRAINING (FMS 1200 SYSTEM ONLY)</u>				
0	<u>Training</u>				
0	Training -----	00 -----		X	
7	<u>Training-Medical Services</u>				
E	Training-Medical Services - 00 -----	00 -----		X	
9	<u>Training</u>				
A	Training-Aids, Devices, Spare Parts -----	00 -----		X	
B	Training-Books, Pubs, Other -----	00 -----		X	
X	Training-PCH&T Cost -----	00 -----		X	

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TABLE D-7. (Continued) [Page 23 of 35]

Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N		TRAINING			
1	STUDENT TRAINING	FORMAL TRAINING/UNITED STATES (U.S.)			
A	0110000	Flying Training, U.S.			
	0111000	Pilot, Jet, Fixed Wing	x		
	0112000	Pilot, Convent, Fixed Wing	x		
	0113000	Pilot, Helicopter	x		
	0114000	Non-Pilot	x		
	0115000	Instructor	x		
	0116000	Special Techniques	x		
	0117000	Crew/Transition	x		
	0118000	Flight Test	x		
	0119000	Other	x		
B	0120000	Operations Training, U.S.			
	0121000	Combat Operations	x		
	0122000	Weapons/Tactics/FAM	x		
	0123000	Min Warfare/ASW	x		
	0124000	Amphibious Operations	x		
	0125000	Recce, Mapping/Photo	x		
	0126000	Counterinsurgency/Psy War	x		
	0127000	CBR	x		
	0128000	Training Devices/Simulators	x		
	0129000	Other	x		
C	0130000	Comm/Elect Training, U.S.			
	0131000	Electronic Fundamentals	x		
	0132000	Ground/Comm/Signal	x		
	0133000	Air Comm/Signal	x		
	0134000	Fire Control Sys/Sur-Air	x		
	0135000	ASW Systems/Sur-Air	x		

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TABLE D-7. (Continued) [Page 24 of 35]

Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
NIC(cont)	0136000	ECM Systems/Sur-Air	x		
	0137000	Other Radar Sys/Sur-Air	x		
	0138000	(Unassigned)	x		
	0139000	Other	x		
D	0140000	Maintenance Training U.S.			
	0141000	Aviation	x		
	0142000	Armament/Ammunition	x		
	0143000	Auto/Ground Support	x		
	0144000	Combat/Special Vehicle	x		
	0145000	Ships/Boats	x		
	0146000	Weather/Meteorology	x		
	0147000	Training Equip/Devices	x		
	0148000	Support Tech Skills	x		
	0149000	Other	x		
E	0150000	Logistics Training, U.S.			
	0151000	Logistics Management	x		
	0152000	Supply/Warehousing	x		
	0153000	Transport/Distribution	x		
	0154000	Procurement	x		
	0155000	Comptroller/Stat/ADPS	x		
	0156000	Finance	x		
	0157000	(Unassigned)	x		
	0158000	(Unassigned)	x		
	0159000	Other	x		
F	0160000	Administrative Training, U.S.			
	0161000	Personnel	x		
	0162000	Manpower/Management	x		
	0163000	Food Handling/Admin	x		
	0164000	Info/Education	x		

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TABLE D-7. (Continued) [Page 25 of 35]

Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
NIF(cont)	0165000	Clerical	x		
	0166000	Instructor/Supervisor	x		
	0167000	(Unassigned)	x		
	0168000	Women's Military	x		
	0169000	Other	x		
G	0170000	Professional/Special Training U.S.			
	0171000	Command/Staff	x		
	0172000	Intelligence	x		
	0173000	Mil Police/Civil Affairs	x		
	0174000	Engineering/Construction	x		
	0175000	Medical/Health Hygiene	x		
	0176000	Legal	x		
	0177000	English Language	x		
	0178000	Civilian Institution	x		
	0179000	Other	x		
H	0180000	Orientation Training, U.S.			
	0181000	Orientation Tours/DV	x		
	0182000	Orientation Tours/Non Dv	x		
	0183000	Observer	x		
	0184000	Exchange Student	x		
	0185000	Informational Program	x		
	0186000	(Unassigned)	x		
	0187000	(Unassigned)	x		
	0188000	(Unassigned)	x		
	0189000	Other	x		
J	0190000	Missile Training, U.S.			
	0191000	IRBM	x		
	0192000	NIKE	x		
	0193000	HAWK	x		

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Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N1J(cont)	0194000	Other/Surface to Surface	x		
	0195000	Other/Surface to Air	x		
	0196000	Air to Air	x		
	0197000	Air to Surface	x		
	0198000	Target Drone	x		
	0199000	Other	x		
		STUDENT TRAINING	FORMAL TRAINING/OVERSEAS (O/S)		
N	0210000	Flying Training, O/S			
	0211000	Pilot, Jet, Fixed Wing	x		
	0212000	Pilot, Convent, Fixed Wing	x		
	0213000	Pilot, Helicopter	x		
	0214000	Non-Pilot	x		
	0215000	Instructor	x		
	0216000	Special Techniques	x		
	0217000	Crew Transition	x		
	0218000	(Unassigned)	x		
	0219000	Other	x		
P	0220000	Operations Training, O/S			
	0221000	Combat Operations	x		
	0222000	Weapons/Tactics/FAM	x		
	0223000	Minewarfare/ASW	x		
	0224000	Survival/Jungle/Arctic	x		
	0225000	Recce, Mapping/Photo	x		
	0226000	Counterinsurgency/Psy War	x		
	0227000	CBR	x		
	0228000	Training Devices/Simulators	x		
	0229000	Other	x		
Q	0230000	Comm Elect Training, O/S			

Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
NIQ(cont)	0231000	Electronic Fundamentals	x		
	0232000	Ground/Comm/Signal	x		
	0233000	Air/Command/Signal	x		
	0234000	Fire Control Sys/Sur-Air	x		
	0235000	ASW Systems/Sur-Air	x		
	0236000	ECM Systems/Sur-Air	x		
	0237000	Other Radar Sys/Sur-Air	x		
	0238000	(Unassigned)	x		
	0239000	Other	x		
R	0240000	Maintenance Training, O/S			
	0241000	Aviation	x		
	0242000	Armament/Ammunition	x		
	0243000	Auto/Ground support	x		
	0244000	Combat/Special Vehicles	x		
	0245000	Ships/Boats	x		
	0246000	Other Support Equip	x		
	0247000	Training Aids/Devices	x		
	0248000	Support Technical Skills	x		
	0249000	Other	x		
S	0250000	Logistics Training, O/S			
	0251000	Logistics Management	x		
	0252000	Supply/Warehousing	x		
	0253000	Transport/Distribution	x		
	0254000	Procurement	x		
	0255000	Comptroller/Stat/ADPS	x		
	0256000	Finance	x		
	0257000	(Unassigned)	x		
	0258000	(Unassigned)	x		
	0259000	Other	x		
T	0260000	Administrative Training, O/S			

TABLE D-7. (Continued) [Page 27 of 35]

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Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
NIT(cont)	0261000	Personnel	x		
	0262000	Manpower/Management	x		
	0263000	Food Handling/Admin.	x		
	0264000	Info/Education	x		
	0265000	Clerical	x		
	0266000	(Unassigned)	x		
	0267000	(Unassigned)	x		
	0268000	(Unassigned)	x		
	0269000	Other	x		
	U	0270000	Professional/Special Training, O/S		
0271000		Command/Staff	x		
0272000		Intelligence/Counter-Intel	x		
0273000		Mil Police/Civil Affairs	x		
0274000		Engineering/Construction	x		
0275000		Medical/Health/Hygiene	x		
0276000		Cadet	x		
0277000		English Language	x		
0278000		(Unassigned)	x		
0279000		Other	x		
V	0280000	Orientation Training, O/S			
	0281000	Orientation Visits/DV	x		
	0282000	Orientation Tours/Non-DV	x		
	0283000	Observer	x		
	0284000	Exchange Student	x		
	0285000	(Unassigned)	x		
	0286000	(Unassigned)	x		
	0287000	(Unassigned)	x		
	0288000	(Unassigned)	x		
	0289000	Other	x		
W	0290000	Missile Training, O/S			

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TABLE D-7. (Continued) [Page 29 of 35]

Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
NIW(cont)	0291000	(Unassigned)	x		
	0292000	(Unassigned)	x		
	0293000	(Unassigned)	x		
	0294000	(Unassigned)	x		
	0295000	(Unassigned)	x		
	0296000	(Unassigned)	x		
	0297000	(Unassigned)	x		
	0298000	(Unassigned)	x		
	0299000	Other	x		
Z		PANAMA CANAL SCHOOL TRNG			
	BUSARSA	Training at USARSA	x		Not included in Unified Command ceiling. Programmed under non-regional command.
	D01AAFA	Training at IAFFA	x		
	PSCIATT	Training at SCIATT	x		
	P01ANTN	Training at IANTN	x		
2		MOBILE TRAINING TEAMS/DETACHMENTS			
	0300000	Mobile Training Teams, Detachments CONUS			
A	0301000	Aviation	x		
B	0302000	Combat Operation/Intel	x		
C	0303000	Communications/Electronic	x		
D	0304000	Supply/Maintenance	x		
E	0305000	Personnel/Maintenance	x		
F	0306000	Counterinsurgency	x		
G	0307000	English Language	x		
H	0308000	Missiles	x		
J	0309000	Other	x		
	0310000	Mobile Training Teams, Detachments, O/S			
M	0311000	Aviation	x		

TABLE D-7. (Continued) [Page 30 of 35]

Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N2M	0312000	Combat Operations/Intel	x		
P	0313000	Communications/Electronics	x		
Q	0314000	Supply/Maintenance	x		
R	0315000	Personnel/Maintenance	x		
S	0316000	Counterinsurgency	x		
T	0317000	English Language	x		
U	0318000	Missiles	x		
V	0319000	Other	x		
3		FIELD TRAINING SERVICES			
A	0321000	Aircraft Engine/Airframe	x		
B	0322000	Communications/Electronics	x		
C	0323000	Radar Systems	x		
D	0324000	Armament	x		
E	0325000	Maintenance	x		
F	0326000	Training/Aids/Devices	x		
G	0327000	English Language	x		
H	0328000	Missiles	x		
J	0329000	Other	x		
5		TRAINING OF U.S. MAP PERSONNEL			
A	0381000	Contract Cost			
B	0382000	Tng of U.S. MAP Personnel	x		Phase I and Phase II. Not included as part of unified command ceiling but programmed worldwide by Military Departments.
C	0383000	Language	x		Not included in unified command ceiling. Worldwide program prepared by DSAA.
E	0385000	Other Training Costs	x		Not included in unified command ceiling. Worldwide program budgeted for by Military Departments for training

Generic Code	Item Ident No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N5E(cont)					of U.S. personnel in skill peculiar to MAP assignments. Requirements associated with MASF programs will be carried in country programs.
6		EXTRAORDINARY EXPENSES			Not included in unified command ceiling. Worldwide program budgeted for by Military Departments. Requirements associated with MASF programs will be carried in country programs.
A	0390000	Extraordinary Expenses		x	
7		OTHER TRAINING SUPPORT			
A	0361000	Training Exercises		x	
B	0362000	Escort Officers	x		
C	0363000	Supplies and Materials		x	
D	0364000	Facilities/Rehabilitation		x	
E	0365000	Services	x	x	
F	0366000	Other	x	x	
G	0367000	Shipment of Instructional Material		x	Not required for FY84 and future programs.
Z	0399000	Abbr Tng Plan Reqmt		x	To be used only when training items are unknown at time of programming.
9		TRAINING AIDS			
A	OTNGDEV	Training Aids and Devices		x	
B	BBKPUBO	Army Books/Publications/Other		x	
	DBKPUBO	AF Books/Publications/Other		x	
	PBKPUBO	Navy Books/Publications/Other		x	
X	BOOPCHT	Army PCHT		x	
	DOOPCHT	AF PCHT		x	
	POOPCHT	Navy PCHT		x	

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Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
P	<u>RESEARCH AND DEVELOPMENT</u>				
1	<u>Development of Advance Design Weapons</u>				
A	Development of Advance Design Weapons	---- 00	-----	X	

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
P 2	<u>Other Development Costs</u>				
A	Non-Recurring R+D Costs	00			X
B	First Article Testing	00			X
Q	<u>CONSTRUCTION</u>				
1	<u>Infrastructure (MAP 1000 System only)</u>				
A	Infrastructure	06			X
2	<u>Other Construction</u>				
A	Contract Construction	06			X
B	A+E Services	06			X
C	U.S. Government Costs	06			X
D	Construction, A+E Services and Administrative Costs - SAO Facilities	06			X
E	Other Construction	06			X
R	<u>SPECIAL ACTIVITIES</u>				
1	<u>International Military Headquarters</u>				
A	International Military Headquarters	07			X
2	<u>International Forces Support</u>				
A	U.N. Forces Support in Korea	07			X
B	IAF Support in Dominican Republic	07			X
D	OAS Peace Keeping Forces	07			X
3	<u>Expenses, Inspector General Foreign Assistance, State (MAP 1000 System only)</u>				
A	Expenses, Inspector General Foreign Assistance, State	07			X

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TABLE D-7. (Continued) [Page 34 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
R 4	<u>Studies and Surveys</u>				
A	Studies and Surveys -----	07 -----		X	
5	<u>Weapons Production Projects (MAP 1000 System only)</u>				
A	Weapons Production -----	07 -----		X	
6	<u>Extraordinary Expenses</u>				
A	Extraordinary Expenses ----	07 -----		X	
7	<u>Ship Transfer Costs</u>				
A	Ship Transfer Costs -----	07 -----		X	
8	<u>Special Insurance</u>				
A	Special Insurance -----	07 -----		X	
9	<u>Other Special Activities</u>				
A	Special Activities -----	07 -----		X	
B	Non-Specific Requirements -	07 -----		X	
C	Foreign Currency SAO -----	07 -----		X	
	Support				
D	Royalty Payments -----	07 -----		X	
E	Loan Fees -----	07 -----		X	
F	Contract Termination Costs -	07 -----		X	
G	Technical Assistance Field -	07 -----		X	
	Team (TAFT)				
H	Asset Use Charge -----	07 -----		X	
Z	Other Services -----	07 -----		X	
T	<u>ADMINISTRATIVE EXPENSES</u>				
1	<u>Administrative Expenses, Departmental and Headquarters (MAP)</u>				
A	Administrative Expenses, --	09 -----		X	
	Departmental and Headquarters (MAP)				

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TABLE D-7. (Continued) [Page 35 of 35]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
T 2	<u>Military Mission Expenses (MAP)</u>				
A	Military Mission Expenses - (MAP)	09	-----	X	
3	<u>Contractor Expenses (FMS)</u>				
A	Contractor Expenses (FMS)	09	-----	X	
4	<u>Administrative Surcharges (FMS)</u>				
A	Administrative Surcharges - (FMS)	09	-----	X	
U	<u>FOREIGN MILITARY SALES ORDER (FMSO) NO. I</u> <u>(FMS 1200 SYSTEM ONLY)</u>				
1	<u>Foreign Military Sales Order (FMSO) No. I</u>				
A	Foreign Military Sales Order (FMSO) No. I	00	-----	X	

TABLE D-8

MAP ELEMENT CODE - 1000 SYSTEM

The second and third digits are alphabetic; the fourth digit will normally be the numeric "0" (not the letter O). An alphabetic may be substituted for the "0" in the fourth digit to indicate additional programmed requirements.

Code Levels

1 2 3 4

2. AIR AND MISSILE DEFENSE FORCESA. Aircraft Forces.

A 0 F-86 Units
 B 0 F-100 Units
 C 0 F-101 Units
 D 0 F-104 Units
 E 0 F-4C Units
 F 0 F-5 Units
 G 0 Other Aircraft Units

B. Surface-to-Air Missile Forces.

A 0 NIKE Units
 B 0 HAWK Units
 C 0 Other SAM Units
 U 0 SAM Operating Support (Attrition and Training Missiles)
 V 0 SAM Operating Support (FOS and Secondary Items)

C. Anti-Aircraft Artillery Forces.

A 0 40 mm - AAA Units
 B 0 90 mm - AAA Units
 C 0 Other AAA Units

D. Communications-Electronic-Meteorological Facilities/Systems.

A 0 AC&W Units
 B 0 Other AAA Units

3. GENERAL PURPOSE FORCESA. Army Combatant Forces.

A 0 Infantry Units
 B 0 Armored Units
 C 0 Cavalry Units
 D 0 Mechanized Units
 E 0 Airborne Units
 F 0 Separate Artillery Units
 G 0 Armored Cavalry Units
 H 0 Combat Engineer Units
 J 0 HONEST JOHN Units
 K 0 Aviation Units

- M 0 Other Missile Units
 - N 0 Other Combat Units
 - P 0 Signal Support Units
 - Q 0 Engineer Construction Units
 - R 0 Quartermaster Units
 - S 0 Other Combat Support Units
- B. Logistical and Operating Support (Army).
- A 0 Supporting Bases and Activities
 - T 0 Army Operating Support (IMETP Training)
 - U 0 Army Operating Support (Attrition and Ammunition)
 - V 0 Army Operating Support (FOS and Secondary Items)
- D. Surveillance and Ocean Control Forces.
- A 0 ASW Aircraft Carrier Units
 - B 0 ASW Aircraft Units
 - C 0 Submarine Units
 - D 0 Surface Units
 - E 0 Surface Patrol Units
 - F 0 Patrol Aircraft Units
 - G 0 Other Surveillance and Ocean Control Units
- E. Mine Warfare Forces.
- A 0 Mine Laying Units
 - B 0 Mine Sweeping Units
 - C 0 Other Mine Warfare Units
- F. Amphibious Forces.
- A 0 LST Units
 - B 0 LSM Units
 - C 0 Other Amphibious Units
- G. Multi-Purpose Combat Forces.
- A 0 Cruiser Units
 - B 0 Frigate Units
 - C 0 Destroyer Units
 - D 0 Submarine Units
 - E 0 Other Multi-Purpose Combat Units
- H. Logistical and Operating Support (Navy).
- B 0 Auxillary Ships and Harbor Craft
 - C 0 Supporting Bases and Activities
 - T 0 Navy Operating Support (IMETP Training)
 - U 0 Navy Operating Support (Attrition and Ammunition)
 - V 0 Marine Operating Support (FOS) and Secondary Items)
- L. Tactical Aircraft Forces.
- A 0 T-28 Units
 - B 0 T-80 Units
 - C 0 T-33 Units
 - D 0 RT-33 Units
 - E 0 F-84 Units

 TABLE D-8. (Continued) [Page 2 of 4]

- F 0 RF-84 Units
 - G 0 F-86 Units
 - H 0 RF-86 Units
 - J 0 E-100 Units
 - K 0 RF-101 Units
 - M 0 F-104 Units
 - N 0 RF-101 Units
 - P 0 F-5 Units
 - Q 0 RF-5 Units
 - R 0 B-57 Units
 - S 0 Other Tactical Aircraft Units
- M. Logistical and Operating Support (Air Force).
- A 0 Communications and Weather Units
 - B 0 Supporting Bases and Activities
 - T 0 Air Force Operating Support (IMET Training)
 - U 0 Air Force Operating Support (Attribution and Ammunition)
 - V 0 Air Force Operating Support (FOS and Secondary Items)
- N. Paramilitary Forces.
- A 0 Ground Units
 - B 0 Sea Units
 - C 0 Air Units
 - V 0 Paramilitary Operating Support (FOS and Secondary Items)
4. AIRLIFT AND SEALIFT FORCES
- A. Airlift Forces.
- A 0 C-46 Units
 - B 0 C-47 Units
 - C 0 C-54 Units
 - D 0 C-82 Units
 - E 0 C-119 Units
 - F 0 C-130 Units
 - G 0 Other Airlift Units
- B. Sealift Forces.
- A 0 Troop Transport Units
 - B 0 Cargo Ship Units
 - C 0 Tanker Ship Units
 - D 0 Other Sealift Units
5. RESERVE FORCES
- A 0 Army Reserves
 - B 0 Naval Reserves
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6. RESEARCH AND DEVELOPMENT

TABLE D-8. (Continued) [Page 3 of 4]

7. GENERAL SUPPORT

- A. Individual Training.
- B. Intelligence and Security.
 - D 0 Mapping and Charting
 - E 0 Other Intelligence Activities
- C. Communications.
 - A 0 Aircraft Traffic Control and Landing
 - B 0 Other Communications Systems
- D. Logistical Support.
 - A 0 MAP Supply Operations
 - B 0 Supporting Bases and Activities
 - V 0 Multi-Service Operating Support
(FOS and Secondary Items)
- F. Command and General Support.
 - A 0 Command and Direction
 - B 0 Construction Support Activities
 - C 0 Other Support Activities

8. FMS TRAINING (Use applicable case designator)

TABLE D-8. (Continued) [Page 4 of 4]

TABLE D-9
SOURCE OF SUPPLY CODE - 1000 SYSTEM

<u>Code</u>	<u>Meaning</u>
A	Assigned to all records in the Republic of Korea (ROK) 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 former Section 509 of the Foreign Assistance Act of 1961, as amended.
E	Excess: From stocks excess to MILDEP/Defense Supply Agency supplied to meet MAP and FMS requirements.
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 former 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 MILDEP procurement, financed initially by MILDEP appropriations. (2) When they are to be furnished from MILDEP 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 in 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 materiel will be available to finance the MILDEP or DLA reimbursable budget plan as it is classified for the budget document.

<u>Code</u>	<u>Meaning</u>
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 by inventories of the MILDEP or DLA of 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 (OSP): 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	F-104G MAP Spares Depot: From MAP owned assets of spares and spare parts peculiar to F-104G 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.

TABLE D-10
STATUS CODE - 1200 SYSTEM

<u>Code</u>	<u>Meaning</u>
O	Open Offer: A formal offer has been transmitted to the foreign government by DD Form 1513 and acceptance or refusal by the foreign government is pending.
E	Extended Offer: An offer which has not been accepted or rejected by the country and the Offer Expiration Date (OED) has been reached. When this occurs, the case status is automatically changed to E (extended offer).
S	Signed Offer: Indicates an advance notice that the country intends to accept the case.
A	Accepted Offer: The foreign government has accepted the case by signature on the DD Form 1513. Status Code A is assigned even though the foreign government may not have made the initial down payment of cash advance required under terms of the sales agreement.
I	Implemented case: A case for which the foreign government has accepted the offer and fulfilled all financial obligations necessary prior to commencement of supply action; or if financing is by DoD credit when necessary funds have been allocated by the DSAA to the SAAC. This code signifies that all conditions prerequisite to beginning supply action have been fulfilled, that the SAAC has issued obligational authority to the Implementing Agency and that supply agencies of the MILDEPs have been directed to begin execution of the sales agreement. In many instances, it will be possible to move directly from status "O" to status "I" because implementation occurs simultaneously with acceptance of the offer by the foreign government.
C	Closed Case. A case for which (1) delivery of all items and performance of all services specified in the sales agreement have been completed by the Implementing Agency, (2) collections (or equivalent transaction) have been completed, and (3) A final accounting statement has been furnished the purchaser.
X	Cancelled Case. An offer which has not been accepted by the foreign government during the time period allowed; an offer withdrawn by the U.S. government; an offer declined by the foreign government; or an accepted case which is cancelled by either the foreign government or the U.S. Government.
L	Legislative Cycle. In accordance with arms control legislation, a potential major sale which is in either the advanced or the formal notification phase of Congressional review.

TABLE D-10. STATUS CODE - 1200 SYSTEM. [Page 1 of 2]

<u>Code</u>	<u>Meaning</u>
D	Supply Complete. Notification from the Implementing Agency that supplies/services delineated in a specific case have been furnished "supply complete" to the foreign government.
Z	Cancelled Letter of Request (LOR). A Letter of Request which has been cancelled prior to preparation of the LOA usually at the request of the foreign government.
R	Letter of Request (LOR). The Letter of Request phase indicating that the Implementing Agency has received an LOR for an LOA from the foreign government.

TABLE D-10. (Continued). [Page 2 of 2]

TABLE D-11
TYPE OF ASSISTANCE CODE - 1000 SYSTEM

<u>Code</u>	<u>Meaning</u>
T	Grant Aid rendered under the authority of the Foreign Assistance Act of 1961, as amended, for which the United States receives no reimbursement.
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 the 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 the 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 (NAMS0).
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 materiel resulting from liquidation of NATO Maintenance Supply Agency 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 update & 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.

Type of Assistance Codes used in other than Grant Aid transactions:

F	Training provided as a part of an FMS case. This data is maintained in the 1000 System data base purely as a service to assist the Military Departments in accounting for students spaces provided under FMS. Not used in MILSTRIP.
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TABLE D-11. TYPE OF ASSISTANCE CODE - 1000 SYSTEM.

Change No. 2, 2 Jan 1985

TABLE D-12

UNIT OF ISSUE CODE - ALL SYSTEMS

<u>Code</u>	<u>Item</u>	<u>Definition</u>
AY	Assembly	A collection of parts assembled to form a complete unit, constituting a single item of supply, e.g., hose assembly. Use only when the term "assembly" is a part of the item name.
BD	Bundle	A quantity of the same item tied together without compression.
BE	Bale	A shaped unit of compressible materials bound with a cord or metal ties and usually wrapped, e.g., paper and cloth rags.
BG	Bag	A flexible container of various sizes and shapes which is fabricated from such materials as paper, plastic or textiles. Includes "sack" and "pouch".
BT	Bottle	A glass, plastic, or earthenware container of various sizes, shapes, and finishes such as jugs but excluding jars, ampoules, vials, and carboys, with a closure for retention of contents.
BX	Box	A rigid, three dimensional container of various sizes and materials. Includes "case", "carton", "tray", and "crate".
CA	Cartridge	Usually a tubular receptacle containing loose or pliable materiel and designed to permit ready insertion into an apparatus for dispensing the materiel. Usually associated with adhesives and sealing compounds.
CD	Cubic Yard	A unit of cubic measure.
CK	Cake	A block of compacted or congealed matter. Applicable to such items as soap, buffing compound.
CN	Can	A rigid receptacle made of fibre, metal, plastic, or a combination thereof. Cans may be cylindrical or any number of irregular shapes. Restricted to items which cannot be issued in less than container quantity. Includes "pail" and "canister". Do not use when the packaged quantity equates to a unit of measure, i.e., pint, quart, gallon, ounce, pound.

TABLE D-12. UNIT OF ISSUE CODE - ALL SYSTEMS. [Page 1 of 4]

<u>Code</u>	<u>Item</u>	<u>Definition</u>
CO	Container	A general term for use only when an item is permitted to be packaged for issue in optional containers, e.g., bottle or tube for a single NSN.
DR	Drum	A cylindrical container designed as an exterior pack for storing and shipping bulk materials, e.g., fuels, chemicals, powders, etc. Drums may be made of metal, rubber, polyethylene, plywood, or fibre with wooden, metal, or fibre ends.
DZ	Dozen	Twelve (12) of an item of supply.
EA	Each	A numeric quantity of one item of supply. Do not use if more specific term applies, such as kit, set, assortment, assembly, group, sheet, plate, strip, or length.
FT	Foot	Unit of linear measurement, sometimes expressed as "linear foot".
GL	Gallon	Unit of liquid measurement.
GR	Gross	One hundred forty four (144) of an item of supply.
HD	Hundred	One hundred (100) of an item of supply.
KT	Kit	A collection of related items issued as a single item of supply, such as tools, instruments, repair parts, instruction sheets, and often supplies typically carried in a box or bag. Also includes selected collections of equipment components, tools, and/or materials for the repair, overhaul, or modification of equipment. Use only when the term "kit" is a part of the item name.
LB	Pound	A unit of avoirdupois weight measure equivalent to 16 ounces.
MX	Thousand	One thousand (1,000) of an item, e.g., thousands of rounds of small caliber ammunition.
OT	Outfit	A collection of related items issued as a single item of supply, such as the tools, instruments, materials, equipment, and/or instruction manual(s) for the practice of a trade or profession or for the carrying out of particular project or function. Use only when the term "outfit" is part of the item name.

 TABLE D-12. (Continued) [Page 2 of 4]

<u>Code</u>	<u>Item</u>	<u>Definition</u>
PG	Package	A form of protective wrapping for two or more of the same item of supply. To be used only when a unit of measure or container type term is not applicable. Includes "envelope."
PR	Pair	Two similar corresponding items, e.g., gloves, shoes, bearings; or items integrally fabricated of two corresponding parts, e.g., trousers, shears, goggles.
PT	Pint	A unit of liquid or dry measure.
QT	Quart	A unit of liquid or dry measure.
RL	Reel	A cylindrical core on which a flexible materiel, such as wire or cable, is wound. Usually has flanged ends.
RM	Ream	A quantity of paper varying from 480 to 516 sheets, depending upon grade.
RO	Roll	A cylindrical configuration of flexible materiel which has been rolled on itself such as textiles, tape, abrasive paper, photosensitive paper and film, and may utilize a core with or without flanges.
SE	Set	A collection of matched or related items issued as a single item of supply, i.e., tool sets, instrument sets, and matched sets. Use only when the term "set" is a part of the item name.
SH	Sheet	A flat piece of rectangular-shaped materiel of uniform thickness that is very thin in relation to its length and width, such a metal, plastic, paper, and plywood. Use of this term is not limited to any group of items or FSCs. However, it will always be applied when "sheet" is used in the item name to denote shape, e.g., aluminum alloy sheet, except items in FSC 7210.
SL	Spool	A cylindrical form with an edge or rim at each end and an axial hole for a pin or spindle on which a flexible materiel such as thread or wire is wound.
TU	Tube	Normally a squeeze-type container, most commonly manufactured from a flexible type materiel and used in packaging toothpaste, shaving cream, and pharmaceutical products. Also applicable as form around which items are wound such as thread. It is not applicable to mailing tube, pneumatic tube, or cylindrical containers of a similar type.

 TABLE D-12. (Continued) [Page 3 of 4]

In addition to the above codes, the following code is also authorized for use:

<u>Code</u>	<u>Item</u>	<u>Definition</u>
XX	Dollars	Use when a record does not reflect any quantitative amount.

TABLE D-12. (Continued) [Page 4 of 4]

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