



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D.C. 20301

1 March 1986

In reply refer to:  
Transmittal No. 6  
DOD 5105.38-M

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

SUBJECT: SAMM Change 6 Transmittal

The attached revised material updates the basic publication.

Make the applicable change to the SAMM in accordance with the  
attached list of changes by inserting new pages.

This change is effective 1 March 1986.

A handwritten signature in cursive script, reading "Philip C. Gast", is positioned above the typed name.

PHILIP C. GAST  
LIEUTENANT GENERAL, USAF  
DIRECTOR

Attachments

1. List of Changes
2. List of Effective Pages
3. List of material incorporated  
within Change 6
4. SAMM Update pages

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**SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM)****FORMAL CHANGE NO. 6 INCLUDES THE FOLLOWING INFORMATION:****INTERIM CHANGES INCORPORATED:**

<u>Number</u>	<u>Subject</u>
86-03	Chapter 7, Section III, Figure 7-III-2, "Contract Administration Reciprocal Agreements" -- Under Germany, insert "Germany, 6 December 1985, Contract Audit." [DSAA/OPS-E Msg. 060021Z Feb 86]
86-02	Chapter 7, Section II, Table 7-II-6, "Additional Terms and Conditions -- Safeguards for Contractor Personnel," paragraph E.3. -- the wording of the last two lines of this paragraph were changed as follows: ". . . applicable overhead and G and A, but excluding profit, out of national funds (not FMS Credit or MAP funds) to be provided by the GO ___ under this LOA." Tables 7-II-3, "Additional Terms and Conditions - Aircraft," and Table 7-II-4, "Additional Conditions - Aircraft Ferrying (Purchaser-Owned)" -- paragraph G of both tables, concerning splits in crews, was rewritten. [DSAA/OPS-E Msg. 111725Z Feb 86]
86-01	Section 118 of P.L. 99-83 amended Section 36(b) of the AECA, effective 1 Oct 85, by initiating a new Congressional reporting requirement regarding enhancements of the sensitivity of technology or system capabilities previously described in a prior Congressional certification and establishing a new certification requirement when net costs of an enhancement reach Section 36(b)(1) dollar thresholds. This SAMM change provided revised policy and procedures to implement the amendment. Changes were made throughout Chapter 7, Section IV . [DSAA/COMPT-FMSCD Msg. 281437Z Jan 86]
85-26	Chapter 7, Section III, paragraph M.4. was amended to include a new subparagraph M.4.e. The revision clarifies the responsibilities and procedures for follow-up action when customer-signed FMS cases (DD Form 1513) and amendments (DD Form 1513-1) are not accompanied by initial deposits required by LOA General Condition D.1. for formal acceptance of the case or amendment. [DSAA/COMPT-FMD Msg. 070036Z Dec 85]
85-25	Chapter 5, Section III. A new subparagraph B, "Compilation of FMS Case Level Data," was added. [DSAA/COMPT-DMD Msg. 070035Z Dec 85]
85-24	Chapter 7, Section II. In conjunction with current efforts to streamline the foreign military sales system, the DSAA coordination and countersignature process for Letters of Offer (DD 1513s), Amendments (DD 1513-1s), Modifications (DD 1513-2s), and Letters of Intent (DD 2012s, DD 2012-1s, and DD 2012-2s) was modified. [DSAA/COMPT-FMSCD Msg. 082017Z Nov 85]
85-23	Chapter 7, Section I, paragraph C.1.b., "Channels of Submission of LOR," and paragraph C.3., "Coordination of Requests for P&R, P&A or an LOA," were revised. Section II, paragraph C.1. was revised as follows: "Consistent

with the provisions of Chapter 7, Section I, paragraph C.1.b., the DOD component should proceed with the development of the LOA upon receipt of the LOR from an FMS customer, American embassy, or Security Assistance Organization (SAO)." [DSAA/OPS-E Msg. 010057Z Nov 85, 171543Z Jun 85, and 242335Z Jun 85]

- 85-22** Appendix D. "Code L, Defense Audio Visual Agency (DAVA)," was deleted from paragraphs C.14.b. (Change Originator Code--1200 System) and C.51.b (Implementing Agency Code--1200 System). Changes were also made in paragraphs C.34.(DSAA Waiver--1000 System), C.78. (Requirements Priority Code--1000 System), and C.101. (Worksheet Control Number (WCN)--1000 System). Paragraph C.103. (Waiver Codes--1000 System) was deleted entirely. Table D-7 (Generic Codes--All Systems) was revised. [DSAA/COMPT-DMD Msg. 152138Z Oct 85]
- 85-21** Chapter 14, Section II, paragraph D.4., was replaced in its entirety with a new paragraph entitled "Coproduction Program Financed with FMS Credit Funds." [DSAA/OPS-E Msg. 301733Z Sep 85]
- 85-20** Chapter 7, Section IV, paragraph D.3. (Submission of Supporting Data) was revised. [DSAA/OPS-E Msg. 092215Z Sep 85 and 171543Z Jun 85]
- 85-19** Chapter 4, Section I. A new paragraph C. (Materiel Requirements Surveys) was added to the end of this section. [DSAA/OPS-E Msg 071852Z Sep 85]
- 85-18** Chapter 8, Section V. A new paragraph A.12. (Shifts of Case Value between Cases) was added. Paragraph C.3.c., concerning shifts of case value from one FMS case to another by concurrent modification, was revised.

#### MISCELLANEOUS INFORMATION INCORPORATED:

**Chapter 2:** Section IV, paragraph A.8.b. was revised to add "(except maritime law enforcement or international narcotics control is prohibited)" at the end of the paragraph.

**Chapter 5:** Section IV, "Export License and Customs Clearance Guidance for Foreign Military Sales Customers," was rewritten. [DSAA Memo I-00099/86 of 6 February 1986]

**Chapter 7:** Section II, paragraph C.2.13.b. contains revised guidance on "Receipt and Recording of Acceptance." The words "or refunds" was added to Section II, paragraph M.4.e.

**Chapter 8:** Updated Defense Property Disposal Service to Defense Reutilization and Marketing Service.

**Chapter 9:** Changed to incorporate the new commercial contract guidelines which became effective on 9 October 1985. (Reprinted the entire chapter.)

**Chapter 10:** Section I, paragraph D.1.1. was revised to incorporate guidance on police training certifications, initially addressed in DSAA Msg. 072101Z Nov 85. Paragraph F.5.c. ("Guest Instructors...") was expanded to include a new subparagraph (1), and a new paragraph K.7. on "Training Analysis Codes" was added. Section II contains a new Table 10-II-4 (Training Analysis Codes). A new Section III, "Reciprocal Exchange Training," was added.

**Chapter 11:** Section I, paragraph A.2., concerning MAP financed LOAs for defense services is new, and was initially addressed in DSAA Msg. 301732Z Sep 85. The earlier paragraph A.2. was renumbered as A.3.

**Chapter 13:** A new Section III, "DSAA Financial Management Review Program" was added.

**Chapter 15:** Section IV, paragraph E.1. contains revised guidance concerning the schedule associated with the Training MASL.

**Appendix A:** Added/updated abbreviations and acronyms.

**Appendix D:** The NATO Maintenance and Supply Agency - Weapons (NAMSA-Weapons) was added to Table D-5.

**Appendix E:** Paragraph C, "Reporting Instructions," was revised.

**Note:** In addition, minor administrative corrections were made on various pages, and other pages are included due to repagination.

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a. The FAA prohibits using funds authorized under the Act to conduct any police training or related programs either in a foreign country, or in the United States. All military assistance, not just training, is subject to this prohibition.

b. "Police" training in the context of the FAA prohibition includes military police as well as civilian police, if the military police perform on-going civilian law enforcement functions. Neither the name given to a unit nor the ministerial authority under which it operates is sufficient to determine whether a particular unit is a "police unit." The determining factor is the nature of the functions performed by the unit. Assistance in foreign countries for any phase of civilian law enforcement (except maritime law enforcement or international narcotics control) is prohibited. \*

c. The AECA does not prohibit police training or related programs. However, prior DSAA approval shall be obtained before offering this type defense article or service through foreign military sales procedures.

d. If the DSAA authorizes foreign students to attend military police training, foreign government must certify that the students will not be involved in any civilian law enforcement functions for at least two years after receiving the training.

e. "Law enforcement" includes apprehension and control of political offenders and opponents of the government in power (other than prisoners of war), as well as persons suspected of common crimes.

f. The prohibitions discussed above do not apply to units that have the sole function of that aspect of internal security which may involve combat operations against insurgents or legitimate self-defense of national territory against foreign invasion, whether or not the unit is called "police."

g. If some personnel from a smaller unit within a larger unit that is eligible for assistance are detailed to on-going civilian law enforcement functions, then just the smaller unit will be prohibited from receiving grant support under the Foreign Assistance Act. However, no grant funds may be used in any program of internal intelligence or surveillance on behalf of any foreign government either within the United States or abroad.

h. Antiterrorism and Counterterrorism training may be requested through the Department of State (Attention: M/CT and PM/SAS) using United States Embassy channels. The DSAA should be informed of any request for antiterrorism or counterterrorism training.

i. Limited military intelligence training is available. The scope of this type training shall be limited to training that is directly related to combat or operational intelligence or intelligence management of combat or operational intelligence at the joint military staff level. In case of doubt about whether or not a particular course or type of training falls into one of these two categories, obtain a clarification from the DSAA.

j. Defense articles, defense services and training will not be sold or leased to foreign organizations or personnel under the AECA unless

they are part of the national defense establishment, under the direction and control of the ministry responsible for defense matters.

k. Requests for training for foreign personnel (or units) that are not part of the Defense Ministry must be directed to the Department of State and to the Agency of International Development through United States Embassy channels. The DSAA and relevant Military Department should be informed of the request.

1. Prior DSAA approval must be obtained for the sale or lease of defense articles, defense services, or training to foreign organizations or personnel if they are engaged in on-going civilian police functions under the direction and control of the ministry responsible for defense matters.

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

a. Napalm including napalm thickener, dispenser and fuses will not be provided through Foreign Military Sales (FMS) or on a commercial basis.

b. Requests for white phosphorus munitions should be submitted in accordance with the procedures established for Significant Combat Equipment (SCE) (see Chapter 7, Section I of this manual). Requests should indicate, by type of ammunition requested, the quantity and intended use of the ammunition. Requests should be accompanied by mission's opinions as to whether the amount requested is reasonable in relation to the intended use, current on-hand inventories, and predictable usage rates of such items; and requests must contain assurance from the host government that the white phosphorus munitions will be used only for purposes such as signalling and smoke screening. DSAA will be responsible for coordinating approval of the request. Upon approval, DSAA will advise the cognizant DoD component of the approval along with the conditions for its use which will be made a part of the LOA.

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

## B. SHIP TRANSFERS.

1. Vessels 20 years old or more and no more than 3,000 tons (light load displacement) or less may be transferred after 30 continuous days of the date that the USN notifies Congress of its intent to make the transfer. Naval vessels less than 20 years old or more than 3,000 tons may be transferred only after enactment of specified legislation authorizing the transfer. These criteria and Congressional oversight provisions are prescribed by 10 USC 7307.

be justified and processed with the Unified Command Special Activities Joint Manpower Program (JMP) and funded by other appropriation (e.g., O&M, MPA, or R&D). \*

(b) When a major U.S. policy initiative with a country results in the need for personnel to support exercises, repositioning, ship visits, etc., it is fairly clear that these personnel should be provided under other appropriations. When these functions gradually accrue in the SAO, it is more difficult to determine the threshold at which personnel should be shifted to other appropriations or new personnel added. As a general rule, an individual should be on the security assistance JMP if he spends 50 percent or more of his time performing security assistance functions. Conversely, personnel spending 50 percent or more of their time performing non-security assistance functions should be carried as, or transferred to, an alternatively funded position.

(c) Problems can arise when a number of individuals in an SAO each accrue non-security assistance functions while performing mostly security assistance functions. During manpower reviews and upon the occasion of a request for increased manning, these functions should be sorted out, and if one man-year or more of the SAO's effort is devoted to O&M, MPA, R&D, etc., functions, those functions should be combined into a single position, if possible, and funded accordingly.

(d) Many security assistance functions can be satisfied either by personnel who are permanently assigned to an SAO or by temporary personnel paid by the country on a case, i.e., TAFTs, TATs, MTT, etc. In this case, the degree of involvement, the extent of dedicated effort required to perform the function will be the determinant. In general, temporary personnel from outside the SAO should be used to accomplish security assistance functions if those functions would detract from permanently assigned security assistance personnel performing their primary management and oversight duties or if it involves dedicated training and advising functions performed in the field or at least outside the local Ministry of Defense central office. Permanently assigned security assistance personnel should not be dedicated to a single project when its primary purpose is to assist the host government in a function in which the host government should be ultimately self-sufficient. Dedicated planning, training, advising and management of logistic centers are a few examples of security assistance functions that should be paid for by the host government.

(e) The determination of which positions, if any, will be added or changed to another funding source will be based on Unified Command, JCS, and DSAA assessment of the extent of the degradation of the security assistance mission performance by non-security assistance duties. Any revised manpower costs as a result of such changes will be processed under the regular procedures of the JCS and applicable directives and will be coordinated with appropriate DOD offices.

(f) The SAO can provide normal administrative support for personnel assigned in-country to perform non-security assistance functions so long as such support does not reach a level that would require additional administrative personnel. If the support for non-security assistance personnel requires additional administrative personnel, O&M, MPA, R&D, etc., funded billets should be provided.

(g) Positions that are approved by authority other than an SAO JMP to perform non-security assistance functions under the oversight and supervision of the Chief of the SAO (or in his capacity as the U.S. Defense Representative) should be clearly identified as such on the SAO JMP but not as an SAO personnel authorization.

(6) A listing of appropriate SAO program management and oversight functions follows at Table 3-I-2.

# CHAPTER FOUR

## SECURITY ASSISTANCE PLANNING

SECTION I - GENERAL
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A. PURPOSE AND SCOPE. The purpose of this chapter is to discuss the security assistance planning process, i.e., where it fits into the national security planning process and the importance it has in terms of dealing with foreign countries. The process demands flexibility, but requires standardized inputs from disparate sources. The process has to incorporate the realities of foreign policy, defense policy and production line constraints. For these reasons, security assistance planning happens in many places and at many levels. The challenge faced by those involved is to integrate the many planning efforts and processes into a workable and useful set of procedures and outcomes.

B. BASIC POLICIES.

1. National Security Objectives. Security assistance supports the foreign policy and national security objectives of the United States. DoD security assistance activities shall be in consonance with U.S. military strategic plans and objectives and guided by the policy and planning guidance issued by the Secretary of Defense, and by guidance and policies issued by the Secretary of State.

2. Foreign Government Responsibility. The fundamental responsibility of foreign governments to determine the nature of their own security interests and paths of their own progress shall be recognized.

a. Security Assistance Organization (SAO) Assistance. One of the essential functions of the SAO is to assist in the "evaluation and planning of the host government's military capabilities and requirements." (Section 515(a), FAA.)

b. Release of Guidelines and Data. Involvement of the foreign government in security assistance planning and programming inevitably entails the release to it of essential guidelines and data.

(1) Unclassified Information. Unclassified information may be released to the concerned country or international organization as appropriate. Unclassified price data may be released to concerned countries and international organizations subject to their understanding that prices are provided for procurement planning and related purposes only, and that prices quoted are estimates which are subject to modification.

(2) Classified Information. Classified information as to tentative plans and programs may be released to concerned countries and international organizations to the extent necessary for its effective participation. However, classified dollar levels of tentative country or organization programs may be released only with the specific permission of DSAA with the concurrence of the Department of State.

(3) Approval of Release of Information. Release of all security assistance information to a foreign government or international organization will be made through, or with the approval of, the Chief of the U.S. Diplomatic Mission.

3. Commitments. Discussions and communications between DoD and foreign officials incidental to development of plans, programs, and related data will be conducted in such a way as to insure mutual understanding that such exchanges do not constitute or imply any commitment on the part of the U.S. (DoD Directive 2100.2).

4. Economic Capabilities. Security assistance plans and programs shall take into consideration the economic capabilities of the foreign country concerned and the support provided by third countries. Except for overriding military considerations, the build up of military forces that the recipient country ultimately cannot support shall be discouraged. In providing assistance to less developed countries, emphasis shall be placed on the development of their capabilities to organize, employ, and manage national resources allocated to defense.

C. MATERIEL REQUIREMENTS SURVEYS.

\*\*

1. General. DOD Components must assure that SAOs and foreign purchasers have the information needed for advance planning. This is especially important for those items or weapon systems where DOD's capability to meet future purchaser requirements may be limited. DOD Components should assist the planning efforts of eligible foreign purchasers by preparing Materiel Requirements Survey letters or messages which provide information on DOD's future capabilities to meet purchaser requirements and of any actions which the prospective purchaser must take in order to purchase the item. Such correspondence is not a solicitation or promotion for sales but is intended to assist foreign purchaser planning efforts only by identifying specific items where DOD may potentially have difficulties in meeting future purchaser needs. At a minimum, the correspondence must include rationale for issuing the Materiel Requirements Survey notification, the final date for receipt of a country request for an LOA, and the final date for acceptance of the LOA.

2. Eligible Items. DOD Components may consider preparation of Materiel Requirements Surveys for those items where there is an indication that DOD's capability to meet future foreign requirements is limited. Some, but not all, of the factors which may qualify an item for a Materiel Requirements Survey are:

a. U.S. production for the item is scheduled to end in the foreseeable future.

b. The U.S. is making a periodic buy of an item for which there is known foreign demand.

c. A minimum procurement quantity is required for an item when there is known foreign demand.

3. Eligible Countries. Materiel Requirements Surveys will be disseminated only to those countries that have previously indicated an interest in



acquisition of the item or weapon system. Such interest could include: prior purchases, prior requests for P&A, P&R, or an LOA, and purchase of weapon systems which utilize the item, i.e., ammunition capable of being used with the weapon system. DOD Components will assure that countries addressed on such Materiel Requirements Surveys are eligible to purchase the item or weapon system under the U.S. National Disclosure Policy.

4. Coordination. Generally, Materiel Requirements Surveys will initially be developed within the cognizant DOD Component. The cognizant Component is responsible for assuring that the message or letter is properly coordinated before dispatch. Such coordination must include DSAA. The required coordination with DSAA will be initiated through the Management Division of the Operations Directorate which will be responsible for conducting the necessary staffing within OSD and with the Department of State. Prior to submitting proposed Materiel Requirements Surveys to DSAA, the cognizant DOD Component will also assure that any required coordination with other involved DOD Components is accomplished.

SECTION II - PLANNING DIMENSIONS
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A. PLANNING CONSIDERATIONS.

1. Objectives of Long-Range Planning. The objective of long-range planning in security assistance is regular, orderly program implementation. The transfer of end-items is necessarily accompanied by planning of follow-on support, logistics, and other elements of continuity. The reliability of the U.S. on a long-term basis depends on this "total package approach."

2. Limitations to Planning. "Planning" in security assistance is not possible in the same way the DoD plans in the FYDP and program-budget process. This is because the USG does not "promote" sales (except in rare instances), financing is obtained only on a year-to-year basis and is, in most instances, not assured for the long term. Moreover, the USG does not plan for countries; countries must do their own planning and must set their own priorities. The level of planning capability varies from country to country; the more sophisticated the planning in a country, the less likely the country is to make the U.S. privy to its plans. Lastly, crises, conflicts, and other events frequently intervene to change directions in programs and overall financing allocations. Within these limits, however, some estimates of needs and priorities can be made, and every effort must be made to anticipate the shape of the future without expecting that it will result in a directive plan.

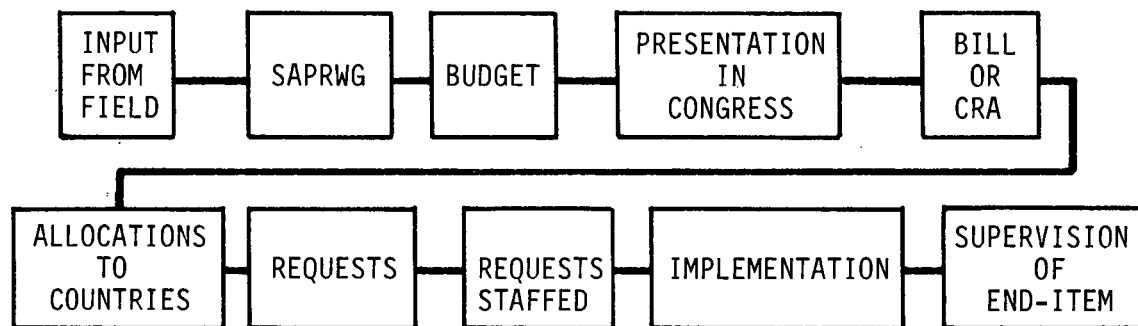
3. Planning is Required in Three Basic Areas: Budget, Procurement and Political. These are discussed below in the context of three basic communities.

a. The Security Assistance Budget.

- Need for defensible country programs

3. Non-Linear Process. The entire security assistance community is always engaged in the different stages associated with three fiscal years' worth of planning, budgeting, legislating, etc. As explained above, there is a constant interaction between the three planning tracks. It requires effort to follow the entire process, and to fully understand what is happening at any given time. For the sake of simplicity, a linear layout of the budget and procurement process is presented below, in the case where financing is required. This illustration is useful -- as a time line -- but one must bear in mind each of the separate planning track discussions.

FIGURE 4-II-3




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 Figure 4-II-3. Budget and Sales Process.

4. Planning Instruments. Several planning tools already exist for use by the three planning communities.

a. Annual Integrated Assessment for Security Assistance (AIASA). The single most important planning instrument is the Annual Integrated Assessment of Security Assistance which is prepared by the country team. The shape and form of the AIASA reflect the information needs of both Washington and the unified commands in the decision-making communities. The AIASA also provides certain information required as part of the federal budget development process. If the annual AIASA submission is timely and complete it has a strong impact. If the AIASA is late or incomplete, it has reduced effect. Subsequent to submission of the AIASAs and the completion of initial staffing by the Departments of State, Defense, Treasury, etc., the Security Assistance Program Review Working Group (SAPRWG), meets to review the security assistance programs for the budget year. After this staff effort, formal interagency coordination takes place before State submits the budget to OMB. If State and OMB disagree, resolution of issues may take place in the White House Budget Review Board.

b. Consolidated Data Report (CDR). The CDR is a companion report to the AIASA and is submitted as an information update in abbreviated form. The CDR primarily provides updates of the AIASA for the Congressional Presentation Document (CPD).

c. Security Assistance Defense Analysis Papers (SADAPs). For selected countries, a Security Assistance Defense Analysis Paper is written each year. These present an analysis of the threat, force structure trends and other analysis elements that are useful in the planning process. The SADAPs have a counterpart financial analysis done by the Treasury Department. Both analyses are presented to the State Department, the OMB and the NSC during the annual budget development process. The SADAPs present a unique overview of defense programs with a particular country. \*

(7) Reports from the RCS: DSAA (AR) 1200 FMS reporting system which contain classified information will be marked:

"CLASSIFIED BY SAMP (DOD 5105.38-M),  
DECLASSIFY UPON NOTIFICATION BY THE ORIGINATOR."

c. Coproduction. For all countries and international organizations, information which indicates by specific type any item of Major Defense Equipment (MDE) (e.g., F-16 aircraft) is classified in coproduction proposals only. Such information will be declassified upon termination of negotiations. Such information will be marked:

"CLASSIFIED BY SAMP (DOD 5105.38-M), DECLASSIFY ON  
TERMINATION OF NEGOTIATIONS."

d. Nonrecurring Cost Recoupment Charges. Worksheets showing calculations which contain projections of dollar levels of future U.S. investment in the development of a defense item and projections of future multiple foreign requirements will be classified (see Chapter Seven of this Manual). Worksheets will be declassified when the defense item becomes obsolete to U.S. requirements. Worksheets will be marked:

"CLASSIFIED BY SAMP (DOD 5105.38-M), DECLASSIFY UPON  
NOTIFICATION BY THE ORIGINATOR."

e. Section 36(b) Notifications and Section 133b Reports. Specific classification directions and guidelines for Section 36(b) notifications, Section 133b reports, and input data elements for these documents are specified in Chapter Seven of this Manual.

## C. RELEASE OF INFORMATION.

### 1. Unclassified.

a. Public. In accordance with the AECA, Section 21(f), it is the policy of the DoD to maximize to the fullest extent consistent with national security the amount of information available to the public. Further, it is the policy of the DoD to comply fully with both the specified provisions and the general intent of the Freedom of Information Act, as amended. Release of information will be in accordance with procedures established by DoD Directive 5400.7 and DoD Instruction 5400.10.

(1) The DSAA 1200 FMS information system is a frequent source for providing information to the public. The DSAA maintains a consolidated data base which contains information about each FMS case by collecting essential data from a variety of sources over the life of each case. The 1200 system is the exclusive source for such consolidated data and contains records from the inception of the FMS program.

(2) A large percentage of individual records in the case are unclassified. They may, however, when grouped, produce a complete or virtually complete compilation of data. These kinds of groupings include but are not limited to: all current LORs, current undelivered balances of MDE, or groupings of generic classes of items such as "all surface to air missile sales". Such groupings may then reveal concepts about a country's order of battle

plans or current or planned defense posture of a country, region, or geographical area and result in a CONFIDENTIAL classified compilation of individually unclassified data. Such a compilation then, by DoD 5200.1-R, paragraph 2-211, would be denied public release.

(3) Classification and denial of release to the public on this basis shall be fully supported by a documentary explanation that will identify with the specific criteria which resulted in such a judgment.

b. Compilation of FMS Case-level Data. On June 25, 1985, the Secretary of Defense decided that a compilation of FMS case-level data should be classified Confidential. For this purpose, a compilation is defined to consist of data provided to the Congress quarterly pursuant to paragraphs (1) and (2) of section 36(a) of the Arms Export Control Act that covers a single period longer than five consecutive calendar quarters. \*\*

(1) Since a quarterly report covers FMS case-level data for the entire fiscal year through the date of the report, the report for the fourth quarter covers a period of four consecutive calendar quarters. Therefore, a classified compilation could consist, for example, of the data contained in the reports for the fourth quarter of FY 1985 and the second quarter of FY 1986 for one or more purchasers.

(2) The Data Management Division, Office of the DSAA Comptroller, ensures that quarterly reports of FMS case-level data are provided only to persons having a need-to-know who hold a current personnel security clearance if such persons already possess sufficient numbers of quarterly reports so that the provision of additional reports would constitute a compilation thereof.

(3) This classification shall only be applicable to compilations of quarterly reports prepared after June 28, 1985.

c. Foreign Governments and International Organizations. Unclassified information may be released to the concerned country or international organization as appropriate for purposes related to security assistance. Price data may be released to MAP and IMET recipient countries and international organizations, subject to recipients' understanding that prices are provided for procurement planning and related purposes only, and that prices quoted are estimates and are not necessarily those which have been or will be applied to articles delivered or services rendered or training furnished to the country or organization as Grant Aid. \*

## 2. Classified.

a. Tentative Security Assistance Plans and Programs. Classified information as to tentative plans and programs for the budget and future years may be released to an involved foreign government or international organization to the extent necessary for its effective participation in the security assistance planning process or its effective development of related defense plans, and to the extent that it can be relied upon to maintain adequate security precautions and to use the information only for the purposes for which provided. Classified dollar levels of tentative country or organization programs may be released only with the specific permission of the Director,

DSAA, with the concurrence of the Department of State. U.S. officials who release information under this paragraph will ensure that the recipient government or international organization clearly understands that such release does not constitute a commitment by the United States.

b. FMS Agreements. Classified information as to the quantity and projected delivery schedules for articles and services in FMS agreements may be released to the concerned country or international organization to facilitate appropriate planning by the recipient, subject to assurance by the recipient that it will maintain adequate security precautions and will use the information only for the purposes for which provided.

c. Procedures for Release. Release of classified information under paragraphs a. and b. above is subject to the provisions of DoD Directive 5230.11 (Disclosure of Classified Military Information to Foreign Governments and International Organizations), and DoD 5200.1-R, paragraph 8-104. Release will be made only to officials of the country or international organization involved who require the information in their official capacity.

3. Approval of Chief of Diplomatic Mission. In-country release of all security assistance information to a foreign government or international organization will be made through or with the approval of the Chief of the U.S. Diplomatic Mission to the government or organization involved after a disclosure decision has been made by the appropriate authority in accordance with paragraph 2c above.

#### D. RCS: DSAA (AR) 1200 FMS REPORT SUBMISSIONS.

1. Entry of Data. Each entry into the DSAA 1200 system of data pertaining to a new FMS case will indicate whether that data is classified under the criteria of paragraph B.1.a. or B.2.b.(3), above. The security classification, for foreign relations purposes, of an FMS case in the 1200 system is based on the identification in that system of the fact that a specific defense article (e.g., Hawk missile) is or may be sold to particular foreign government. The existence of classified technical data concerning defense articles which are or may be sold under an FMS case does not warrant classification of that FMS case in the 1200 system, since such technical data are not entered into the 1200 system.

2. Declassification. The implementing agency must notify in writing the Director, DSAA of any FMS agreement which is declassified under the national defense classification criteria of DoD 5200.1-R and corresponding MILDEP regulations. This notification will identify the case designator and the date of declassification. The Director, DSAA will also ensure that declassification of any data in the 1200 system is reflected in that system within 15 working days after it occurs.

3. Codes; Card Columns. Machine readable code "U" will designate unclassified FMS cases; code "C" will designate CONFIDENTIAL cases. The proper code for classification or declassification as appropriate, will be entered in column 78 of the "1" Card. See Chapter 15 of this manual for DSAA(AR) 1200 report entry details.

E. FOREIGN COUNTRY INVOLVEMENT IN THE DOD CONTRACTUAL PROCESS.

1. DOD Policy. Procurements made for FMS requirements must comply with U.S. Government acquisition regulations and procedures. Accordingly, such procurements are normally conducted by the same DOD component that would procure the same article or service for a U.S. DOD requirement. The DOD component responsible for the FMS offer and acceptance will assure that sufficient details are included in the LOA to enable the U.S. contracting officer to negotiate and award a contract without foreign country representation or direct involvement in the formal negotiation process. Required discussions with the foreign purchaser must be undertaken during the development of the LOA and prior to actual implementation in order to assure that the contracting community has all the data required to award a contract consistent with contracting regulations and the foreign country desires.

2. Release of Contractual Data. Since all pertinent information and contractual obligations between the DOD and the foreign purchaser are identified in the FMS LOA, there normally should be no need for the DOD component to provide a copy of the contract to the foreign purchaser. If the contract is unclassified and provides only for the requirement of the requesting country, release can be considered. This does not include internal documentation such as negotiation or pricing memoranda. If the contract is classified, contains USG requirements, or contains other foreign purchaser requirements, release is not authorized.

3. Any questions or requests for exception to these provisions must be forwarded to the Director, DSAA.

SECTION IV - EXPORT LICENSE AND CUSTOMS CLEARANCE GUIDANCE FOR FOREIGN MILITARY SALES CUSTOMERS
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A. PURPOSE. Paragraphs A through E provide guidance and instructions for processing export licenses and customs clearances for items purchased on a government-to-government basis under the FMS program. Paragraph F provides information on the requirement for State Department approval prior to the submission of sales proposals or presentations for SME items and/or technical data. Paragraph G provides information on the export of classified defense articles and services. \*\*

B. USDOD SPONSORED SHIPMENTS OF FMS MATERIEL. \*\*

1. U.S./DOD Exemption from Export Licensing. Under certain conditions, no license is required for the export of defense articles or defense services made by an agency of the United States Government. When U.S./DOD sponsored FMS materiel is shipped through the Defense Transportation System (DTS) on Government Bills of Lading or other transportation documents, or by DOD-owned, controlled, or arranged transportation with the U.S./DOD retaining custody of the materiel until arrival at the overseas port of discharge of the destination country, the U.S./DOD is exempt from the requirement for an Export License and the completion of the Shipper's Export Declaration. Under no circumstances will these exemptions be extended to shipments made by any foreign government.

2. Annotation of Transportation Documents. When the U.S./DOD retains custody of the shipment and transportation responsibility until arrival of the shipment at the overseas port of discharge of the destination country, under the conditions defined above, and when movement is effected under Delivery Term Codes "6," "7," and "9," all government Bills of Lading and other transportation documents issued to cover movement of such shipments will be annotated "(APPLICABLE MILITARY DEPARTMENT) SPONSORED FOREIGN MILITARY SALES SHIPMENT -- NO EXPORT DECLARATION OR LICENSE REQUIRED 22 CFR 126-4(a) APPLICABLE." The signature of the issuing officer on the bill of lading/document will serve as a certification of this statement. NOTE: Under no circumstances will this annotation be made on GBL(s) or other transportation documents for FMS shipments made through or by a forwarding agent or by any representative of a foreign country.

3. Reporting of FMS Export Shipments. All U.S./DOD sponsored shipments of FMS export materiel moving overseas within the DTS or under U.S./DOD auspices and control, identified by Delivery Term Codes "6," "7," and "9" will be reported monthly by the Military Traffic Management Command (MTMC) to the Foreign Trade Division, Bureau of Census, Department of Commerce, in the Foreign Trade Report to comply with the conditions under which the above-mentioned waiver was granted and to satisfy the export data requirements of the U.S. Department of Commerce.



C. SHIPMENTS OF UNCLASSIFIED FMS PURCHASED MATERIEL THROUGH COUNTRY REPRESENTATIVES OR FREIGHT FORWARDERS.

\*\*

1. Policy. The Department of State has established policy and procedures in the International Traffic in Arms Regulation (ITAR), Section 126.6, relative to the permanent export of unclassified defense articles purchased on a government-to-government basis under the FMS program. This section of the ITAR provides for Form DSP-94 (Figure 5-IV-1) to be used instead of an export license for shipments through commercial channels of unclassified defense articles sold under the FMS program.

2. Country/Freight Forwarder Requirements. To make use of DSP-94, freight forwarders must be registered with the Office of Munitions Control (OMC), file a letter with OMC from the foreign embassy or government appointing them as forwarding agent for that government's shipments, and file a statement with OMC assuming full responsibility for compliance with the ITAR.

3. Procedures in Section 126.6 of the ITAR are quoted below for information:

126.6 Foreign Military Aircraft and Naval Vessels, and the Foreign Military Sales Program.

(a) General. A license is not required for the export of any defense article if:

(1) The article was sold, leased, or loaned by the Department of Defense to a foreign country or international organization pursuant to the Arms Export Control Act or the Foreign Assistance Act of 1961, as amended, and

(2) The article was delivered to representatives of such a country or organization in the United States; and

(3) The article is to be exported from the United States on a military aircraft or naval vessel of that government or organization.

(b) Foreign Military Aircraft and Naval Vessels. A license is not required for the entry into the United States of military aircraft of any foreign state if no overhaul, repair, or modification of the aircraft is to be performed. Department of State approval of overflight (pursuant to the 49 U.S.C. 1508) and naval visits must, however, be obtained.

(c) Procedures for the Foreign Military Sales Program.

(1) General. District directors of customs are authorized to permit the export of unclassified defense articles, defense services, and technical data without a license if they were sold by the U.S. Department of Defense to foreign governments or international organizations under the Foreign Military Sales (FMS) program of the Arms Export Control Act. This procedure may be used only if a proposed export is:

(i) Pursuant to an executed U.S. Department of Defense Letter of Offer and Acceptance (DD Form 1513); and

(ii) Accompanied by a properly executed DSP-94, and

(iii) Made by the relevant foreign diplomatic mission of the purchasing country or its authorized freight forwarder, provided that the freight forwarder is registered with the Office of Munitions Control pursuant to Part 122 of this subchapter.

(2) Filing of Documents.

(i) The original copy of completed Form DSP-94, together with one copy of the corresponding authenticated DD Form 1513 and a shipper's export declaration, must be filed with the District director of customs at the port of exit prior to actual shipment. An executed DD Form 1513 is one which has been signed by:

(A) An authorized Department of Defense representative and countersigned by the Comptroller, Defense Security Assistance Agency (DSAA), and

(B) An authorized representative of the foreign government.

(ii) SED. The shipper's export declaration must be annotated as follows:

"The shipment is being exported under the authority of Department of State Form DSP-94. It covers FMS Case (case identification), expiration date                     . 22 CFR 126.6 applicable."

(iii) Notification to the Office of Munitions Control. Copy number two of the completed Form DSP-94 should be removed by the exporter and sent immediately, together with a copy of the applicable authenticated DD Form 1513 and the Shipper's export declaration, to the Office of Munitions Control. Form DSP-94 shall be valid for two years from the date on which it is executed.

D. FMS CUSTOMER RESPONSIBILITY.

\*\*

1. General. Upon execution of an LOA, the foreign country authorized representative must file necessary documentation with the Department of State to permit the legal export of FMS materiel from the U.S. by the country freight forwarder.

2. Export Customs Clearance. It is the foreign country's responsibility to obtain export customs clearance for all FMS materiel exported from the U.S., except when it is moved under U.S. Government auspices. Movement of materiel which remains in the custody of the U.S./DOD is handled by a separate procedure. See Chapter 5, Section IV, Paragraph B.1.

a. Export declaration (U.S. Department of Commerce Form 7525-V, Shipper's Export Declaration) must be prepared by the foreign country representative/freight forwarder for all FMS materiel which is not moved by the U.S. Government. Declarations must be filed with and authenticated by a District Director of Customs. Provisions of law and regulations concerning export declarations are found on the reverse side of Commerce Form 7525-V, and in 22 CFR 123.9, 123.25, and 126.6.

b. After declarations have been prepared and authenticated, shipments must be cleared through U.S. Customs by submission of documents to the District Director of Customs or export control officers (22 CFR 123.25 and 126.6).

3. Movements Requiring Export Customs Clearance. Shipper's Export Declarations, appropriate U.S. Department of State and U.S. Customs export clearances for FMS shipments, for which the customer country has transportation responsibility, are required for the following categories of country-arranged movement:

a. All exports of materiel made through or by the FMS customer freight forwarder or designated agent.

b. Pilot pick-up of materiel by foreign country-owned or chartered aircraft, or by FMS customer-procured space on commercial aircraft.

c. Export by FMS country-owned or chartered ocean vessel, or by FMS country-procured space aboard commercial vessels.

4. Overseas Customs Clearance. The FMS customer country is responsible for obtaining overseas customs clearance of all FMS materiel through its customs agencies for receipt of the materiel at the country port of discharge.

5. Reporting of Export Traffic. All export of FMS materiel from the U.S. will be reported to the U.S. Department of Commerce as required by current federal statutes.

E. PROCEDURES FOR REPAIR AND RETURN. For the import into, and re-export from the U.S. of U.S.-origin defense articles previously sold to a foreign government or international organization, that are being returned to the U.S. for repair and return, the foreign government is responsible for obtaining the Temporary Import License DSP-61 (See Figure 5-IV-2) and the appropriate customs clearance in accordance with paragraph 123.3 and 123.25 of the ITAR. \*\*

1. U.S. Customs Service Duty Requirements. The U.S. Customs Service will accept an approved DSP-61 as authority from the Department of State, for duty-free entry into the U.S. of U.S.-origin defense articles which are the property of a foreign government and which are being temporarily imported for repair and maintenance pursuant to an FMS agreement. The DSP-61 must cite the FMS case in block 10 and a copy of the DD Form 1513 must be attached. This will eliminate the need for foreign governments to request separately a duty-free exemption from the Department of State.

2. Shipments Arranged by the U.S. DOD. A DSP-61 is not required when the shipment arrangements are being made on a U.S. Government Bill of Lading within the Defense Transportation System.

3. FMS LOA Requirements. DOD components preparing LOAs for repair and return programs will include a supplemental condition, when applicable, indicating the requirement for the foreign country to obtain an approved DSP-61 from the Department of State.

F. STATE DEPARTMENT APPROVAL OF PROPOSALS RELATING TO SME.

\*\*

1. Policy. Before making a proposal or presentation to a foreign person to sell SME valued at \$14 million or more for end-use by foreign armed forces, a commercial company must obtain approval from the Department of State if the identical SME has not been previously approved for export. This requirement does not apply to the NATO countries, Australia, New Zealand, or Japan. This prior approval permits the contractor to conduct unclassified discussions and make a sales proposal in connection with the sale of a specific item of SME to a particular country. The prior approval is not required when the specific item of equipment has been previously approved for export to any foreign country. In such cases, the State Department must be notified in writing thirty days in advance of the proposal or presentation.

In addition, prior approval must be obtained for any proposal to enter a Manufacturing Licensing Agreement (MLA) or Technical Assistance Agreement (TAA) with any foreign person for the production or assembly of SME. The Office of Munitions Control advises that there are not exemptions from this requirement, hence the 30-day prior notification is not applicable to proposals designed to constitute a decision to enter any agreement for the production or assembly of SME.

2. ITAR Provisions. The policy and procedures relative to State Department approval requirements regarding sales proposals or presentations are in the ITAR, Section 126.8. If marketing efforts will entail the disclosure of technical data or temporary export of defense articles, the appropriate export license must be obtained.

G. PROCEDURES FOR THE EXPORT OF CLASSIFIED DEFENSE ARTICLES AND SERVICES.

\*

Application for export license for the export or import of classified defense articles and services must be made on Department of State Form DSP-85 (See Figure 5-IV-3). Application must be made by a U.S. national in accordance with the provisions of Part 125 of the ITAR.

H. FMS CREDIT FINANCED DIRECT COMMERCIAL CONTRACTS. Consistent with the guidelines in Chapter 9, Section III, Paragraph I, DSAA reviews direct commercial contracts submitted by FMS credit recipients for FMS credit financing approval. The review for financing approval is separate and distinct from the munitions/export licensing requirement of the Department of State or Department of Commerce, as applicable. Approval of financing for a commercial contract does not relieve the exporter from the necessity of obtaining required export licenses, nor imply automatic U.S. Government approval of such licenses when requested.

\*\*

FIGURE 5-IV-1

FORM APPROVED: OMB NO. 1405-0051  
EXPIRATION DATE: JANUARY 31, 1988



UNITED STATES OF AMERICA  
DEPARTMENT OF STATE

AUTHORITY TO EXPORT DEFENSE ARTICLES AND DEFENSE SERVICES SOLD UNDER  
THE FOREIGN MILITARY SALES PROGRAM

\*\*

This form, when properly executed and accompanied by an authenticated Department of Defense Offer and Acceptance (DD Form 1513), constitutes authority under section 126.6 of the International Traffic in Arms Regulations (ITAR) to export the defense articles and defense services listed thereon. This form may be used in lieu of a Department of State export license to export defense articles and services sold by the Department of Defense under the Foreign Military Sales (FMS) program. This export authority is valid for 2 years from the date shown in item 12 below.

The Department of State may, without prior notice to the exporter, deny, revoke, suspend, or amend this authority consistent with ITAR section 126.7.

Willful violation of the ITAR, making an untrue statement of a material fact, or omission of a material fact required to be stated on this form are subject to prosecution and, upon conviction, fines up to \$100,000 or up to 2 years' imprisonment, or both. (Section 38(c), Arms Export Control Act; section 127.3, ITAR.)

1. PM/MC Applicant Code	2. Country of Ultimate Destination/Purchaser	3. Port of Exit from U.S.
4. Applicant's Name, Address, ZIP Code, Tel. No.	5. Foreign Military Sales Case Identifier	6. Date of FMS Case Implementation
	7. Total Value of Defense Articles and Defense Services of Original FMS Case \$ _____	
	8. Only the unshipped balance, valued at \$ _____, of this FMS case is covered by this DSP-94. Previous shipments of this FMS case were covered by a Form DSP-94 dated _____ and/or Department of State license No. _____	
9. Form DSP-94 constitutes an amendment to the value and/or quantity of defense articles and services authorized under this FMS case as shown in the attached amended DD Form 1513. Yes <input type="checkbox"/> No <input type="checkbox"/>		
10. If exporter is a freight forwarder acting on behalf of a foreign government or diplomatic mission, provide the name, address, and telephone number of the foreign official in the U.S. familiar with this FMS case.		

11. U.S. Munitions List Categories (see section 121.1 of the ITAR). Please check the appropriate categories to indicate the types of defense articles and/or defense services included on this FMS case:

- |            |             |             |              |            |
|------------|-------------|-------------|--------------|------------|
| I. _____   | VI. _____   | XI. _____   | XVI. _____   | XXI. _____ |
| II. _____  | VII. _____  | XII. _____  | XVII. _____  |            |
| III. _____ | VIII. _____ | XIII. _____ | XVIII. _____ |            |
| IV. _____  | IX. _____   | XIV. _____  | XIX. _____   |            |
| V. _____   | X. _____    | XV. _____   | XX. _____    |            |

12. Exporter's Statement

I, \_\_\_\_\_, hereby exercise the authority to effect the export described above; warrant the truth of all statements made herein; and acknowledge, understand, and will comply with the provisions of Title 22 CFR Part 120-128 and 130 and any conditions and limitations imposed.

Signature \_\_\_\_\_ Date \_\_\_\_\_  
(Authority valid for 24 months from above date.)

FORM DSP-94  
1/85

1-AUTHORITY TO EXPORT

FIGURE 5-IV-1. Authority to Export Defense Articles and Defense Services Sold under the Foreign Military Sales Program (Form DSP-94).

FIGURE 5-IV-2

### Application/License for Temporary Import of Unclassified Defense Articles (Form DSP-61)

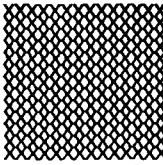
APPLICATION/LICENSE FOR TEMPORARY IMPORT OF UNCLASSIFIED DEFENSE ARTICLES			
COMMENTS REQUESTED BY <input type="checkbox"/> DOD/D&E <input type="checkbox"/> EA/RA <input type="checkbox"/> ACDA <input type="checkbox"/> ARMY <input type="checkbox"/> EUR/RPM <input type="checkbox"/> NASA <input type="checkbox"/> NAVY <input type="checkbox"/> NEA/RA <input type="checkbox"/> ENERGY <input type="checkbox"/> AIR FORCE <input type="checkbox"/> AF/I <input type="checkbox"/> <input type="checkbox"/> PM/SAS <input type="checkbox"/> ARA/HPP <input type="checkbox"/> <input type="checkbox"/> DOD/NSA <input type="checkbox"/> OES/SAI <input type="checkbox"/>		FROM	
		CASE NO.	RECEIVED PM/MC
DATE STAFFED			
REPLY HERE AND RETURN TO: OFFICE OF MUNITIONS CONTROL, DEPARTMENT OF STATE, WASHINGTON, D.C. 20520 <input type="checkbox"/> approve w/provisions      Typed name/initials.      Comments. <input type="checkbox"/> approve w/provisions <input type="checkbox"/> deny			
1. Date prepared	2. PM/MC applicant code	3. Foreign country from which shipped	4. U.S. port of import
WXXX 5. Applicant's name, address, ZIP code, tel. no. WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX TELEPHONE NUMBER:		6. Foreign country of ultimate destination	7. U.S. port of export
8. Name, State, and telephone number of applicant contact if U.S. Government needs additional information			
9. QUANTITY	10. COMMODITY (Indicate overhaul/repair/modification cost if applicable and known, follow instructions carefully)	11. MUNITIONS LIST CATEGORY	12. VALUE
		13. TOTAL VALUE: \$	
14. Source or manufacturer of commodity		16. Specific purpose for which the material is imported (overhaul, repair, modification, or transshipment to a third country)	
16. Name and address of owner of commodity in foreign country from which shipped		17. Name and address of consignor in foreign country from which shipped	
18. Name and address of consignee in foreign country of ultimate destination		19. Name and address of end user in foreign country of ultimate destination	
20. Name and address of foreign intermediate consignee		21. Name and address of U.S. intermediate consignee (overhaul/repair facility or transshipment agent)	
22. The IDENTICAL commodity <input type="checkbox"/> was licensed to the country in block 3 under license no. _____; <input type="checkbox"/> was licensed to other countries under license no. _____; <input type="checkbox"/> was denied to the country in block 3 under voided license no. _____; <input type="checkbox"/> never licensed for this applicant		23. APPLICANT'S STATEMENT (See Instructions)  I, _____, hereby apply for a license to (Typed Name) complete the transaction described above; warrant the truth of all statements made herein, and acknowledge, understand and will comply with the provisions of Title 22 CFR 121-128 and 130 and any conditions and limitations imposed if the commodity is firearms or ammunition of U.S. manufacture. I certify that, based on corroborative evidence, the commodity was not furnished on a grant basis to, or acquired without full payment by, a foreign government under a foreign assistance program of the U.S. as set forth in Title 22 CFR 121-128 and 130.	
24. LICENSE TO BE SENT TO Name, address, ZIP code WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX WXXX			
FORM DSP 61 (8-82) DISCARD PREVIOUS EDITIONS		2-REFERRAL	
		FORM APPROVED OMB NO. 47-R0138	

FIGURE 5-IV-2. Application/License for Temporary Import of Unclassified  
Defense Articles (Form DSP-61).

FIGURE 5-IV-3

Application/License for Permanent/Temporary Export or Temporary Import of Classified Defense Articles and Related Classified Technical Data

(DEPARTMENT OF STATE USE ONLY)

SEAL	Signature	C		
License is hereby granted to the applicant for the described commodity to be permanently exported from the U.S., to be temporarily exported from and returned to the U.S., or to be temporarily imported into the U.S. and returned to the foreign owner, provided shipment is made in accordance with the Department of Defense Industrial Security Manual. This license may be revoked, suspended or amended by the Secretary of State without prior notice whenever the Secretary deems such action advisable. (DO NOT REPRODUCE THIS LICENSE (121.20(c)))		LICENSE NO.	LICENSE VALID FOR 24 MONTHS FROM ABOVE DATE	
<b>UNITED STATES OF AMERICA      DEPARTMENT OF STATE</b> <b>APPLICATION/LICENSE FOR PERMANENT/TEMPORARY EXPORT OR TEMPORARY IMPORT OF CLASSIFIED DEFENSE ARTICLES AND RELATED CLASSIFIED TECHNICAL DATA</b>				
1. Date prepared	2. PM/MC applicant code	3. Check one: <input type="checkbox"/> Permanent export <input type="checkbox"/> Temporary export <input type="checkbox"/> Temporary import	4. Country of ultimate destination or sojourn	5. Country from which shipped (temporary imports only)
6. Applicant's name, address, ZIP code, tel. no.		7. Names and telephone numbers of U.S. Government personnel (not PM/MC) familiar with the commodity		
TELEPHONE NUMBER:		8. Name, State and telephone number of applicant contact if U.S. Government needs additional information		
9. QUANTITY	10. COMMODITY (Follow Instructions carefully) <input type="checkbox"/> Hardware <input type="checkbox"/> Technical Data		11. CLASSIFICATION	12. MUNITIONS LIST CATEGORY
			14. TOTAL VALUE: \$	
15. Source or manufacturer of commodity		16. Specific purpose for which the material is required, including specific program/end item		
17. Name and address of seller in United States		18. Name and address of consignor in United States		
19. Name and address of cognizant DIS security office		20. Name and address of foreign consignee		
21. Name and address of foreign end-user		22. Date and level (TS, S or C) of security clearance of facility in item 5 Date: _____ Level: _____		
24. If commodity is being provided under a Foreign Military Sales (FMS) or Grant Aid (GAD) program, state which _____ and give the case no. _____		23. This application represents: <input type="checkbox"/> ONLY completely new shipment; <input type="checkbox"/> ONLY the unshipped balance of license no. _____ NOTE: APPLICATION CAN NOT INCLUDE BOTH		
26. Would approval of this application result in an application to export more highly classified commodities? <input type="checkbox"/> No <input type="checkbox"/> Yes If yes, explain in a cover letter (6 copies).		25. The IDENTICAL commodity <input type="checkbox"/> was licensed to the country in block 3 under license no. _____; <input type="checkbox"/> was licensed to other countries under license no. _____; <input type="checkbox"/> was denied to the country in block 3 under voided license no. _____; <input type="checkbox"/> was never licensed for this applicant		
28. LICENSE COPY TO BE SENT TO: Name, address, ZIP code		27. APPLICANT'S STATEMENT (See Instructions) I, _____, hereby apply for a license to complete the transaction described above; warrant the truth of all statements made herein; and acknowledge, understand and will comply with the provisions of Title 22 CFR 121-128 and 130, any conditions and limitations imposed, and the DOD Industrial Security Manual. Signature _____		

FORM DSP-85 11/82 (DISCARD PREVIOUS EDITIONS)      1—APPLICATION/LICENSE      FORM APPROVED OMB NO. 1405-0022

FIGURE 5-IV-3. Application/License for Permanent/Temporary Export or Temporary Import of Classified Defense Articles and Related Classified Technical Data (Form DSP-85).

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 Logistics Supply 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

in the U.S.) in writing of such requests. DSAA will provide the foreign firm with a copy of the written request, if unclassified, and of other unclassified records pertinent and material to the transaction, and give the foreign firm an opportunity to provide data pertinent to the request, including a statement as to the amount of financial return to the U.S. economy should such a sale be made by the foreign firm. The foreign firm will normally be allowed 30 days to provide its comments. \*

d. In the event it is determined that P&A data is to be provided, or that an LOA is to be issued to the requesting government, the Director, DSAA will so advise the foreign firm, and will provide upon its request, relevant unclassified and nonproprietary P&A data. DSAA will advise the foreign firm of all renewals, modifications or extensions of such LOA prior to acceptance by the purchasing country.

#### 11. Third Party Transfer Certification.

a. Department of State Authority. The Department of State, on behalf of the President, must consent to the transfer of defense articles or defense services originally provided by the U.S. under MAP, sold by the U.S. under the AECA, or purchased commercially from U.S. sources under an export license issued pursuant to the AECA, Section 38, from the recipient to anyone not an officer, employee, or agent of that recipient. The third country recipient must provide appropriate security and retransfer assurances before the Department of State will consent to such transfers (see FAA, 505(a), AECA, Section 3(a)). \*

#### b. Congressional Notification.

(1) Legislative Requirement. Under the AECA, Section 3(d), the Speaker of the House of Representatives and Chairman of the Senate Foreign Relations Committee must be notified in advance of the date the Department of State consents to the transfer of certain defense articles or defense services originally provided by the U.S. under MAP, sold by the U.S. under the AECA, or purchased commercially from U.S. sources under the AECA, Section 38, from the recipient to anyone not an officer, employee, or agent of the recipient. These include:

(a) MDE Items. Any proposed transfer of MDE valued (in terms of its original acquisition cost) at \$14.0 million or more.

(b) Other. Any proposed transfer of any defense article or related training or defense service (in terms of its original acquisition cost) valued at \$50.0 million or more.

#### (2) Notification Timeframes.

(a) Transfers to Other Than NATO, NATO Member Countries, Japan, Australia, and New Zealand. For such transfers the Department of State must provide certification to the House and Senate at least 30 days before consenting to the transfer.

(b) Transfers to NATO, NATO Member Countries, Japan, Australia, or New Zealand. For such transfers the Department of State must

provide certification to the House and Senate at least 15 days before consenting to the transfer.

(3) Format. The certification to the Speaker of the House of Representatives and the Chairman of the Senate Foreign Relations Committee will contain the following information:

(a) The country or international organization proposing to make the transfer.

(b) A description of the defense article or related training or other defense service proposed to be transferred, including the original acquisition cost.

(c) The proposed recipient.

(d) The reasons for the proposed transfer.

(e) The date the proposed transfer will take place.

(4) Emergency Situations. Approval of a transfer may be provided immediately without the 30-day waiting period if the President states in the certification that an emergency exists.

(5) Exceptions. This reporting requirement does not apply to the following transfers:

(a) Temporary transfer of defense articles for the sole purpose of receiving maintenance, repair, or overhaul;

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

(c) Transfers pursuant to arrangements among NATO members or between NATO and any of its member countries for cooperative cross-servicing;

(d) Transfers pursuant to arrangements among NATO members or between NATO and any of its member countries for lead-nation procurement (see paragraph (6) below).

(6) Lead-nation Procurement Exemption. In the category of transfers exempted from the reporting requirement of the AECA, Section 3(d), based on NATO lead-nation procurement, if the defense article or defense service to be transferred was originally purchased from the USG and that purchase had been the subject of a notification to the Congress under the AECA, Section 36(b), the proposed transfer is exempt from the reporting requirement of the AECA, Section 3(d), only if the Section 36(b) notification with respect to such lead-nation procurement had identified the transferee on whose behalf the lead-nation procurement was proposed. For Section 36(b) AECA proposed sales to NATO or to another NATO member country purchasing on behalf

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 military equipment (SME) 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 known 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 military equipment (SME) 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

foreign governments either through foreign military sales or commercial sales channels. See Table 7-I-1 for the current MDEL.

3. Standard Foreign Military Sales (FMS) Cases. Standard FMS cases are divided into Defined Order Cases, Blanket Order Cases, and Cooperative Logistics Supply Support Arrangements (CLSSAs). These cases are used to provide major weapon systems, training, design and construction services, and related defense articles and services on a government-to-government basis from the U.S. Government.

a. Defined Order Cases. A Defined Order case is one in which the items, services or training to be provided are stated explicitly on the Letter of Offer and Acceptance (DD Form 1513).

(1) A defined order case normally requires a complete price and availability study.

(2) The following types of materiel and services are normally provided through Defined Order cases:

(a) System/Package Sales including major items and weapon systems and any related requirements to activate and operate the item or system for an initial period of time,

(b) Munitions, ammunition and other explosives,

(c) Transportation services,

(d) Aircraft Ferry,

(e) Cartridge Activated Devices/Propellant Activated Devices (CAD/PAD), and

(f) Technical Data Packages (TDP).

b. Blanket Order Cases. Blanket Order FMS cases represent an agreement between a foreign country or international organization and the U.S. Government for a category of materiel or services (normally identifiable to one or more end items) with no definitive listing of items or quantities.

(1) Price & Availability information for Blanket Order FMS cases is not required because the purchaser normally estimates requirements and requests an appropriate case value.

(2) The customer's materiel requirements will normally be filled from procurement rather than from DoD stocks.

(3) Blanket Order cases are established to facilitate and simplify procedures for foreign purchasers.

(4) The ordering period of a Blanket Order case will normally be 12 months and will not exceed 24 months.

(5) Blanket Order cases reduce administrative lead time since requirements are submitted directly to the cognizant Military Department International Logistics Control Office (or control point) or appropriate Defense Agency.

(6) Although the materiel and services described below may be provided under Defined Order cases, these items and services lend themselves to Blanket Order FMS case processing:

(a) Spare and Repair Parts. Consumable or reparable items which become part of a higher assembly during period of use. Items are normally those listed in Allowance Part Lists, Initial Spares Support Lists, Initial Outfitting Lists, and the Provisioning Master Data Record. The case line items will identify the end item, weapon system or category of article or services for which spare or parts will be provided.

(b) Publications. The LOA for forms, catalogs, manuals, stock lists, engineering specifications, reports, books, maps, etc., required to order, maintain and support defense items and services must identify the weapon system or end item for which release of technical information is authorized. Production technical data will not be provided on a blanket order case.

(c) Support Equipment. Repair parts, assemblies, components, special tools, test equipment, supplies and/or materiel recommended and/or allocated for supply and maintenance support of a weapon or end item.

(d) Minor Modifications/Alterations Performed at U.S. Installations. Changes to an existing configuration as authorized by the DoD component concerned. The level of services must be specified in the case.

(e) Technical Assistance Services. Services in the form of technical advice or performance of actions which require the expertise of a specialist. Technical assistance services include such processes as: determining the economy and feasibility of repair; estimating the level and nature of repair to be accomplished; analyzing feasibility to update the configuration of items; determining the range and depth of spare parts needed to sustain repair at various levels; establishing failure rates and analyzing reported failure data to make adjustments. Examples are: Engineering or Technical development; Site Survey Teams; installation and checkout of major items; systems evaluation; study groups to develop such essentials as engineering requirement plans; systems integration and training programs; Program Activation Teams; and Technical Assistance Teams.

(f) Training. Formal (classroom) or informal (on the job (OJT)) instruction of foreign students by DoD components, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or informational publications and media of all kinds. Some examples are: established DoD management, language, technical, maintenance or supply subjects/courses. OJT is generally structured to suit individual purchaser requirements related to some form of experience which the student seeks. Contractor training is used to supplement or replace training which may not be available in the U.S. Government at the time the training is required; i.e., flight training at contractor's facilities. Correspondence courses cover the range of courses being offered by each of the military departments.

(g) Training Aid Devices. These are used principally to supplement information and/or training programs which the foreign purchaser

uses for educational purposes. Examples are: video tapes, slides, 8/16mm film, microfiche, transparencies, and aperture cards.

(h) Repair of Repairable Items. Any items of supply of a durable nature which can normally be economically restored, when unserviceable, to a serviceable condition through regular repair procedures can be covered under a Blanket Order FMS case. Once an LOA is implemented repairable items may be repaired at the request of the purchaser and with the approval of the appropriate military service inventory manager. LOAs must clearly identify the items eligible for repair. Some examples are: communications equipment, radar, sonar, etc.

(7) Items Restricted from Blanket Order Cases. Under Blanket Order FMS cases, certain restrictions are imposed. The following specific types of requirements may not be ordered under Blanket Order FMS cases:

(a) Classified materiel (except Air Force).  
 (b) Classified publications (Navy only).  
 (c) Explosive ordnance items.  
 (d) Major Defense Equipment (MDE) (see Table 7-I-1) and initial logistics support which is normally ordered for concurrent delivery with such items.

(e) Significant Military Equipment (SME).  
 (f) Lumber and other type commercial materiel.  
 (g) Nonstandard items except for medical supplies/drugs (Army only).

(h) Obsolete items (except Air Force).  
 (i) Technical Data Packages (TDPs).  
 (j) Non-MDE excess defense articles (except DLA).

c. Cooperative Logistics Supply Support Arrangements (CLSSAs). CLSSAs are peacetime military logistics support arrangements designed to provide responsive and continuous supply support at the depot level for U.S.-made military materiel possessed by foreign countries and international organizations. The CLSSA is normally the most effective means for providing common repair parts and secondary item support for equipment of U.S. origin which is in allied and friendly country inventories. The CLSSA provides for the execution of Foreign Military Sales Orders (FMSOs) covering stockage, storage, and consumption as follows:

(1) FMSO I. The FMSO I consists of an LOA covering the estimated dollar value and total initial agreed list of items and quantities to be stocked and maintained on order from procurement for support of the purchaser's U.S.-furnished equipment.

(2) FMSO II. The FMSO II consists of an LOA covering the purchaser's estimated withdrawals of materiel from the supply system for an agreed period (normally one year). This CLSSA requisition case is undefined as to items and quantities and reflects in a dollar amount, the estimated consumption for the agreed period.

NOTE: DOD Instruction 2000.8 prescribes the policies and criteria for establishing CLSSAs. Further details regarding CLSSAs may be found in Chapter 8, this manual.



C. PROCEDURES.

1. Letter of Request. An eligible foreign country or international organization which desires P&R data, P&A data or an LOA from the U.S. Government conveys that desire to the U.S. Government in a Letter of Request (LOR). Although no specific format is required for an LOR, the requestor must assure that the request is complete as indicated below:

(1) The LOR must specify what is desired -- P&R data, P&A data or an LOA.

(2) The LOR must contain the name and address of the originator and a traceable reference number (e.g., letter serial number).

(3) The articles and services requested in an LOR must be sufficiently detailed to be understood clearly and provide a firm basis for estimates by the DoD component.

(4) When LORs are received which do not meet the requirements of paragraphs (1) through (3) above, the DoD component initially receiving the request shall notify the requestor of the deficiency and hold action on the request until the information is received.

b. Channels of Submission of LOR. The Department of State has statutory responsibility for approving all requests for Foreign Military Sales to eligible countries and international organizations. All requests for P&R, P&A, or an LOA are divided into one of two categories: "Significant Military Equipment" as defined in the ITAR and "all other Foreign Military Sales." The Department of State has established the following procedures for the submission of requests: \*\*

(1) Significant Military Equipment (SME). Requests to purchase SME, which originate in country should be transmitted by the U.S. Embassy (rather than by the SAO or similar military element of the Embassy) and should be addressed to the cognizant DOD component with an information copy to the Bureau of Politico-Military Affairs, Department of State (SECSTATE-PM) and the Office of the Secretary of Defense, Defense Security Assistance Agency (SECDEF/DSAA), and the unified command. Requests to purchase SME which originate with purchaser country representatives in the United States should also be addressed to the cognizant DOD component with an information copy to the Bureau of Politico-Military Affairs, Department of State, and the Secretary of Defense, Defense Security Assistance Agency. For MDE items, the cognizant DoD component will provide the applicable unified command and SAO with a copy or details of the purchaser's request, as appropriate. The following must be addressed in transmission of the request by the U.S. Embassy:

(a) The reason the nation desires the articles or services.

(b) How the item would affect the recipient's force structure and how it would affect the recipient's capability to contribute to mutual defense or security goals.

(c) The anticipated reactions of neighboring nations.

(d) The ability of the purchaser to operate, maintain, and support the article. Training required either in-country or in the U.S. and the possible impact of any in-country U.S. presence that might be required as a result of providing the article.

(e) The source of financing and the economic impact of the proposed acquisition.

(f) Relevant human rights considerations that might bear on the proposed acquisition.

(g) Whether the U.S. Government should approve transfer of the article and reasons therefor.

(2) All Other Foreign Military Sales (non-SME). Requests for P&R, P&A, or an LOA which originate in the purchaser's country should be transmitted either by the customer country's authorized representative or the DoD element of the U.S. country team directly to the cognizant DoD component, with an information copy to the Unified Command, Bureau of Politico-Military Affairs, Department of State, and Department of Defense, Defense Security Assistance Agency. Requests originated by foreign representatives of the customer country in the U.S. should be sent directly to the cognizant DoD component with an information copy to the Bureau of Politico-Military Affairs, Department of State, and the Office of the Secretary of Defense, Defense Security Assistance Agency.

(3) Exceptions.

\*\*

(a) Direct Submission to State or DSAA. In exceptional circumstances requests for P&R, P&A, and LOAs may be submitted directly to the Bureau of Politico-Military Affairs, Department of State, and the Secretary of Defense, Defense Security Assistance Agency. Such submission should be used only when the U.S. embassy in-country or the purchaser's representative in the U.S. believes that the request is sensitive enough to require a higher level policy determination.

\*\*

(b) Requirement for Copies Furnished. DoD components receiving requests for P&R, P&A, or an LOA will assure that the Department of State and DSAA are on distribution for copies of the purchaser's request. If copies have not been furnished, immediate action is required to furnish the copies. Further, for MDE requests received from the purchaser's representative in the U.S., the DoD component will provide the unified command and SAO with a copy or details of the purchaser's request, as appropriate.

\*\*

(c) Unknown DoD Component. When the cognizant DoD component cannot be readily determined by the purchaser or the SAO/U.S. embassy, the P&R, P&A, or LOA request should be submitted to SECSTATE/PM and SECDEF/DSAA for further dissemination.

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(4) DSAA and State Department Approval. Based upon receipt of the information copy of the P&R, P&A, or the LOA request, DSAA and the State Department will, within five working days, initiate the necessary coordination to determine if the request is approved, disapproved, or if further correspondence by the DoD component with the requestor should be suspended until completion of the required coordination. For MDE items, DSAA will immediately advise the DoD component of the initial approval or if difficulties are foreseen. For any MDE or non-MDE request that is not approved, DSAA will

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immediately advise the cognizant DoD component to stop further processing on the purchaser's request, the rationale for the decision, and of the further actions required with regard to a response to the purchaser. In the absence of such notification by DSAA, all requests will be processed for DSAA final coordination and countersignature in accordance with Chapter 7, Section II, paragraphs C9 and C10.

(5) DOD Component Recommendations. In the event the cognizant DOD component recommends that the purchaser's request be disapproved, the DSAA Operations Directorate will be notified. DSAA will coordinate the disapproval with the Bureau of Politico-Military Affairs, Department of State. \*\*

## 2. Responses to Letters of Request.

a. General. Normally, when preliminary data is required by a foreign country or international organization for planning or in anticipation of a purchase under FMS, P&R data will be provided. P&A data will be provided only in exceptional situations. See Paragraph B.1. above for a description of P&R and P&A data and paragraph C.1.b. above for the channels of submission of requirements for data.

b. Discussions with Foreign Governments and International Organizations. Economic, production, and budget uncertainties all contribute to DOD component difficulties in making accurate cost and delivery estimates. The large volume of P&R estimates which are processed also increases the likelihood of human error. In any event the utmost discretion must be exercised by members of the country team or other U.S. officials in discussion of P&R data with foreign government or international organization officials. Only specific data approved and provided by the DOD component or the DSAA should be used. This same discretion must be exercised in those exceptional circumstances where P&A data is provided.

c. Format for P&R Data. P&R data will not be used to develop an LOA. The following format must be used in responding to a request for Planning and Review (P&R) data, e.g., list the:

(1) Quantity, major item/service and estimated cost. (Cost must include adjustments for inflation. In the absence of the availability of clear inflation trends on a given system, the OSD/C standard inflation factors should be used.)

(2) Ancillary support equipment which is necessary for the operation and maintenance of the system requested and include the estimated cost.

(3) Estimated dollar value of integrated logistics support (ILS) element items in addition to those in subparagraph (2) above which are necessary to support the system, e.g., training, publications, etc.

(4) Estimated accessorial charges.

(5) Source of the data (e.g., last contract award, stock price).

(6) Estimated availability of the articles/services.

(7) Key assumptions used in developing the data, for example:

(a) Standard DOD component factors were used in developing the ancillary equipment and/or ILS elements necessary to support the quantity of items requested.

(b) Training and publication cost estimates are based on criteria used by the DOD component.

(8) Key factors which will effect the above planning data, for example:

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

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

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

(9) Expiration Date: \_\_\_\_\_. After this date, if the article/service is still under review, revised data should be requested.

(10) Validity: The above information is not valid for purposes of preparing an LOA and may not be adequate for budgetary purposes. It is planning information for review purposes only, to assist in your government's determination of the feasibility of requesting an LOA.

(11) The DD Form 1513 will not be used to provide P&R data.

d. Format for P&A Data. P&A data will be prepared along the same guidelines as an LOA. P&A information normally will be provided separately from an LOA. An information copy of P&A data provided to all foreign countries and international organizations will be furnished the DSAA, Operations Directorate. Any country request for P&A preparation on a DD Form 1513 will be considered as a request for an LOA. P&A data should include the following statement:

- Expiration date: \_\_\_\_\_. After this date, if the article/service is still under review, revised data should be requested.

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

f. Agents Fees or Commissions. Any P&R or P&A quotation which contains agents fees or commissions will be coordinated with the Management Division of the DSAA Operations Directorate before dispatch.

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

(1) Purpose. The DD Form 1513 -- Letter of Offer and Acceptance (LOA) will be used for all foreign military sales of defense articles and services (including training) and sales of design and construction services by all DoD components. Annex A of the LOA contains the General Conditions which are an official part of every offer issued.

(2) Periods of Effectiveness. The LOA will itemize the defense articles and services offered, and when executed becomes an official tender by the U.S. Government. An accepted LOA is effective until all articles offered are delivered and all services completed. LOAs for blanket order FMS cases, training cases or cases covering the provision of a continuing service (e.g., contractor administrative services or engine or component improvement programs), may provide for up to a two year's duration, provided the total value of the case does not exceed \$5 million. Exceptions to this effective period and dollar limitation require the approval of the DSAA.

(3) Acceptance. Signing of the LOA by the designated foreign official, together with applicable funding constitutes the agreement of the foreign government or international organization to the offer and constitutes a contractual commitment between the U.S. and foreign government or international organization.

h. Response to Requests Which Involve Less Than Economic Order Quantity (EOQ). When a request is received for P&R, P&A or an LOA which cannot be supplied from stock and cannot be immediately obtained from normal procurement because it represents less than an Economic Order Quantity (EOQ), the response to such requests should provide the following information to the country or international organization:

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

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

i. Negative Responses. When it is determined that a DoD component cannot respond favorably to the foreign country or international organization request, the proposed negative reply must be coordinated with DSAA Operations. The DSAA will coordinate with the Department of State as required. This procedure applies to inquiries involving requests for foreign military sales, requests for coproduction, requests for offset arrangements, requests for sensitive technical information, lease, etc. This procedure is not intended to apply to negative responses to inquiries of a technical nature involving

accepted and implemented FMS cases unless, if approved, the request would have resulted in the issuance of an amendment to the basic LOA (e.g., requests involving a significant modification of a system or an increase in the overall capability of the item requested, etc.). In addition, the following routine training actions are exempt from this prior coordination requirement: however, the DSAA should be an information addressee on all such responses:

(1) Denial of requests within established policy (e.g., training courses closed to all foreign nationals; information not cleared for release; training for support equipment not in the purchaser's inventory).

(2) Notification of class cancellations for previously approved quotas.

(3) Quota requests which cannot be accommodated within desired timeframe.

(4) Senior officer courses where annual foreign participation is limited and restricted to those invited by chiefs of services.

### 3. Coordination of Requests for P&R, P&A, or an LOA.

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a. The Director, Joint Staff, Office of the Joint Chiefs of Staff and the USDR&E must be advised by the DSAA utilizing the format at Figure 7-I-2 of all new requests for P&R, P&A, or an LOA which meet the following criteria:

(1) All requests for Coproduction or Licensing Agreements for Major Defense Equipment as defined in paragraph B.2.a.(2) above.

(2) All other requests for MDE which are expected to result in a notification to the Congress or those determined by the Director, DSAA Operations to be of a sensitive nature.

b. The receipt of the information copy by DSAA of the P&R, P&A, or LOA request required by paragraph C.1.b. will be the basis for the above notification.

NOTE: All requests for information, no matter how informal the request, e.g., oral, letter, message, etc. (other than P&A requests intended to lead to the preparation of an LOA), are considered to be P&R requests and require the same channels of submission as outlined in paragraph C.1.b. above.

### 4. Letter of Intent (LOI) (DD Forms 2012, 2012-1, 2012-2).

(1) Types of LOI. There are two Formats for LOIs: The DD Form 2012, used to finance procurement of long lead time items prior to the issuance of an LOA; and the DD Form 2012-1, used to finance procurement of long lead time items during the period between issuance of an LOA and acceptance by the purchasing country or international organizations.

(2) Limitation of Cost or Funds. As both forms contemplate a specified dollar limitation upon the liability of the purchaser for the procurement of long lead time items, in order to comply with the requirements

of the Arms Export Control Act, it is necessary that all cost-reimbursement contracts awarded to implement a LOI (procurement as well as research and development) include a Limitation of Cost or Funds contract clause (see DAR 7-203.3(a), 7-402.2 and 7-702.11). That clause may be deleted by contract amendment after the purchaser's acceptance of the LOA.

(3) Approval of the DSAA. Use of the DD Form 2012 does not constitute authorization to take implementing action under such LOI in advance of compliance with the statutory reporting requirement of Section 36(b) of the AECA. In the event that a DoD component is of the opinion that production scheduling requirements necessitate initiation of procurement of long lead time items in advance of full compliance with Section 36(b) of the Arms Export Control Act, the DoD component concerned shall, prior to transmitting a proposed LOI to the purchasing country, or international organization, promptly forward its recommendations to the Director, DSAA, for a decision. If an exception is made by the Director, DSAA, a modified version of the DD Form 2012 or 2012-1 will be provided to the DoD component by the DSAA on a case-by-case basis.

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

(5) Sample Formats. Refer to Figures 7-I-3, 7-I-4 and 7-I-5.

(6) DSAA Countersignature. DSAA countersignature is required prior to the submission of any DD Form 2012, DD Form 2012-1, and DD Form 2012-2 to the purchaser.

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RECOUPMENT OF NONRECURRING COSTS OF MAJOR DEFENSE EQUIPMENT										DATE PREPARED		AS OF DATE	
SECTION A													
WEAPON SYSTEM OR COMPONENT	NONRECURRING COSTS (\$ THOUSANDS)			PRODUCTION QUANTITY						RECOMMENDED PRO RATA UNIT CHARGE			PREVIOUS UNIT CHARGE
	NOTE	PRODUCTION	TOTAL	ARMY	MARINES/NAVY	AIRFORCE	MAR/FMS/DIRECT SALE	TOTAL	NOTE/PRODUCTION/TOTAL				
SECTION B													
				PRODUCTION QUANTITIES				TOTAL	Completion of Section C on reverse is required.				
				ACTUAL	PROJECTION								
				MAP									
				DIRECT SALE									
				FMS									
TOTALS													

FIGURE 7-1-1. Recoupment of Nonrecurring Costs on Sales of Major Defense Equipment (MDE).

SECTION C		
QUANTITY PROJECTION BREAKOUT		
MAP		
COUNTRY/ INT'L ORGN	PROJECTED QUANTITY	EXPLANATION FOR PROJECTIONS
TOTAL MAP		
DIRECT SALES		
TOTAL DIRECT SALES		
FMS		
TOTAL FMS		
TOTALS		

FIGURE 7-I-1. (Continued)

## FIGURE 7-I-2

MEMORANDUM FOR THE: CHAIRMAN, JOINT CHIEFS OF STAFF  
 UNDER SECRETARY OF DEFENSE, RESEARCH AND ENGINEERING

SUBJECT: Security Assistance Request for Major Defense Equipment (MDE) -  
 (Insert Country or International Organization)

(\* The attached request from (Insert Country or International Organization) for (Insert Identification of Articles)\*\* which is identified on the Major Defense Equipment List in the Security Assistance Management Manual (SAMM), has been received by this Agency.

(\* (Insert additional information, if required).

(\* If you have any views or recommendations regarding this request, please advise DSAA by (Normally 15 days from date of this memo).

DIRECTOR/DEPUTY DIRECTOR, DSAA

Attachment  
 a/s

Copy Furnished:

DUSD/RESEARCH & ENGINEERING (IP&T)  
 OJCS, DIRECTOR, J-5  
 DSAD/ISP (IETSP)  
 Applicable Security Assistance Organization in country  
 Applicable DoD component

\* Normally, memos will be classified Confidential.

\*  
 (Deletion)

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FIGURE 7-I-2. Memo -- Subject: SA Request for MDE.

C. PROCEDURES.

1. Consistent with the provisions of Chapter 7, Section I, Paragraph C.1.b., the DoD component should proceed with the development of the LOA upon receipt of the LOR from an FMS customer, American embassy, or Security Assistance Organization (SAO). \*\*

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.

- 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 on-going 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.

Note: For amendments and modifications exempt from countersignature, implementing agencies should provide copies of Termination Liability Worksheets (TLW) directly to the DSAA Comptroller (FMD) and SAAC (FSRC). \*\*

(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. Reserve Requirements. Amounts required to be collected in advance and held in reserve during the period covered by the scheduled payment (i.e., the next 3 months after payment date). Reserve requirements consist of:

a. Contractor Holdback. Amount earned by contractors or suppliers during the period.

b. Termination Liability. Amount required to cover the financial liability of the USG 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.

Note: For amendments and modifications exempt from countersignature, implementing agencies should provide copies of termination liability worksheets (TLW) directly to the DSAA Comptroller (FMD) and SAAC (FSRC). \*\*

(f) Quality Control. Implementing Agencies must ensure that adequate quality controls exist to assure the mathematical integrity of Termination Liability Worksheets. Termination liability/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. \*\*

Note: For amendments and modifications exempt from countersignature, implementing agencies should provide copies of the NRC recoupment summary worksheet directly to DSAA Comptroller (FMD) and SAAC (FSRC).

9. Coordination of Letters of Offer and Acceptance (LOAs), Amendments, Notices, and Letters of Intent (LOIs). \*\*

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

b. DSAA Coordination. DSAA coordination will be accomplished by the Operations Directorate (DSAA-OPS) on all LOAs, amendments, notices, and LOIs which require countersignature during the countersignature process. DSAA-OPS is responsible for obtaining all internal DSAA coordination and the coordination of all appropriate OSD staff elements. While DSAA coordination occurs during the countersignature process, it is not synonymous therewith and constitutes a separate function. The DSAA point of entry for coordination of the aforementioned documents is the DSAA Comptroller (FMS Control Division).

10. Countersignature. All LOAs and LOIs require DSAA countersignature. All amendments and notices except as specifically exempted in Chapter 8 also \*\*



require countersignature. Note that no exemptions will apply to amendments or notices which involve Congressional notification [Sec. 36(b)] or FMS credit, MAP, or third country financing.

a. Procedures. Upon DOD component finalization of the foregoing documents and in the case of Section 36(b) AECA Congressional notification actions, five days prior to the expiration of the Congressional review period, DOD components will forward to the DSAA-Comptroller (FMS Control Division) the signed original and two copies of all documents for DSAA coordination and countersignature. For documents involving FMS credit or MAP financing, the signed original and three copies will be forwarded. The DSAA-Comptroller will routinely forward all submissions to DSAA-OPS for coordination prior to countersignature. The DSAA Comptroller will take action to process and enter appropriate data extracts into the DSAA FMS data base.

b. Return to Preparing DoD Component. Subsequent to DSAA coordination and processing, the DSAA Comptroller will: countersign the document and return the original copy to the originating DoD component for onward processing to the prospective purchaser; forward a copy to the SAAC with the termination liability worksheet, nonrecurring cost recoupment worksheet, and financial analysis, if applicable; and retain a copy in order to enter the appropriate information into the DSAA FMS data base.

11. Incomplete Documentation. FMS transactions submitted for DSAA countersignature which do not include the proper documentation will be returned to the preparing DoD component without countersignature. If the urgency of the situation requires processing without waiting for the required documents, the matter should be referred to the Director or Deputy, DSAA-OPS. DSAA-OPS, following its review, will coordinate with the Comptroller. If approved, the transaction will be processed and countersigned. \*\*

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. 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).

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. Pen-and-Ink Changes - DD Forms 1513 and 1513-1. Pen-and-ink \*\* changes are modifications to a DD 1513 or DD 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 possible. The change may be at the request of the purchaser or at the initiative of the issuing DoD component. If the change authorizes any increase in scope or any revision of the terms of sale or total costs, DSAA-Comptroller, FMS Control Division, must concur prior to authorization. The issuing agency must authorize the pen-and-ink change by message or letter to the purchaser with a copy to SAAC/FSR and DSAA-Comptroller, FMS Control Division. Extensive changes must be made by issuance of a new or restated DD 1513 or DD 1513-1 (after acceptance of the basic case) rather than by a pen-and-ink change. Copies of all DD 1513s and DD 1513-1s (including revised termination liability worksheets, if applicable) that have been modified by authorized pen-and-ink changes must be disseminated to the required organizations (for example, SAAC).

e. 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 furnished 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

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 Fiscal Year of the FMS credit or MAP program followed by the words FMS Credit or MAP as appropriate. If the sales agreement is financed by a combination of sources, 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 Comptroller (FMS Control Division) is the point of entry within DSAA for coordination and countersignature of LOAs, LOIs (and amendments thereto), and notices to LOAs. In connection with the countersignature process, DSAA coordination will be accomplished by DSAA-OPS. See Chapter 7, Section II, Paragraphs C.9. and C.10. \*\*
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.

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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"> <li>- 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.</li> <li>- 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.</li> </ul>

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

## 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 USG/purchaser splits in crews. Any USG/Purchaser split in crew composition must be approved by \_\_\_\_\_ based upon a request submitted by the Purchaser setting forth the reasons for the request, the desired crew composition, and the aircraft qualifications of proposed crew members of the Purchaser. If split crews are used, the aircraft commander must be an officer of the USG who will have command and control over the aircraft. If more than one aircraft is being ferried, the designated flight leader will be an officer of the USG and will have command and control over all aircraft.

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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 USG/purchaser splits in crews. Any USG/Purchaser split in crew composition must be approved by \_\_\_\_\_ based upon a request submitted by the Purchaser setting forth the reasons for the request, the desired crew composition, and the aircraft qualifications of proposed crew members of the Purchaser. If split crews are used, the aircraft commander must be an officer of the USG who will have command and control over the aircraft. If more than one aircraft is being ferried, the designated flight leader will be an officer of the USG and will have command and control over all aircraft.

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

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

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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 and A, but excluding profit, out of national funds (not FMS Credit or MAP funds) to be provided by 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.

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TABLE 7-II-6. (Continued)

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. All LOAs and LOIs, as well as amendments and modifications (except those specifically exempted in Chapter 8) will be submitted to the DSAA Comptroller (FMS Control Division) for coordination and countersignature prior to submission to

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\*  
\*

the country. This procedure does not satisfy DSAA requirements for approval or coordination prior to LOA or related document formulation. \*

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 (and, accordingly, are not listed in 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) "FY (insert two digit fiscal year of FMS Credit program) FMS Credit." 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 and 24 of the AECA or under other legislation. Paragraph B.3e 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 of each or some line items, except where FMS Credit or MAP 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. SAAC is responsible for billing and follow-up collection action for indebtedness incurred by FMS customers on FMS cases. Implementing agencies will not make requests to FMS customers for payments on FMS cases, but will refer collection problems to the SAAC for appropriate action.

e. Movement of Customer Funds. SAAC takes action on requests for movement of funds to and from holding accounts or between cases only when such requests are properly channeled through the FMS customer's designated representative or as directed in a memorandum of agreement between SAAC and the FMS customer regarding the use of holding accounts and transfer of funds. The use of notes or other references in LOA documents (1513, 1513-1, or 1513-2) concerning transfers or refunds of FMS customer funds is not authorized. \*

f. Initial Deposit Follow-up. When SAAC receives a customer-signed LOA (DD Form 1513) or amendment (DD Form 1513-1) that is not accompanied by a required initial deposit, SAAC will initiate follow-up action on the tenth working day following receipt of the signed LOA. \*\*

(1) SAAC will notify the in-country security assistance organization (e.g., MAAG, ODC, MILGP, DAO, etc.), the customer organization responsible for payment, and the U.S. implementing agency case manager that the initial deposit has not been received. This notification will state that implementation of the LOA or amendment is being held in abeyance pending receipt of the initial deposit. \*\*

(2) Based on circumstances applicable to the case, including the continued validity of the P&A data supporting the case, the case manager will determine whether to extend the offer expiration date for a longer period pending receipt of the initial deposit. The implementing agency will issue a letter or message extending the offer expiration date or notifying SAAC, SAO, and DSAA that the offer cannot be extended beyond its current expiration date. \*\*

(3) If the expiration date cannot be extended, or if the extended date expires without receipt of the initial deposit, SAAC will obtain DSAA-COMPT-FMD concurrence to cancel the case. A new LOA will be required if the customer's requirement is still valid. \*\*

(4) These procedures do not apply to offers where SAAC has been notified that the initial deposit is in the hands of another USG agency (e.g., IA, SAO, Embassy), that a courtesy deposit has been made on SAAC's behalf, that funds have been wire transferred (with transaction number), or where the LOA is financed by Military Assistance Program or FMS credit funds. \*\*

## 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.

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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)	18 Apr 1985 9 Apr 1982	Contract Audit 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 1985 6 Dec 1983	Contract Audit * Quality Assurance and Inspection *
Denmark (DE)	3 Apr 1985	Quality Assurance and Inspection
European Participating Governments (EPG)	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 infrastructure 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 programs 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

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 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 no 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. For cases financed with MAP funds, these funds are merged in the trust fund and applied to the cases. Such costs as may be in excess of the amount funded by MAP or credit agreement funds must be paid by the purchaser, if additional MAP/credit funds are not available. 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 80279-5000.

3. Cash payments in U.S. dollars for inditial 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

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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 forecasted 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

<u>PAYMENT DATE</u>	<u>QUARTERLY</u>	<u>CUMULATIVE</u>
Initial Deposit:		

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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.

TABLE 7-III-1. (Continued)

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.

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)***	B	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. Sec. 503(A)(3), FAA	M	As Required	Anytime	FY _____ MAP Merger.	As shown in the Financial Annex.
17. Combination of above resulting in more than one term of sale				(Show two or more terms as appropriate)	As shown in the Financial Annex
18. 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)

7-104

Change No. 6, 1 March 1986

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>	
Algeria	Morocco	Bahrain	Pakistan
Botswana	Nigeria	Bangladesh	Oman
Cameroon	Sudan	Egypt	Qatar
Kenya	Tunisia	India	Saudi Arabia
Liberia		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>		<u>International Organizations</u>	
Australia	New Zealand	NATO (North Atlantic Treaty Organization and its agencies)	
Brunei	People's Republic of China (PRC)		
Indonesia	Philippines		
Japan	Singapore		
Korea	Taiwan		
Malaysia	Thailand		

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

SECTION IV - CONGRESSIONAL SECTION 36(b) NOTIFICATIONS AND REPORTS AND SECTION 133b REPORTS OF FOREIGN MILITARY SALES
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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 AECA, Section 36(b) and 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)(1)] Notification.

(1) Section 36(b)(1) 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 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, and a detailed justification providing the reasons necessitating the sale of such defense articles or services in view of the sensitivity of such technology. The AECA, Section 36(b), paragraph (4) requires that each certification cite any quarterly report submitted 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. The International Security and Development Cooperation Act of 1985, Section 130(c), requires a special certification for notifications of proposed sales to Jordan pertaining to United States advanced aircraft, new air defense systems, or other new advanced military weapons. These Jordan certifications, prepared by the State Department, will be appended to Section 36(b)(1) notifications to the Congress involving such items. \*

(2) The AECA, Section 36(b)(1) 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.

(3) See also Chapter 7, Section IV, paragraph B(3).

\*\*

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 and reports 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)(1) Notification. In order to provide Congress with sufficient time to review the proposed sale about to be notified under Section 36(b)(1), 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)(1), as amended by Section 20(b) of the International Security Assistance Act of 1979, and the International Security and Development Cooperation Act of 1985 require 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 and a justification for the proposed sale in view of the sensitivity of such technology.

(a) 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.

(b) 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).

(c) 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.

(d) When release of the classified or sensitive technology is within classification guidelines for disclosure to a specific government as stipulated in National Disclosure Policy (NDP-1), a separate paragraph should be included in the Sensitivity of Technology Statement (Table 7-IV-4A) to show that a determination has been made that the recipient government can provide substantially the same degree of protection for the technology being released as the U.S. Government. That paragraph should also include a statement to the effect that the sale is necessary in furtherance of the U.S.

foreign policy and national security objectives as outlined in the policy justification portion of the notification.

(e) When an exception to NDP-1 has been granted for release of the classified or sensitive technology, a separate paragraph on the Sensitivity of Technology Statement (Table 7-IV-4A) should provide information to the effect that the sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the policy justification. Moreover, the benefits to be derived from the sale, as outlined in the policy justification of the notification, outweigh the potential damage that could result if the sensitive technology were revealed to unauthorized persons. Additional justification for granting the exception to NDP-1, such as that included in the request for the exception, should also be provided in that paragraph when that information is available. \*\*

(f) 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. \*\*

(2) Section 36(b)(5)(a) of the AECA requires that a report will be sent to Congress when the sensitivity of technology or the capability of major defense articles (including electronic devices, which, if upgraded would enhance the mission capability of a weapons system), major defense equipment, or services are enhanced or upgraded from the level of sensitivity or capability described in the original Section 36(b)(1) certification. This legislation also provides a continuing requirement for ten years following the original certification unless deliveries are completed sooner. Only such changes in the levels of sensitivity or capability as previously described in the Section 36(b)(1) certification provided to the Congress are required to be reported to Congress and this action must be performed at least 45 days prior to delivery of the article or equipment or the furnishing of the service. Accordingly, it is necessary for the military departments and other agencies to monitor programs before deliveries are made to determine whether enhancements or upgrades have occurred. Copies of the original Section 36(b)(1) certification may be obtained from the DSAA Comptroller. Should reportable enhancements or upgrades be identified, military departments and agencies will submit a report to DSAA (FMSCD): \*\*

(a) Describing the manner in which the technology or capability has been enhanced or upgraded, including the significance of such enhancement or upgrade, and

(b) Providing a detailed justification for the sale of such enhancement or upgrade.

This report will be sent to DSAA (FMSCD) in the format provided in Table 7-IV-4B with a copy of the original Section 36(b)(1) certification attached. A minimum of an additional 15 days prior to delivery of the items to the purchaser (a total of 60 days) is required for DSAA review and transmittal to the Congress. Rather than submitting multiple 36(b)(5)(a) reports to DSAA, the military departments and agencies should consolidate and provide these reports to DSAA not less than 60 days prior to the forecast delivery of the affected equipment or services. Note that it is essential for the military

departments and agencies to maintain adequate documentation of each decision that justifies non-submission of Section 36(b)(5)(c) reports. A Section 36(b)(5)(a) report is not required before delivery of enhancements or upgrades previously identified in a Section 36(b)(5)(c) notification.

(3) Section 36(b)(5)(c) of the AECA requires that any enhancement or upgrade, the net cost of which meets or exceeds dollar thresholds for Section 36(b)(1) certification, as outlined in Section IV, paragraph B.1.a.(1) of this chapter, must be treated as though it were a separate LOA. Accordingly, if the net cost of an enhancement or upgrade of the previously described sensitivity of technology or capability of major defence equipment or defense articles as well as defense services or design and construction services meets or exceeds Section 36(b)(1) thresholds, the military department or agency will provide 36(b)(1) input that clearly describes the enhancement or upgrade, explains the level of sensitivity or capability that the change produces, and provides the estimated net cost of the change. The requirement to report enhancement or upgrade of previously described capability or sensitivity of technology applies only to items or services that have not been delivered or performed. When the capability was clearly described in the Section 36(b)(1) certification and there is a current request to purchase an enhancement or upgrade thereof, data will be provided on Table 7-IV-4C only when the net cost of the enhancement or upgrade portion reaches the Section 36(b)(1) dollar threshold as follows:

<u>Equipment/Services To Be Enhanced</u>	<u>Net Cost of Enhancement (Millions)</u>
Major Defense Equipment	\$ 14
Other Defense Equipment/Services	\$ 50
Design and Construction Services	\$200

Statutory notification for enhancements or upgrades of sensitivity of technology should be submitted within 30 days of the request to purchase in the format provided in Table 7-IV-4C to DSAA (FMSCD) for review and submission to Congress. Such changes in enhancement or upgrade requiring 36(b)(5)(c) certification may not be implemented nor may a corresponding DD Form 1513, DD Form 1513-1, or DD Form 1513-2 be issued until the certification has been processed to the Congress and the required time period pursuant to Section 36(b)(1) has elapsed. Deliveries of unmodified items on a case for which other items are to be enhanced or upgraded, such as unmodified spare parts, are unaffected and may continue to be delivered without interruption. Advance 20-day notifications prior to the statutory certifications will not be required for enhancement certifications.

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)(1), 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)(1), 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): \*

(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)(1) notification to the Congress. \*

h. The above exception to Section 36(b)(1) 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)(1), 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)(1) 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)(1) 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). If the LOR case information has not been previously entered into the 1200 system, DSAA will make the entry. Supporting data (including purchaser's reference and date of receipt by the implementing agency) are to be submitted, using the prescribed formats, within ten days of receipt of the letter of request from the purchaser. In order to enable the notification process to begin as soon as possible after receipt of the country request, it is essential that appropriate actions be accomplished by DoD components. The 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 assure that the ten-day requirement to provide data to DSAA is met. Consistent with this requirement field inputs will be obtained by DoD components on an expedited basis as necessary. Additionally, cost estimates will include separate identification of the estimated dollar value of the MDE portion of the proposed sale. Rough order of magnitude cost estimates are acceptable for processing Congressional notifications. In the exceptional situation, if it is determined by the DoD component that the ten-day requirement cannot be met, approval for extension must be sought from the DSAA Comptroller (Chief, FMS Control Division).

c. Requests from exempted prospective purchasers require the following data to be submitted: Military Justification (see Table 7-IV-2), Statutory Notification (see Table 7-IV-3), and, as required, Sensitivity of Technology Statement (see Table 7-IV-4A) and Impact on Current Readiness Report Data (see Table 7-IV-5).

d. Requests from non-exempted prospective purchasers require the following data to be submitted: Notification as specified in Table 7-IV-1, Advance Notification; Table 7-IV-2, Military Justification; and, as required, Table 7-IV-4A, 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. If these data can be provided during the initial submission, and no Section 133b report is required, no further data are needed by DSAA to process the advance and statutory Section 36(b)(1) notifications. However, if all data are not available, the advance notification data only should be submitted to meet the ten-day data submission requirement. \*

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, 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)(1) 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)(1) 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 and all subsequent amendments and notices are submitted to the DSAA, they will include in Block 11 under "DSAA Accounting Activity" the identifying DSAA Transmittal Number used for the statutory Congressional notification (e.g., 85-29). 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 Counter-signature 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)(1) 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 SAMM (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)(1) 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

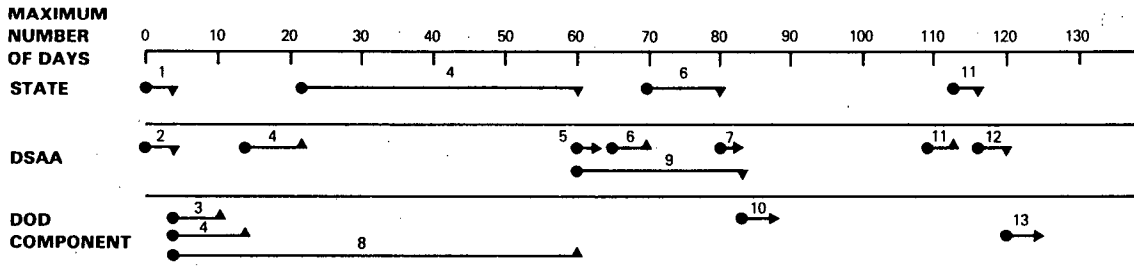
MILESTONES FOR LOA REQUESTS FOR SIGNIFICANT MILITARY EQUIPMENT

MILESTONES FOR LOA REQUESTS FROM NON-EXEMPTED PURCHASERS  
FOR SIGNIFICANT MILITARY EQUIPMENT WHICH REQUIRE 36(b)(1) 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.

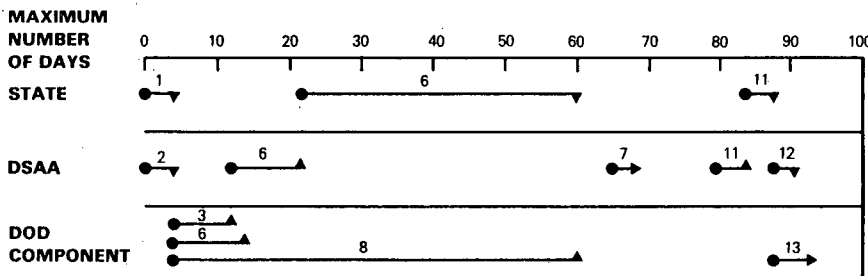


MILESTONES FOR LOA REQUESTS FROM EXEMPTED PURCHASERS  
FOR SIGNIFICANT MILITARY EQUIPMENT WHICH REQUIRE 36(b)(1) NOTIFICATION

**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 MILITARY EQUIPMENT  
WHICH DO NOT REQUIRE 36(b)(1) 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.

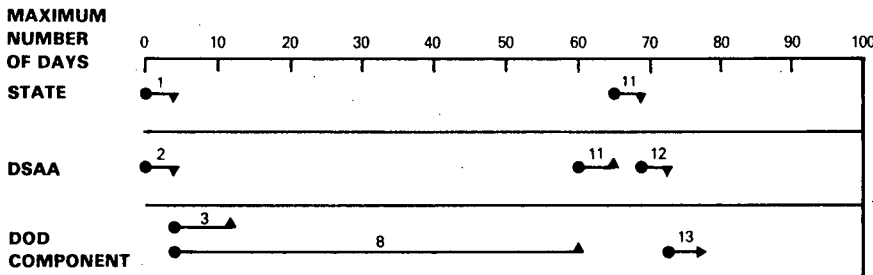


FIGURE 7-IV-1. Milestones for LOA Requests for Significant Military Equipment Which Require 36(b)(1) Notifications.

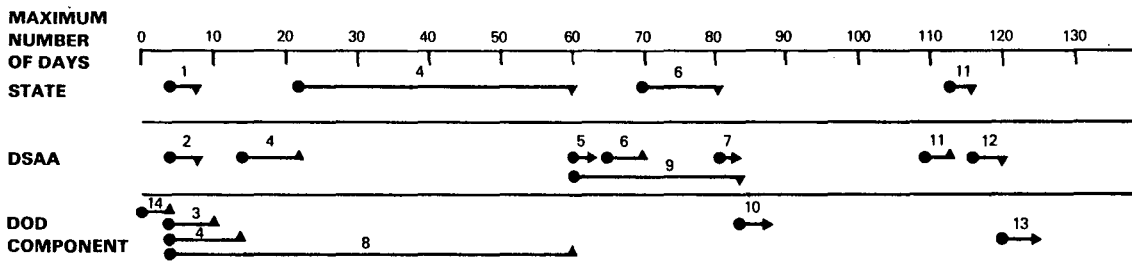
FIGURE 7-IV-2

MILESTONES FOR LOA REQUESTS FOR NON-SIGNIFICANT MILITARY EQUIPMENT

MILESTONES FOR LOA REQUESTS FROM NON-EXEMPTED PURCHASERS  
FOR NON-SIGNIFICANT MILITARY EQUIPMENT WHICH REQUIRE 36(b)(1) 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.

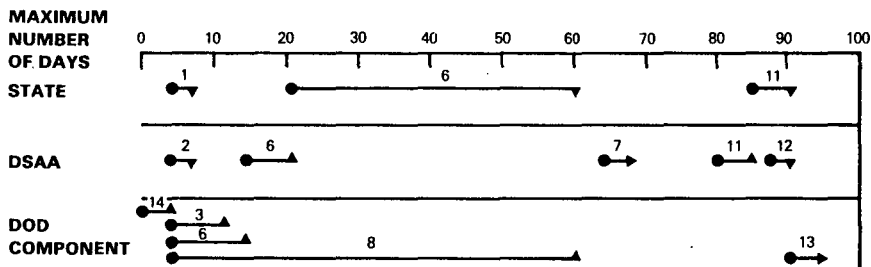
or  
Requests originating from foreign country representatives in the U.S. should be sent directly to the cognizant DoD Component. Info copy to Sec State/PM and Sec Def/DSAA.



MILESTONES FOR LOA REQUESTS FROM EXEMPTED PURCHASERS  
FOR NON-SIGNIFICANT MILITARY EQUIPMENT WHICH REQUIRE 36(b)(1) 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)(1) 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.

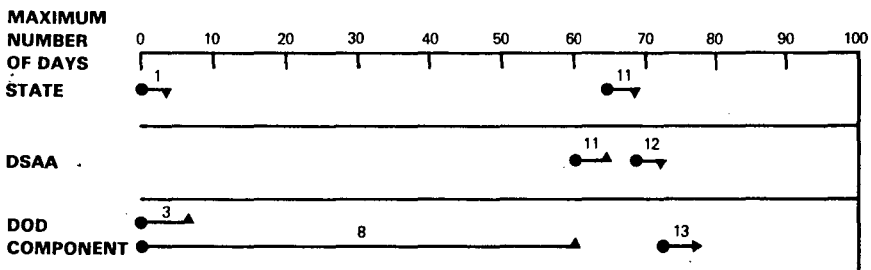


FIGURE 7-IV-2. Milestones for LOA Requests for Non-Significant Military Equipment Which Require 36(b)(1) Notifications.

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)(1) Notification (U) \*

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

- a. (\*) Prospective purchaser: \*
- b. (\*) Purchaser's reference and date of receipt by implementing agency: \*\*
- c. (\*) 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): \*
- d. (\*) Estimated total dollar value of this case (to include all costs associated with this proposed sale e.g., packing, crating, handling, transportation, administrative changes, etc.) and the dollar value of major defense equipment, if any, included in the case: \*
- e. (\*) 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): \*
- f. (\*) 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): \*
- g. (\*) Prior related cases, if any (including case designators, descriptions, values, acceptance dates, etc.): \*
- h. (\*) DoD component: \*
- i. (\*) Estimated date LOA will be ready for statutory notification to Congress: \*
- j. (\*) Case designator: \*

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

(CLASSIFICATION)

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TABLE 7-IV-1. Advance Notification Data.

## (CLASSIFICATION)

k. (\*) A description of each payment, contribution gift, commission or fee paid or offered or agreed to be paid in order to solicit, promote or otherwise to secure such LOA. Description should include: \*

(1) Name of person who made such a payment, contribution, gift, commission, or fee:

(2) The name of any sales agent or other person to whom such payment, contribution, gift, commission, or fee was paid:

(3) The date and amount of such payment, contribution, gift, commission, or fee:

(4) A description of the sale in connection with which such payment, contribution, gift, commission, or fee was paid:

(5) The identification of any business information considered confidential by the person submitting the information under the AECA, Section 39 to the Secretary of State:

l. (\*) 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-4A for details of required data and format): \*

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

n. (\*) 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:

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

p. (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.)

Attachment (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) and, if required, the Sensitivity of Technology Data (Table 7-IV-4A), 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. \* \*

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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 number of months during which each category of personnel 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.

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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)(1) 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) and the dollar value of major defense equipment; \*
- 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)

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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-4A for details of required data and format); \*

1. (\*) 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 1.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-4A 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) and, if required, the Sensitivity of Technology (Table 7-IV-4A) 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. \*

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TABLE 7-IV-3. (Continued)

TABLE 7-IV-4A  
SENSITIVITY OF TECHNOLOGY DATA

\*\*

## (CLASSIFICATION)

## SENSITIVITY OF TECHNOLOGY (U)

(\*) A description of the sensitive, as well as classified, components of any equipment, technical data, training, services, or documentation (to include the specific classification of each) is 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 should be provided. Whenever the transfer of classified defense equipment or classified documentation is required, the classified components or types of documentation containing the classified information are to be identified along with the reasons for the classification. A brief description should also be provided regarding anticipated consequences if the technology is lost to a technologically advanced or competent adversary.

(\*) When release of classified or sensitive technology is within classification guidelines for disclosure to a specific government as stipulated in National Disclosure Policy (NDP-1), a separate paragraph should be included to state that "a determination has been made that the recipient government can provide substantially the same degree of protection for the technology being released as the U.S. Government." That paragraph should also include a statement to the effect that the sale is necessary in furtherance of the U.S. foreign policy and national security objectives as outlined in the policy justification portion of the notification.

(\*) When an exception to NDP-1 has been granted for release of the classified or sensitive technology, a separate paragraph on the sensitivity of technology statement should provide information to the effect that: the sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the policy justification and the benefits to be derived from the sale, as outlined in the policy justification of the notification, outweigh the potential damage that could result if the sensitive technology were revealed to unauthorized persons. Additional justification for granting the exception to NDP-1 such as that included in the request for the exception should also be provided.

(\*) As the final paragraph of the submission, one of the following statements must be included: "(C) release of this technology is within classification guidelines for disclosure to (indicate country) as stipulated in National Disclosure Policy (NDP-1)." or, "(C) An exception to national disclosure

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

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.

(CLASSIFICATION)

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TABLE 7-IV-4A. Continued.

## TABLE 7-IV-4B

\*\*

ENHANCEMENT OR UPGRADE OF SENSITIVITY OF TECHNOLOGY OF ITEMS  
 PLANNED TO BE DELIVERED, SECTION 36(b)(5)(a) REPORT

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

SUBJECT: Enhancement or Upgrade of Sensitivity of Technology of Item(s)  
 Planned to be Delivered, Section 36(b)(5)(a) Report (U)

1. The following data are provided in accordance with Chapter 7, DOD 5105.38-M:

- A. (\*) Purchaser:
  - B. (\*) DOD Component:
  - C. (\*) Case Designator:
  - D. (\*) Section 36(b)(1) Certification Number:
2. A. (\*) Description of the manner in which the technology or capability has been enhanced or upgraded, including the significance of such enhancement or upgrade from the level previously described in the original Section 36(b)(1) Certification:
- B. (\*) Estimated net cost of enhancement or upgrade:
  - C. (\*) Item(s) or service(s) to which change(s) apply (indicate whether MDE):
  - D. (\*) Next planned delivery date of item(s) or service(s):
  - E. (\*) Detailed justification for the sale of such enhancement or upgrade:

Attachment: Copy of original Section 36(b)(1) Notification.

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

(CLASSIFICATION)

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

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TABLE 7-IV-4B. Enhancement or Upgrade of Sensitivity of Technology of Items  
 Planned to be Delivered, Section 36(b)(5)(a) Report.

## TABLE 7-IV-4C

STATUTORY NOTIFICATION DATA ON ENHANCEMENT OR UPGRADE  
OF CAPABILITY OR SENSITIVITY OF TECHNOLOGY

(CLASSIFICATION)

MEMORANDUM FOR (OR LETTER TO) THE COMPTROLLER, DSAA (ATTN: FMSCD) (U)

SUBJECT: Data for Statutory Section 36(b)(1) AECA Notification of Enhancement or Upgrade of Capability or Sensitivity of Technology, Section 36(b)(5)(c) (U)

1. The following supporting data are provided in accordance with Chapter 7, DOD 5105.38-M, regarding items or services that are proposed to be added to a previously notified sale.

- A. (\*) Prospective Purchaser:
- B. (\*) DOD Component and Case Designator(s):
- C. (\*) Original Congressional Notification number and previously notified dollar value:
- D. (\*) Estimated net cost of enhancement or upgrade of capability or sensitivity of technology:
- E. (\*) Description and quantity of the items and/or services for which enhancement or upgrade of capability or sensitivity of technology is proposed (which items are being enhanced?): Include all major defense equipment, defense articles or services; or design and construction services, segregating them by dollar values:
- F. (\*) Description of enhancement or upgrade of capability or sensitivity of technology (what is being done to provide the enhancement or upgrade?):
- G. (\*) Expected security classification of the sale of the enhancement or upgrade in capability or sensitivity of technology (if it is to be classified, cite rationale and attach justification):
- H. (\*) Sales commission, fee, etc., paid, offered, or agreed to be paid on the enhancement or upgrade in capability or sensitivity of technology (if none, so state):
- I. (\*) Identification and location of the prime contractor or principal contractor of the enhancement or upgrade in capability or sensitivity of technology:

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TABLE 7-IV-4C. Statutory Notification Data on Enhancement or Upgrade of Capability or Sensitivity of Technology.

J. (\*) Estimate of the number of additional U.S. Government personnel and U.S. contractor representatives required in the area of the prospective purchaser to implement the proposed enhancement or upgrade of capability or sensitivity of technology and the number of months each category of personnel will be needed:

K. (\*) Has the proposed sale of the enhancement or upgrade in capability or sensitivity of technology previously been reported in a DSAA(Q)1138 Report? If so, for which fiscal year quarter?

L. (\*) Provide data regarding the enhancement or upgrade in capability or sensitivity of technology for Section 133(b) report, if applicable:

2. Provide detailed justification including reasons necessitating the sale of the item(s) or service(s) in view of the sensitivity of such technology:

Attachment: Copy of original Section 36(b)(1) Notification.

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

(CLASSIFICATION)

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

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TABLE 7-IV-4C. (Continued.)



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.

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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 29 through 37 on the original and top three copies of the signed DD Form 1513 only. Completion by your Government of Blocks 29 through 37 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)

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

SECTION V - CASE MANAGEMENT
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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.

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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.

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TABLE 7-V-1. Case Manager Data Elements.

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# CHAPTER EIGHT

## FMS CASE PERFORMANCE

SECTION I - CASE IMPLEMENTATION AND EXECUTION
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### 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 (COCS) 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 III - LOGISTICS
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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 differently 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 Reutilization and Marketing Service (DRMS) 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 Reutilization and Marketing Service (DRMS). 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 Reutilization and Marketing Service (DRMS) the responsibility for conducting the sales of DoD excess personal property and disposable MAP property to foreign governments and international organizations. Headquarters, Defense Reutilization and Marketing Service exercises operational management of the FMS program throughout the DRMS and conducts the FMS of property located in the Continental United States (CONUS) and all of North America and Latin America. Defense Reutilization and Marketing Region, Europe, conducts the FMS of property located in Europe. Defense Reutilization and Marketing Region, Pacific, conducts the FMS of property located in Hawaii, the islands of the Pacific Ocean and Eastern Asia. \*

(2) Contact Points. The DRMS 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 DRMS FMS Program in the most advantageous and beneficial manner. The contact points are: \*

(a) Headquarters DRMS. \*

Commander  
 Defense Reutilization and Marketing Service \*  
 ATTN: DRMS-RCM \*  
 Federal Center  
 Battle Creek, Michigan 49017-3092 \*  
 Commercial Telephone - (616) 962-6511, ext. 6911/6918  
 AUTOVON - 369-6911/6918

(b) DRMR-Europe. \*

Commander  
 Defense Reutilization and Marketing Region \*  
 ATTN: DRMR-ER \*  
 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) DRMR-Pacific. \*

Commander  
 Defense Reutilization and Marketing Region \*  
 ATTN: DRMR-PR \*  
 Camp H. M. Smith, Hawaii 96861  
 Commercial Telephone - (808) 477-5242  
 AUTOVON - Pearl Harbor - 431-0111, ext. 477-5242

(3) DRMS Status. DRMS 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 DRMS 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 DRMS publishes two documents which \*  
provide information on the specifics of the DRMS excess program and on arti- \*  
cles 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 DRMS. Countries eligible \*  
to receive the DRMS 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 intro-  
duction 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 Cumber-  
land, 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. DCD 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.

SECTION V - AMENDMENTS AND MODIFICATIONS
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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. All DD 1513-1s, except as specifically exempted in this section, will be submitted to the DSAA Comptroller (FMS Control Division) for countersignature. Note that all amendments to cases which involve FMS credit, MAP, or third country financing or which were the subject of Congressional [Sec. 36(b) AECA] notifications are not exempt and must be submitted for countersignature. Copies of all exempted amendments will be provided to SAAC (FSRC) by the Implementing Agency at time of release to the country.

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\*

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. Categories of minor changes in scope which will normally be acceptable are listed below. Of the below listed categories of DD 1513-1s, all except para. f (changes in terms or conditions) are exempt from countersignature provided there is no increase in SME or MDE and there is no overall increase to the value of the case.

\*  
\*  
\*  
\*

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 non-SME or non-MDE previously ordered on an original LOA.

\*\*

c. The omission in the original LOA of non-SME or non-MDE supporting equipment or services for major weapon systems previously sold or the definitization of previously undefined spare parts or support lines, provided that the addition of the omitted articles or services does not extend the period of performance of the project LOA 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."

12. Shifts of Case Value Between Cases. In certain circumstances, purchaser requests to shift case value from one case to another may be accomplished by processing concurrent modifications (DD Form 1513-2) in lieu of amending the case being increased (see Paragraph C.3.c.). \*\*

B. PEN-AND-INK CHANGES - DD FORMS 1513 AND 1513-1. Pen-and-ink changes are modifications to a DD 1513 or DD 1513-1 authorized by the issuing DoD component prior to acceptance of the document. Pen-and-ink changes should be avoided to the maximum extent possible. The change may be at the request of the purchaser or an initiative of the issuing DOD component. If the change authorizes any increase in scope or any revision of the terms of sale or total costs, the DSAA-Comptroller, FMS Control Division, must concur prior to authorization. The issuing agency must authorize the pen-and-ink change by message or letter to the purchaser with a copy to SAAC/FSR and DSAA-Comptroller \*\*

(FMS Control Division). Extensive changes must be made by issuance of a new or restated DD 1513 or a DD 1513-1 (after acceptance of the basic case) rather than by a pen and ink change. Copies of all DD 1513s and DD 1513-1s (including revised termination liability worksheets, if applicable) that have been modified by authorized pen and ink changes must be disseminated to required organizations (for example, SAAC).

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). All DD 1513-2s, except as specifically exempted in this section, will be submitted to the DSAA Comptroller (FMS Control Division) for countersignature. Note that all modifications to cases which involve FMS credit, MAP, or third country financing or which have been the subject of Congressional [Sec. 36(b) AECA] notifications are not exempt and must be submitted for countersignature. Copies of all exempted modifications will be provided to SAAC (FSRC) by the Implementing Agency at the time of release to the country.

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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 in excess of \$1.0 million and related changes in payment schedules to a previous DD 1513 or amendment thereto. Price increases of less than \$1.0 million are exempt from the requirement for countersignature. 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. 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 M or Z) to a MAP case (code M) or an FMS Credit Case (Code Z) must cite all types, sources, and amounts of financing. \*

c. Shifts of case value from one FMS case to another by concurrent modification (reference Chapter 8, Section V, Paragraph A.12), provided the following are met: \*

(1) The foreign government official who requested the shift in case value must have the level of governmental authority of one authorized to accept LOAs by his signature and must indicate in the LOR that he is a duly authorized representative of his government.

(2) The case increases must be limited to changes which are not significant changes in scope, which would be defined as an increase in quantity of SME or MDE items.

(3) The AECA Section 36(b) reporting thresholds outlined in Chapter 7, Section IV, must be observed.

(4) The net change between the two cases must be zero; that, the increase to one case must be equal to the decrease of the other case. The modifications decreasing one case and increasing the other must be issued simultaneously and must cross-reference each other.

(5) The case being increased must currently have collections equal to or greater than expenditures (see Chapter 8, Section V, Paragraph A.10).

(6) If the addition of articles and/or services to the case being increased will generate a requirement for an initial deposit (reference Chapter 8, Section V, Paragraph A.9), a DD Form 1513-1 must be used.

(7) The case being decreased must have adequate funds available to cover outstanding requisitions and obligations.

4. DD Form 1513-2's Requiring No DSAA Coordination or Countersignature. \*\*

a. Decreases to the value of DD 1513s or 1513-1s resulting from price reductions, deletions, or decreases in the quantities of articles or services to be sold, or decreases in the value of blanket order cases requested by the foreign government may be accomplished by DD 1513-2s which do not require countersignature.

b. The following additional modifications to a Letter of Offer or Amendment must be made on a DD 1513-2, but do not require DSAA coordination or



countersignature provided there is no change in the "terms of sale" or increase in the "total estimated costs":

- (1) Changes or extensions exceeding 90 days of the delivery commitment date.
- (2) Extensions of the ordering period for a blanket order type case.
- (3) Changes to transportation codes due to the requirement to use the DTS (e.g., shipment of hazardous or sensitive cargo).
- (4) Clarifying notes.
- (5) Changes in payment schedules to LOAs or Amendments.
- (6) Changes in Generic Codes and/or MASL Coding to correct an administrative error only; there should be no change to the description of articles or services to be sold.

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. 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

<b>UNITED STATES DEPARTMENT OF DEFENSE AMENDMENT TO OFFER AND ACCEPTANCE</b>				(1) PURCHASER (Name and Address) (Zip Code)				
(2) PURCHASER'S REFERENCE		(3) AMD'T NO.		(4) CASE IDENTIFIER				
<b>OFFER TO AMEND</b>								
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		AVAILABILITY 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								
<b>ACCEPTANCE OF AMENDMENT</b>								
(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 UNTIL EXHAUSTED.

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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 for countersignature within the DSAA Comptroller will sign all DD 1513-1s within this block except as specifically exempted in Chapter 8. Signature will not occur unless all the necessary information is contained on the DD Form 1513-1 and all required attachments are furnished.

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K. BLOCK (11) TYPED NAME AND TITLE. Type the name and title of the DSAA Comptroller authorized representative for countersignature who signed Block (10).

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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 Fiscal Year of the FMS credit or MAP program followed by the words FMS Credit or MAP Merger as appropriate. If the sales agreement is to be financed by a combination of sources, each term of sale and 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 DSAA Comptroller (FMS Control Division) is the point of entry within DSAA for coordination and countersignature of LOAs, LOIs (and amendments thereto), and notices to LOAs. In connection with the countersignature process, DSAA coordination will be accomplished by DSAA-OPS. See Chapter 7, Section II, Paragraphs C.9 and C.10.

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FIGURE 8-V-1. (Continued)

2. Submit for countersignature to the DSAA Comptroller (FMS Control \* Division) all DD 1513-1s, except as specifically exempted in this section, with the original and two copies (three copies for FMS credit or MAP financed 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. Amendments to Letters of Offer reported to the Congress [Sec. 36(b) \*\* AECA] will include below Block 11 the latest identifying DSAA Transmittal Number used in the Statutory Notification (e.g., 85-29).
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.

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FIGURE 8-V-1. (Continued)

FIGURE 8-V-2

[page 1 of 2 pages]

<b>UNITED STATES DEPARTMENT OF DEFENSE</b>					(1) PURCHASER (Name and Address) (ZIP Code)	
<b>NOTICE OF MODIFICATION OF OFFER AND ACCEPTANCE</b>						
(2) PURCHASER'S REFERENCE		(3) NOTICE NO.		(4) CASE IDENTIFIER		
<b>NOTICE OF MODIFICATION</b>						
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)				(8) COUNTERSIGNATURE (Office of the Comptroller, DSAA)(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 REF. 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 SUPPORT ARRANGEMENT		\$			\$	
(23) OTHER ESTIMATED COSTS (Specify)		\$			\$	
(24) ESTIMATED TOTAL COSTS		\$			\$	
<b>ACKNOWLEDGEMENT OF RECEIPT</b>						
(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).

(29) CONTINUATION
<b>REMARKS</b>
<ol style="list-style-type: none"><li>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.</li><li>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.</li><li>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>).</li><li>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.</li></ol>

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 for countersignature within the DSAA Comptroller will sign all 1513-2s within this block except as specifically exempted in this chapter. Signature will not occur unless all necessary information is contained on the DD 1513-2 and all required attachments are furnished. \*\*

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

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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 Fiscal Year of the FMS credit or MAP program followed by the words FMS Credit or MAP Merger as appropriate. If the sales agreement is financed by a combination of sources, each term of sale and 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 DSAA Comptroller (FMS Control Division) is the point of entry within DSAA for coordination and countersignature of LOAs, LOIs (and amendments thereto), and notices to LOAs. In connection with the countersignature process, DSAA coordination will be accomplished by DSAA-OPS. See Chapter 7, Section II, Paragraphs C.9. and C.10.

2. Submit for countersignature to the DSAA Comptroller (FMS Control Division) all DD 1513-2s, except as specifically exempted in this chapter, with the original and two copies (three copies for FMS credit or MAP cases). \*\*

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

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FIGURE 8-V-2. (Continued)

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:

"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.

6. Modifications to Letters of Offer reported to the Congress [Section 36(b) AECA] will include below Block (11) the latest identifying DSAA transmittal number used in the statutory notification (e.g., 85-29). \*\*

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FIGURE 8-V-2. (Continued)

# CHAPTER NINE

## FMS DIRECT CREDIT AND GUARANTEED LOAN FINANCING

SECTION I - GENERAL
---------------------

A. PURPOSE. This chapter presents the Foreign Military Sales (FMS) direct credit and guaranteed loan financing management policies and procedures. It describes the types of loans currently issued to foreign governments to finance such sales, the standards and criteria applicable thereto, and the procedures for implementing the FMS credit program. This chapter does not cover the use of Grant Aid (MAP) funding such as authorized by the FAA, Section 503(a)(3) (use of MAP funds to finance FMS) and the FAA, Section 506(a) (special authority), subjects which are covered in Chapter 11.

B. INTRODUCTION. Foreign Military Sales (FMS) direct credit and guaranteed loan financing has continued to grow in scope and direction. Concurrently, the management of such financing has become correspondingly complex. There are a number of stipulations, limits, actions and responsibilities involved in various aspects of this management that reflect variations in international relations and U.S. foreign policy. This chapter examines those aspects and their legislated guidelines.

C. ARMS EXPORT CONTROL ACT (AECA) AUTHORIZATION. The Arms Export Control Act (AECA), as amended, provides authority for FMS direct credit and guaranteed loan financing as follows:

1. Credit Sales. Section 23 of the AECA authorizes the President to finance procurements of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations. Loans financed under the authority of Section 23 are commonly called direct loans. Historically, this type of loan financing has been used to assist those FMS countries in the process of economic development. Direct loans require that funds be appropriated by the Congress in an amount equal to the principal loan values. Direct loans are currently used as the vehicle for implementing "repayment waived" loans as authorized by the Congress.

2. Guaranties. Section 24 of the AECA authorizes the President to guarantee any individual, corporation, partnership, or other juridical entity doing business in the United States [excluding United States Government agencies other than the Federal Financing Bank] against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles, defense services, and design and construction services to friendly countries and international organizations. Loans financed under authority of Section 24 are commonly called guaranteed loans. Fees are charged for the guaranties and all guaranties are backed by the full faith and credit of the United States. Section 25(a)(7) of the AECA prescribes that the President must advise the Congress of the total amount of funds in the Guaranty Reserve at the end of each fiscal year. Additionally, the President must provide an assessment of the adequacy of guaranty reserve funds to make payment of claims under guaranties issued in view of the current debt servicing capacity of

borrowing countries. Guaranteed loan financing constitutes the major portion of the current FMS credit program. Since 1975 all guaranteed loans have been issued to eligible borrowing countries by the Federal Financing Bank, an instrumentality of the Department of the Treasury. Such loans are guaranteed by the DSAA against all political and credit risks of nonpayment.

D. ADDITIONAL PROVISIONS OF THE ACT. In addition to Sections 23 and 24, the AECA addresses the purposes of FMS and the use of credits and guaranties in numerous other sections of the AECA as follows:

1. Purposes for which Military Sales by the U.S. are Authorized. According to Section 4 of the AECA, defense articles and services may be sold to friendly countries as follows: (1) for internal security, (2) for legitimate self-defense, (3) to permit the recipient country to participate in regional or collective arrangements consistent with the Charter of the United Nations or as requested by the United Nations to maintain or restore international peace and security, and (4) for the purposes of enabling foreign military forces in less developed friendly countries to construct public works and to engage in other activities helpful to economic and social development.

2. Violations. Section 3(c)(1)(A) of the AECA requires that no credits (including participation in credits) may be issued and no guaranties may be extended for any foreign country if such country uses the defense articles or services in substantial violation of an agreement under Section 4 of the AECA (as noted in paragraph 1. above), transfers the articles or services without the consent of the President, or fails to maintain the security of the articles or services. Also, according to Section 3(f) of the AECA the President shall terminate all sales, credits, and guaranties to any government which aids or abets, by granting sanctuary from prosecution to any individual or group which has committed an act of international terrorism unless the President finds that national security requires otherwise.

3. Prohibition Against Discrimination. Section 5 of the AECA concerns prohibition against discrimination. No sales should be made and no credits (including participation in credits) or guaranties extended to or for any foreign country which through its laws, regulations, official policies, or governmental practices prevents any U.S. person from participating in the furnishing of defense articles or services on the basis of race, religion, national origin, or sex.

4. Foreign Intimidation and Harassment of Individuals in the U.S. Section 6 of the AECA concerns foreign intimidation and harassment of individuals in the U.S. No credits or guaranties may be extended to any country determined by the President to be engaged in a consistent pattern of acts of intimidation or harassment directed against individuals in the U.S.

5. Prohibition Against Certain Military Export Financing by Export-Import Bank. Section 32 of the AECA specifically prohibits Export-Import Bank financing of defense articles or services to economically less developed countries.

6. Authorization and Aggregate Ceiling on Foreign Military Sales Credits. Section 31 of the AECA establishes the authorization and aggregate ceiling on FMS credits. For example, Section 31 normally indicates the

maximum total amount of direct credits (Section 23) and the total principal amount of guaranteed loans (Section 24) authorized to be issued. This section also indicates the minimum amounts of credits/loans to be extended to selected countries and applicable extended repayment terms.

7. Foreign Military Sales Credit Standards. Section 34 of the AECA prescribes that the President shall establish standards and criteria for credit and guaranty transactions in accordance with the foreign, national security and financial policies of the U.S. Executive Order 11958 delegates this authority to the Secretary of State with the qualification that to the extent the standards and criteria for credit and guaranty transactions are based upon national security and financial policies, the Secretary of State shall obtain the prior concurrence of the Secretary of Defense and the Secretary of Treasury, respectively.

8. Fiscal Provisions Relating to Foreign Military Sales Credits. According to Section 37 of the AECA, cash payments received and advances received from direct credits shall be available solely for payments to suppliers and refunds to purchasers and shall not be available for financing credits and guaranties. Amounts received from foreign governments and international organizations as repayments for credits extended pursuant to Section 23 (direct credits), and other collections, such as fees and interest shall be transferred to miscellaneous receipts of the U.S. Treasury. However, if Guaranty Reserve (Section 24) funds have been used for a borrower's overdue payment to the Federal Financing Bank, subsequent amounts received from the borrower shall be merged with the Reserve and shall be available for any purposes for which funds are normally available.

9. Coproduction/Licensed Production. Section 42(b) of the AECA prescribes that direct credits and guaranteed loans may not be used to finance coproduction or licensed production of any defense article of U.S. origin outside the United States unless the Secretary of State notifies the Congress in advance of the proposed transaction on employment and production within the United States. Section 42(c) of the AECA provides that funds made available under the 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 or the industrial mobilization base of the United States.

SECTION II - ELIGIBILITY
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A. NEED FOR FINANCING. To the extent feasible, foreign governments purchasing U.S. defense articles and services should be encouraged to pay cash. This helps to reduce the number of demands on an always limited availability of credit and also helps customers to obtain their purchases at the lowest overall cost. In those cases where cash purchases are not feasible, the purchasing country should be encouraged to use private financing (without U.S. Government guaranty), thus helping to conserve limited FMS credit resources. Credit financing will normally be extended when it has been determined that purchases of defense items cannot be financed reasonably by other means, taking into account any U.S. military and economic assistance that such countries may be receiving, and indigenous private financing. In addition to being evaluated for consistency with U.S. foreign policy interests (including human rights), other proposed arms purchases by the country and the suitability of items being purchased will also be taken into account. Of particular attention is the level of weapons sophistication and the capability of the country to maintain, support, and employ the items effectively. FMS credit assistance will not be extended solely to consummate a sale.

B. USE OF FINANCING FOR ESSENTIAL ITEMS. Loans issued under the AECA may be used to finance major defense items of U.S. origin. Such items may be categorized as either investment or major attrition items. "Investment" items are equipment and related supplies and services which increase the recipient's military force capability. This category includes unit equipment, war reserve equipment, replacement of obsolete equipment by improved types, initial spare parts programmed for delivery concurrent with related major items, and training associated with the introduction of a new or improved capability. "Major attrition" items are those which replace an existing type of equipment which is worn out, damaged or lost. Normally, credit financing is not approved for purchases of training, spare parts ammunition, consumables, or expendable items for "major attrition" categories. Occasionally an exception to this policy is granted to permit credit financing for the purchase of items such as technical manuals and initial training in the operation and maintenance of defense equipment, initial (up to one year) stocks or spare parts, initial stocks of ammunition (up to one year for training and/or basic reserve stocks), and other consumable or expendable items logically included in the initial purchase of a weapon system or equipment package. Such an exception may be warranted to ensure that the purchasing country obtains the capability to utilize new equipment and to permit a single method of financing for all items included in a major purchase.

C. DENIAL OF FMS CREDIT. FMS credit financing shall not normally be approved when: (1) the transaction would place an undesirable burden on a purchasing country's foreign exchange resources, create excessive claims on future budgets (e.g., induced expenditures for maintenance, spare parts, replacement, and indirect support and organizational costs), or otherwise materially interfere with its development; (2) it is to be used to finance production or coassembly/coproduction projects overseas; and (3) there is not a reasonable expectation of loan repayment.

D. EXCEPTIONS.

1. Basis for Exception. Special circumstances may arise which justify exceptions to normal policy and allow approval of FMS credit financing of consumables, training, or other operations and maintenance (O&M) costs. Following are examples of situations which may, in combination with other factors, form the basis for justifying an exception:

a. An abrupt adverse military or security development experienced by the borrowing country.

b. An abrupt adverse economic development, or the imposition on less developed countries of a burden which, without resort to loan financing, might otherwise simply be shifted to a U.S. economic or concessionary aid program.

c. Unprogrammed major overhaul of aircraft, ships or other major equipment, particularly when such overhaul would preclude or delay purchase of new end items.

d. To provide a transition funding source for those O&M items previously financed under MAP to countries which no longer receive such assistance.

2. Requests for Exception. Security assistance organizations (SAOs) should ensure that the host government is aware of the basic U.S. policy on the uses for which FMS credit financing may be applied. Any requests for exceptions to this policy must be fully justified and submitted through the Chief of the U.S. Mission to the DSAA for interagency coordination and approval/disapproval. No commitment whatsoever should be made to the host government prior to receipt of the response from the DSAA.

SECTION III - PROCESS AND PROCEDURES
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A. GENERAL. According to Section 25 of the AECA, no later than 1 February of each year, the President shall transmit to the Congress, as a part of the annual presentation of security assistance programs proposed for the next fiscal year, a report which among other things provides an estimate of the aggregate dollar value and quantity of defense articles and services, military education and training, grant military assistance, and credits and guaranties to be furnished by the United States to each foreign country and international organization in the next fiscal year. OASD/ISA and OASD/ISP in concert with the DSAA annually consolidates various inputs and recommendations into the Security Assistance Planning, Programming and Budgeting (PPB) process. The programmed loan amounts, by country, which are requested by the administration, are based upon information initially submitted to the Department of State in the Annual Integrated Assessment for Security Assistance (AIASA) which is prepared by the country team. Ultimately, an executive branch position is established which is reflected in the Congressional Presentation Document (CPD) for a given fiscal year. The CPD, among other things, specifies recommended FMS credit programs for individual countries.

B. CONGRESSIONAL AUTHORIZATION AND APPROPRIATION. Upon receipt of the executive branch draft (recommended) legislation and the CPD, the Congress conducts hearings on the security assistance program -- giving particular attention to FMS credit financing. The subsequently approved authorization and appropriation acts cite a dollar amount ceiling for the FMS credit program with some constraints, specified amounts, or special provision for selected countries or regions. Within the constraints which may be imposed by the Congress in any given fiscal year the Department of State, with input from the Departments of Defense and Treasury, determines (and DSAA reprograms as may be necessary) the loan amounts that individual countries shall receive. In this process, it considers the pertinent economic, military, and political factors. The President has delegated to the Secretary of Defense the authority to issue and guarantee loans to eligible recipients in accordance with the AECA. The Secretary of Defense has redelegated this authority to the Director, DSAA.

C. APPORTIONMENT. Upon receipt of the Department of State's program approval and apportionment request document, the Office of Management and Budget (OMB) issues an apportionment document to DSAA. In the instance of a DoD guaranteed loan, there is no apportionment of appropriated funds; the apportionment document is an allocation of program value. However, if the loan to be issued is a DoD direct loan, the apportionment document provides the DSAA with an apportionment of appropriated funds in the amount equal to the principal amount of the loan to be issued.

D. IMPLEMENTATION AND MANAGEMENT OF LOANS. Within DSAA the Financial Reports and Credit Program Division (FR&CPD) implements and manages both direct loans and guaranteed loans. For direct loans, the FR&CPD prepares the loan agreement, obtains signatures, disburses loan funds, bills the borrower, and collects loan payments. For guaranteed loans, the FR&CPD prepares a Guaranty Agreement to the Federal Financing Bank (FFB), and the FFB prepares the loan agreement, obtains signatures, disburses loan funds, bills the



borrower, and collects loan payments. An example of an FFB guaranty loan agreement between the borrower and the FFB is at Table 9-III-1, and an example of a DoD guaranty document executed between DSAA and the FFB is at Table 9-III-2. An example of a DoD direct loan document is at Table 9-III-3.

#### E. ISSUANCE OF FMS LOANS.

##### 1. Federal Financing Bank Loans.

a. Guaranty Fee. The AECA, Section 24, requires recipients of guaranteed FMS loans to pay a fee for such guaranties. Accordingly, recipients of DoD guaranteed loans issued by the FFB must remit payment of the guaranty fee to the DSAA. This one-time (non-refundable) fee is currently set at one-fourth of one percent of the principal amount of the loan.

b. Signature Authorizations. Three authorizations (which may be incorporated into a single document) are required from the borrowing country before an FFB loan agreement may be implemented. The required authorizations are as follows:

(1) Authorization for a designated person to sign the loan agreement. (Most FMS loans are signed by the borrowing country's ambassador, or defense attache at its embassy in Washington, D.C.)

(2) Authorization for a designated person to sign the promissory note that accompanies the loan agreement.

(3) Authorization for a designated person(s) (an alternate is advisable) to sign requests for disbursements (drawdowns) from the loan.

c. Guaranty. Upon signature by authorized representatives of the FFB and the borrowing country, and upon receipt of the required guaranty fee, the DSAA then issues its guaranty document to the FFB.

d. Legal Opinion. Following issuance of the guaranty, the Office of the OSD General Counsel prepares and submits to the FFB a legal opinion document. Upon completion of this required document, and assuming that all preceding actions are also completed, funds from the FFB loan are then available for use by the borrowing country.

2. Direct Loans. The DSAA issues direct loans to eligible borrowing countries, utilizing the annual appropriation as discussed in paragraph B., above. As in the case of Federal Financing Bank loans, three authorizations as described in paragraph E.1.b., above, are required from the borrowing country before loan funds may be disbursed.

##### 3. Interest Rates.

a. Applicability. All loans must be repaid with interest unless payment is waived by the Congress.

b. Interest on DoD Direct Loans. Interest charged on direct loans is at a single fixed rate as determined by the Department of Treasury to be the cost of money to the U.S. Government as of the last day of the month

preceding the date of consummation of the loan agreement. Interest rates at less than the cost of money to the U.S. Government must be in the national interest and must be so justified by the President to the Congress.

c. Interest on DoD Guaranteed Loans Issued by FFB. Interest rates on FFB guaranteed loans are based upon the cost of money to the U.S. Government plus an administrative fee (currently one-eighth of one percent). Individual fixed interest rates are calculated on the day each incremental disbursement is processed from the loan. After all loan funds have been disbursed, the FFB computes a weighted average interest rate.

#### 4. Repayment.

a. Repayment Period. Loans are normally repaid in five to nine years following a grace period of one or two years on repayment of principal. The AECA requires that all direct loans be repaid over a period not to exceed twelve years unless legislated otherwise by the Congress. The same twelve year limitation has been extended to guaranteed loans except for countries specified by statute. Historically, the Congress has authorized longer repayment terms for specific countries. The repayment of these loans are made over a period of twenty years following a grace period of ten years on repayment of principal. (NOTE: Semi-annual interest payments are required on the principal amount of loan funds disbursed during the grace period).

b. Frequency of Payments. Repayments of FMS loans are made in equal semi-annual installments. Billing statements (a courtesy rather than a requirement of FMS loan agreements) are submitted to borrowing countries 30 - 45 days prior to payment due dates.

#### F. APPROVAL OF FMS CREDIT-FINANCED PURCHASES.

1. Funding Limitation. All purchases (from either U.S. military departments or U.S. commercial suppliers) that are to be financed from FMS loans must be approved in advance by the DSAA. Such approvals will be limited by the overall availability of FMS credits. DSAA policy precludes approval of credit financed purchases in excess of available credit funds.

2. Credit Financing of New FMS Cases. For purchases initiated through the U.S. military departments, the borrower must cite FMS credit financing in its request for an LOA.

3. Conversion of FMS Cases from Non-Credit to FMS Credit Financing. For FMS credit financing of cases originally issued under cash/dependable undertaking terms, the purchasing country must submit requests for conversion to DSAA, together with a copy of the pertinent DD Form 1513.

G. COMMITMENT OF FMS CREDIT FUNDS. The DSAA will commit the appropriate \* amount of FMS loan funds to finance each approved purchase. DSAA policy generally requires the FMS loan funds be committed to loans in their order of issuance. This policy is intended to preclude the necessity for the simultaneous administration of multi-year programs. Exceptions to this policy must be justified to the DSAA by the borrower.

## H. DISBURSEMENT OF FMS LOAN FUNDS.

1. General Policy. While the DSAA records and maintains commitments of FMS loan funds by specific loan, this commitment by specific FMS loan is used as a planning function and does not mean that the borrowing country must cite that loan when cash disbursements are required. DSAA policy generally requires that disbursements for approved purchases be processed from loans in their order of issuance without regard to the specific loan under which the commitment for the sale is recorded. This policy is intended to disburse oldest loan funds first thereby precluding the necessity for simultaneous administration of multi-year programs. Exceptions to this policy must be justified by the borrower.

2. Expiration of Disbursement (FFB Loan Commitment) Period. Section 1.1 of FFB and DoD loan agreements (see Tables 9-III-1 and 9-III-3) define the period through which funds may be disbursed under the loan. In the case of FFB loans, this is called the loan commitment period. The term "commitment period" in this context means the period through which the FFB is committed to disburse loan funds. Loan funds remaining undisbursed after the expiration date are lost from the borrower's use. However, if the borrowing country is unable to disburse all of the loan funds before the expiration date, it may request an extension to the expiration date via an amendment to the loan agreement. Requests for such an amendment must be in writing from the borrowing country and must be submitted to the DSAA for interdepartmental coordination and processing of the amendment document. Amendments to FFB loans require the signatures of the borrowing country, the FFB, and the DSAA. Amendments to DoD loans require the signatures of the borrowing country 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, D.C.

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 loan financing may be used, when approved by DSAA on a case-by-case basis, for the purchase of defense articles and services through direct commercial contracts with U.S. contractors. Generally, if a government-to-government transaction under FMS would be approved for FMS loan financing, a similar direct commercial contract would be approved. In order to insure that FMS loan funds are properly utilized, a careful review of loan financed direct commercial contracts is necessary. The purchasing country must make a formal request to the DSAA, accompanied by a copy of the contract. Upon approval of FMS loan 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. \*

a. FMS Credit Guidelines. Currently there are specific policies and procedures in existence in the Federal Acquisition Regulation and the Security Assistance Management Manual which apply to government-to-government FMS loan financed programs. The following FMS loan guidelines establish similar policies and procedures for the use of FMS loans for direct commercial contracts between U.S. industry and foreign countries. \*\*

(1) Purchases must be from U.S. incorporated firms licensed to do business in the U.S.

(2) The items purchased must be manufactured in the U.S. and be composed mainly of U.S. made items, 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 and services, only the value of the U.S. components and services will normally be financed. Foreign content which is an integral part of end products manufactured in the U.S. may be eligible for FMS loan financing under certain limited circumstances. Such financing will be considered when the DOD has procured or is procuring (under provisions of the FAR) the same items from the same foreign sources under existing multi- or bi-lateral agreements, Defense Industrial Cooperation (DIC) agreements, or because the item is not available from a U.S. source. Contracts should specify any non-U.S. origin items, components, or services.

(3) The total value of each contract or purchase order must be for \$100,000 or more. Contracts or Purchase orders for less than \$100,000 will not be approved for FMS loan financing.

(4) Loan 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 loan funds will be authorized or disbursed to pay for mandatory direct offsets. Mandatory direct offsets are

procurements of a foreign-made component required by the foreign government as a condition of sale, for incorporation or installation in a U.S.-produced end item being sold. While FMS loan funds will not be authorized for foreign-produced content resulting from mandatory direct offsets, 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 loan 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) Contracts that include contingent agent fees up to \$50,000 may be approved for financing. DSAA will disapprove FMS loan financing for commercial contracts the price of which includes sales commissions or contingent fees which exceed \$50,000.

It is not the intent of the DSAA to determine 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. DOD regulations have limited the amount of agents' commissions payable for FMS transactions. Under the DOD FAR Supplement 25.7305, sales commissions in excess of \$50,000 on contracts implementing FMS transactions are not allowable costs.

(7) Only contracts or purchase orders 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 funding for such contracts may be granted by DSAA based on information provided by the purchaser to DSAA and which contain 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 and survey may be required in certain circumstances by DSAA as a condition for FMS loan financing of the contract.

(9) FMS loan 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.

(10) No payments will be made to freight forwarders with FMS loan funds for transportation services. Rated, on-board bills of lading or rated air waybills may be approved for direct payments to U.S. carriers upon request.

(11) FMS loan funds will not be approved for payments for travel, per diem, accommodations, lodging, car rental, personal expenses or other similar expenses of purchasing country personnel in connection with a direct commercial purchase. Therefore, while these types of costs may be cited in contracts submitted, they must be paid by the purchaser. If such costs are included, either directly or indirectly, they must be expressly identified.

(12) Any agreement which provides for a refund, penalty, liquidated damages, bonding provision or other form of financial reimbursement to the purchaser must be structured to ensure that payment is made to the U.S. Government for credit to the purchasing country rather than by direct payment to the purchasing country.

Such payment, when received by the U.S. Government, will be credited to the purchasing country's FMS trust fund account for future use for purchase of U.S. defense articles and services.

Therefore, any financial reimbursement benefitting the purchasing country relating to a commercial contract derived from FMS loan funds previously paid to the contractor must be made payable to the Treasury of the United States and remitted (1) directly by check to the DSAA, or (2) by wire transfer to the U.S. Treasury's account.

Checks should be made payable to "Treasury of the United States" and mailed to:

Defense Security Assistance Agency  
1400 Wilson Boulevard  
Suite 535  
Arlington VA 22209

The check should be accompanied by a letter of explanation identifying the purchasing country and the DSAA case identifier.

Wire transfer payments should be transferred as follows:

United States Treasury  
 New York, New York  
 0210-3000-4  
 Treasury NYC/(5037)  
 Defense Security Assistance Agency  
 Refund from: \_\_\_\_\_ (Company Name)  
 for purchase made by the Government of \_\_\_\_\_  
 under DSAA case \_\_\_\_\_ (Identifier)

(13) Contracts should include all essential contract elements as indicated in Table 9-III-6. Complete copies of all provisions of contracts are required for DOD review for FMS loan funding. The purchaser must also submit to the DSAA for review all subsequent modifications, amendments or side letters/supplementary agreements which affect the contractual relationship between the buyer and the seller on FMS loan funded contracts.

(14) The contractor's certification form (at Table 9-III-7) is required to be signed by the contractor and submitted by the purchaser to the DSAA when the contract is provided for funding review. The form is a revision of the version dated April 1985 which is now obsolete.

(15) Generally, FMS CLSSAs are established to provide standard spare parts for items of U.S. origin. These agreements contemplate timely delivery of spare parts at a fair price. However, countries sometimes find it necessary to open commercial Basic Order Agreements (BOA) to provide for certain time sensitive items or for non-standard items. Commercial contracts for BOAs may be approved for FMS loan financing provided:

- (a) Standard items first are requisitioned via CLSSAs.
- (b) The commercial BOA is used for standard items only if the CLSSA requisition cannot satisfy the purchaser's delivery requirements.
- (c) Listings of requirements are provided with BOA contracts, whenever possible.

(16) For some contracts or purchase orders, the DSAA may require that a DOD quality assurance verification be performed before delivery of the materiel to assure that the quality of the materiel is in accordance with contract terms, or for DOD standard items, U.S. military specifications. In the event that the DSAA determines that such quality assurance is required, the purchaser will be notified when the contract is reviewed that DOD quality assurance services from the Defense Logistics Agency (DLA), through the Defense Contract Administration Services (DCAS) office in New York, are required as a condition for FMS loan financing of the contract. Although the cost of such quality assurance services may be included in the contract, the purchaser will be required to arrange for these services through an FMS agreement with the DCAS.

(17) Cargoes financed with FMS loan funds are required to be shipped on U.S. flag vessels unless the DSAA or the U.S. Maritime Administration (MARAD) has granted a general, security or non-availability waiver. The waivers are described in the loan agreements and may apply to either specific shipments or to shipments for the period of the loan. Contracts submitted for FMS loan financing which specify non-U.S. flag shipment may not be approved for financing if an appropriate U.S. cargo preference waiver has not been approved. Transportation costs will be approved for only those shipments made on U.S. flag vessels, even though a waiver may be granted, when the cargo is also financed with FMS loan funds.

(18) A down payment may not exceed the amount of cost incurred by the contractor up to the date of submission of the down payment invoice plus termination liability to be incurred prior to the first follow-on payment, less profit, as certified by the contractor. Follow-on payments will be based upon the accomplishment of specific milestones detailed in the contract for deliveries or contractor costs incurred. Payment requests may be submitted quarterly or less frequently. Payments including the down payment will not be greater than contractor's costs incurred as of the date of the invoice plus costs to be incurred (which include termination liability less profit) through the next 90 days. The contracts or purchase orders must identify the amount of the down payment and the follow-on payments.

(19) FMS loan financing may be used, when approved on a case-by-case basis by DSAA, for the purchase of defense articles, defense services, and design and construction services from U.S. contractors on a direct commercial basis. However, as indicated in the FMS Credit Agreement to which the U.S. Government and the foreign government are parties, the U.S. Government is under no obligation to approve any specific commercial contract for FMS financing. In addition to noncompliance with these guidelines, the following paragraph provides one instance in which a contract would not be financed.

The Defense Security Assistance Agency is not staffed in a manner which would enable it to conduct independent debarment/suspension proceedings. Therefore, with respect to approval of financing for U.S. contractors, DSAA relies heavily on the experiences of other U.S. Government agencies which are empowered to debar/suspend contractors for cause. Contracts will not be approved for U.S. suppliers which are included in the U.S. General Services Administration List of Debarred, Suspended, and Ineligible Contractors, the U.S. Commerce List of Denial Orders Currently Affecting Export Privileges or similar determinations in which the U.S. Department of State has made certain contractors ineligible to export material under the International Traffic in Arms Regulations. Should contracts involving such suppliers be submitted to DSAA, they will be returned to the prospective purchaser without action with the appropriate indication as to the agency which has initiated the action of debarment/suspension. A copy of the letter will be furnished to the contractor involved. The action required before such contracts can be considered for FMS financing is for the U.S. contractor involved to take appropriate administrative or legal steps to remove his organization from the debarment/suspension list. Such action should be taken directly with the Agency which has debarment responsibility.



(20) Pricing comparisons are being performed on a selective basis as part of the contract review process. When prices are discovered which appear to be unjustifiably excessive in comparison to DOD FMS or commercial prices, the purchaser will be notified. The objective is to maximize the benefits of limited FMS funds; however, it is recognized that certain circumstances, especially delivery schedules, may justify paying higher prices. Unjustifiably excessive prices may be cause for disapproval of FMS loan financing.

(21) It is extremely important to emphasize the requirement that the purchaser provide prior notification to DSAA of their acquisition plans. The form at Table 9-III-8 should be used for this purpose. A completed form should be submitted for each requirement for which the purchaser anticipates making a direct commercial purchase with FMS loan funding. The identification of requirements should be provided as far in advance as possible (preferably 60 days) before solicitation of bids or initiation of contract negotiations. This will allow the DOD sufficient time to evaluate the proposed acquisition and seek any required clarification prior to solicitation.

(a) While the DSAA does not desire to delay the procurement of defense materiel, early identification of prospective purchases through direct commercial contracts is necessary. If prior notification is not provided to the DSAA prior to submission of contracts, it may result in contract review being delayed or contracts being returned without review.

(b) Additionally, it is highly recommended that, whenever possible, several U.S. manufacturers be contacted by the purchaser for solicitation of bids to meet its specific needs. When the purchaser has made a selection and a direct commercial contract is submitted to DSAA for FMS loan financing review, by separate letter the purchaser should identify the various contractors solicited as well as the basis for selection. If the contract was not competitive and the firm was selected on a sole source basis, the reasons for such selection should be provided when the contract is submitted for review. If this information is not provided, the contract review will be delayed pending verification of the use of competitive contracting.

b. These guidelines are additive to the requirements contained in FMS loan agreements. Contracts and supporting documentation should be submitted to: \*\*

Defense Security Assistance Agency  
ATTN: FRCPD  
1400 Wilson Boulevard  
Suite 535  
Arlington, Virginia 22209

Questions concerning these policies and procedures should be directed to:

DSAA Operations Management Division  
(DSAA/OPS-E)  
The Pentagon  
Washington, D.C. 20301

2. 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.

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, Brooke 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.

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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

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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

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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

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TABLE 9-III-1. (Continued)

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 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 8.2(a) hereof.

## SECTION 6.        DEFAULTS.

6.1 A condition of default shall exist 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 DSAA, 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, and (ii) such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given by the DSAA 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.

6.2 Upon 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 thereupon 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 full amount of the Loan Proceeds has been disbursed or before any other loan commitment of the holder of the Note to the Borrower has been fulfilled, the holder of the Note may terminate or suspend such commitments. The Borrower shall pay all costs and expenses, including attorney fees incurred in the collection of amounts due hereunder after default.

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TABLE 9-III-1. (Continued)



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

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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 or 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 \_\_\_\_\_

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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)

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TABLE 9-III-1. (Continued)

PRINCIPAL REPAYMENT SCHEDULE

FFB NOTE: FMS-

The first \$	will be repaid on
The next \$	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
" " "	" " "
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" " "	" " "
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" " "	" " "
" " "	" " "
" " "	" " "
The last \$	will be repaid on

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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.)

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. \_\_\_\_\_ administered 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)

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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

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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.

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TABLE 9-III-1. (Continued)



## 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

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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.

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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>
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Sincerely,

(Signed)  
\_\_\_\_\_  
(DSAA Comptroller's Office)

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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

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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.

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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 LOAs it approves for financing from this loan.

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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

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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:

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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.

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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

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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: \_\_\_\_\_

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TABLE 9-III-2. (Continued)

## TABLE 9-III-3

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## LOAN AGREEMENT

LOAN AGREEMENT made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_ between the Government of \_\_\_\_\_ ("Borrower") and the Government of the United States of America as represented by the Defense Security Assistance Agency ("DSAA").

WHEREAS, the Borrower desires to enter into purchase contracts ("Purchase Agreements") 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, defense services, and design and construction 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 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 Agreements; and

WHEREAS, it has been determined that the aforesaid requested loan will facilitate the purposes of the Arms Export Control Act, as amended ("Act").

NOW THEREFORE, in consideration of the premises and 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 Lender agrees to make advances to the Borrower from time to time in an aggregate principal amount not to exceed \_\_\_\_\_ dollars (U.S. \$ \_\_\_\_\_), the obligation of the Lender under this section being hereinafter called the "Loan Proceeds."

1.2 Before requesting any advance hereunder, the Borrower shall execute and deliver to the DSAA a single promissory note ("Note") substantially in the form attached hereto as Annex I.

1.3 The Loan Proceeds shall be available only to finance the purchase of Defense Items by the Borrower pursuant to Purchase Agreements approved for such financing by the DSAA in accordance with the policies and procedures in effect at the time such financing is approved. The current DSAA procedures for obtaining this approval are, without being incorporated herein, attached hereto as Exhibit A. Each authorization for the Borrower to enter into a Purchase Agreement in implementation of this Loan Agreement shall be separately communicated by the DSAA in writing to the Borrower substantially in the form of the Attachment to Exhibit A. The authorization shall specify the case

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TABLE 9-III-3. LOAN AGREEMENT

identifier assigned by the DSAA to, and the amount of financing authorized for, the approved Purchase Agreement.

1.4 (a) Each advance hereunder by the Lender shall be made upon the delivery to the DSAA of a letter request from the Borrower. The letter request shall be in the form set forth in Annex II and shall be delivered to the DSAA not less than fifteen business days before the disbursement date. Documentation in support of letter requests shall be in accordance with DSAA policies and procedures in effect at the time the Purchase Agreement, for which the advance is requested, was approved by the DSAA. The current DSAA requirements for documentation supporting requests for disbursement are, without being incorporated herein, attached hereto as Exhibit B.

(b) Not more than two advances shall be requested in any single month, except that an advance of \$100,000 or more may be requested at any time. An advance may consist of payments to more than one supplier.

(c) Advances made to the Borrower shall be authorized in accordance with Requests for Advances, which shall be prepared by the Borrower in the form of Annex II hereof and forwarded to the Lender for each advance. Each advance shall bear interest, as provided in Section 2, commencing with the disbursement date of the advance.

(d) Subject to the terms and conditions of this Loan Agreement, the Lender agrees to make advances to the Borrower from time to time for a period of three (3) years from the date of this Loan Agreement.

## SECTION 2. REPAYMENT AND ASSIGNABILITY.

2.1 (a) The Borrower hereby agrees to repay the principal of the advances made under this Agreement semiannually in accordance with the repayment schedule set forth in the Note ("Schedule"), and to pay interest on such outstanding unpaid 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 III hereof.

(b) If on any installment date in the Schedule the outstanding balance of the advances is less than the amount of principal due, the Borrower shall, on such installment date, repay the entire outstanding balance, plus accrued interest thereon. If thereafter the Borrower shall avail itself of the Loan Proceeds 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 of the Schedule occurring after the disbursement of such amount and the scheduled principal repayable on that date shall be increased by such amount.

(c) If by the final date specified in Section 1.4(d) hereof the Borrower has not availed itself of the entire amount of the Loan Proceeds, and

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TABLE 9-III-3. (Continued)

if such date is not extended by amendment to this agreement, 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 Loan Proceeds.

(d) The Borrower may prepay principal in part or in full 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 inverse order of their maturities.

2.2 Whenever any payment under the Note shall be due on a Saturday, Sunday, or a day on which the DoD or 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 DoD 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, if any.

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 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 percent per annum on such installment or part thereof for each day thereafter until payment is made.

2.4 The Lender may sell or assign the Note at any time, in whole or in part. However, if the Lender intends to sell or assign the Note or any part thereof to any entity other than an agency of the United States, the Lender 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 Lender 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 Lender.

### SECTION 3. REPRESENTATIONS AND WARRANTIES.

The Lender 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

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TABLE 9-III-3. (Continued)

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; and

(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 Lender to make advances 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) Evidence of the authority of each person who (i) signed this Agreement on behalf of the Borrower, (ii) signed or will sign the Note, and (iii) will sign on behalf of the Borrower, any notices, requests for advances, or other documents contemplated by this Agreement. Evidence of this authority shall be in the form of the letter at Annex IV; and

(b) The Note executed by the duly authorized representative of the Borrower.

4.2 The obligation of the Lender 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 DSAA shall have received a letter request executed by the duly authorized representative of the Borrower and prepared in accordance with the procedures for disbursement of Loan Proceeds; and

(c) All legal matters incident to the Note, and this Agreement shall be satisfactory to the General Counsel of the DSAA.

#### 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 and all 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 respect to the Borrower or any authority thereof or therein;

(b) Any claim which it may now or hereafter have against any person, corporation or other entity (including without limitation, the Government of the United States, DoD, DSAA 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 Lender 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 Lender with respect to this Agreement or the Note may be brought in the Courts 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 Lender may elect, and by execution and delivery of this Agreement, the Borrower submits to each jurisdiction. In the case of the Courts 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 8.2(a) thereof.

## SECTION 6.      DEFAULTS.

6.1 A condition of default shall exist 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 DSAA, a holder of the Note, or the Government of the United States of America or any agency thereof;

(c) If any representation or warranty made by the Borrower herein or 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 Sections 1, 2 or 7 hereof, and (ii) such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given by the DSAA to the Borrower; or

(e) If the Borrower defaults in the performance of any other provision of this Agreement, and such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given to the Borrower.

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TABLE 9-III-3. (Continued)



6.2 Upon 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 thereupon 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 full amount of the Loan Proceeds has been disbursed or before any other loan commitment of the holder of the Note to the Borrower has been fulfilled, the holder of the Note may terminate or suspend such disbursements and 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 the 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 Agreements already entered into, within ten days of the date hereof, and

(b) for Purchase Agreements hereafter entered into, on the date the Purchase Agreement 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 for transportation of only those Defense Items financed by this loan and only if such items are carried on vessels or aircraft of United States registry.

#### SECTION 8.      MISCELLANEOUS.

8.1 The Borrower and the Lender may agree at any time hereafter to apply a portion or portions of Loan Proceeds that have not been approved to finance

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TABLE 9-III-3. (Continued)

Purchase Agreements (in accordance with Section 1.3 hereof) as a participation or participations in credit(s) furnished to the Borrower for the financing of the purchase of Defense Items by the Borrower pursuant to Purchase Agreements so approved. Such participation(s) shall be limited to those in credit(s) furnished by any individual, corporation, partnership, or other juridical entity doing business in the United States, and the Borrower and the Lender shall agree for that purpose with the entity furnishing said credit(s) on the terms and conditions under which the credit(s) will be furnished.

8.2 No omission or delay on the part of the Lender 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 Lender.

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 to:

Director, Office of Market Development  
Maritime Administration  
U.S. Department of Transportation  
Washington, D.C. 20590

(c) In the case of the Lender to:

Director, Defense Security Assistance Agency  
The Pentagon  
Washington, D.C. 20301

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 Lender and their respective successors and assigns, except that the Borrower may not assign its rights or obligations hereunder without the prior written consent of the DSAA. All agreements, covenants, representations and warranties made herein shall survive the delivery of the Note and the making of the advances hereunder.

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TABLE 9-III-3. (Continued)

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 such counterparts shall together constitute a single instrument. Annexes I, II, III, and IV 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 any one or 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. This Agreement or the Note may be amended only with the mutual written consent of the Borrower, Lender, and holder of the Note.

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 \_\_\_\_\_

GOVERNMENT OF THE UNITED STATES OF AMERICA

By \_\_\_\_\_

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TABLE 9-III-3. (Continued)

ANNEX I

PROMISSORY NOTE

FOR VALUE RECEIVED, THE GOVERNMENT OF \_\_\_\_\_ ("Borrower") hereby promises to pay to the Government of the United States of America ("Lender") such sums as may be advanced hereunder. The Lender shall not be obliged to advance more than \_\_\_\_\_ dollars (U.S. \$ \_\_\_\_\_).

The principal amount advanced under this Note shall be repaid in \_\_\_\_\_ installments of \$ \_\_\_\_\_ and \_\_\_\_\_ installment of \$ \_\_\_\_\_. The installments shall be due and payable on \_\_\_\_\_ and \_\_\_\_\_ of each year commencing on \_\_\_\_\_, with the final installment due on \_\_\_\_\_. A schedule of the principal amounts due is attached hereto.

Advances shall bear interest on the unpaid principal balance outstanding at a rate of \_\_\_\_\_ percent per annum on \_\_\_\_\_ and \_\_\_\_\_ of each year commencing on \_\_\_\_\_.

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, with right of prepayment, in accordance with the schedule attached to 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 at Washington, D.C., pursuant to the Loan Agreement dated \_\_\_\_\_ between the Borrower and the Lender, and is subject to the terms and entitled to the benefits of that Agreement.

GOVERNMENT OF \_\_\_\_\_

Date: \_\_\_\_\_ By \_\_\_\_\_ (SEAL)

PRINCIPAL REPAYMENT SCHEDULE

The first	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
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The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The last	_____	shall be repaid on	_____

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TABLE 9-III-3. (Continued)

## ANNEX II

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FORM OF LETTER REQUEST FOR ADVANCE OF FUNDS

Director  
 Defense Security Assistance Agency  
 Pentagon  
 Washington, D.C. 20301

Dear Sir:

In accordance with the provisions of Section 1.4 of our Loan Agreement with the Government of the United States of America dated \_\_\_\_\_ (date), the Government of \_\_\_\_\_ hereby requests the DSAA approval and disbursement of an advance of \_\_\_\_\_ (amount) from that loan.

The Government of \_\_\_\_\_ acknowledges that advances hereunder may be used to pay ocean and air freight costs only for transportation of Defense Items being carried on vessels or aircraft of United States registry, and 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 \_\_\_\_\_ confirms that, as appropriate: the defense articles and services 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 based on the contractor's satisfactory progress and is in accordance with requirements of the contract; and that payment is therefore due and unpaid under the Purchase Agreement (Case Identifier) with the \_\_\_\_\_ (Supplier).

Sincerely,

GOVERNMENT OF \_\_\_\_\_

By \_\_\_\_\_  
 (Name and Title)

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TABLE 9-III-3 (Continued)

## ANNEX III

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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 payment account information provided below, 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 Defense Security Assistance Agency:

United States Treasury  
New York, New York  
0210-3000-4  
TREAS NYC/ (5037)  
For credit to the Defense Security  
Assistance Agency

Should the Borrower choose to use the Federal Reserve wire payment system ("Fedwire"), a system for making instantaneous transfers of funds between U.S. banks, 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 payment account information set forth in the preceding paragraph.

The payment account information must be exactly in the form shown above (including spacing between words or numbers) to insure timely receipt by the DSAA, and to avoid the assessment of late charges.

Checks, drafts, and other orders for payment do not constitute immediately available funds and therefore do not meet the requirements of the Promissory Note. These instruments will be accepted but funds will be credited to accounts only after confirmation by the U.S. Treasury.

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TABLE 9-III-3 (Continued)

## ANNEX IV

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DESIGNATION OF AUTHORITY

1. The Borrower shall provide to the DSAA a written communication that evidences the authority for incumbents of specifically named offices or specifically named individuals to sign the loan documents on its behalf. As a minimum the communication will contain the following:

Director  
 Defense Security Assistance Agency  
 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 loan agreement in the amount of \_\_\_\_\_ between the Government of the United States and this Government:

a. LOAN 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 LOAN 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)



PROCEDURES FOR OBTAINING DSAA APPROVAL  
FOR  
LOAN FINANCING OF PURCHASE AGREEMENTS

1. General

The Defense Security Assistance Agency (DSAA) is responsible for approving loan financing of all Purchase Agreements that the Borrower wishes to finance with proceeds from the loan issued by the DSAA under the provisions of the Arms Export Control Act. The use of loan proceeds shall be approved for the financing of purchases by the Borrower only of defense articles, defense services, and design and construction services of U.S. origin. In reviewing requests for financing of Purchase Agreements, the DSAA is guided by objectives established by the U.S. Government for improvement of the Borrower's defense capabilities, by generally accepted financing practices, and by United States laws, regulations and policies in effect at the time the financing is requested. The U.S. Government reserves the right to refuse to finance any purchase agreement and is not required to explain its reason(s) for such refusal.

2. Purchases from U.S. 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, also referred to as an FMS case, is identified by a three digit alphabetic code referred to as "case identifier." If a Borrower desires to fund an FMS case from this loan, it must so inform the Military Department prior to the issuance of the LOA. In turn, the Military Department will reflect the desired loan financing on the LOA and submit it to the DSAA Comptroller for approval and countersignature.

b. When the Borrower wishes to use FMS loan funds 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 loan funding. The Military Department must also submit the amended case to the DSAA Comptroller for review and approval to support the requested change in funding.

c. For each case it approves for financing from the FMS loan, the DSAA Comptroller will reserve funds from the uncommitted loan balance in an amount equal to the entire estimated cost of the FMS case, or, as the situation may be, that part of the FMS case requested for loan funding. The portion of the loan so reserved will then 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 reserved for that purpose.

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TABLE 9-III-3. (Continued)

### 3. Purchases from Commercial Firms

a. Loan funds may be used to finance purchases from U.S. Commercial Suppliers, provided such financing has been approved by the DSAA. In order that the DSAA may advise a Borrower whether it will approve such financing, the Borrower must provide a copy of the contract or proforma purchase order to the DSAA Comptroller for its review, preferably before the Borrower obligates itself to a purchase which it desires to be financed with loan funds. Before the DSAA can give its final approval of loan financing, the commercial supplier must submit to the DSAA the "Contractor's Certification and Agreement with Defense Security Assistance Agency" as illustrated in Exhibit B. The Borrower should allow at least 90 days for the DSAA's review of the contract for approval of loan financing. Each loan financing approval shall be separately communicated by the DSAA in writing to the Borrower by use of the "Loan Financing Approval" illustrated as an attachment to this exhibit.

b. Loan financing shall be approved and made available only to finance the purchase of defense articles and services authorized for such financing by the DSAA in accordance with policies and procedures in effect at the time such financing is approved. Current DSAA policies pertinent to approval of loan financing for purchase agreements are included in the Security Assistance Management Manual.

c. In addition to the approval mentioned above, the DSAA, at the time it approves requests for advances (disbursements) of funds pursuant to Annex II, also will require from the Borrower invoices properly executed by the commercial supplier, and bills-of-lading and statements, as may be applicable, substantially in the formats described in paragraph 4 of Exhibit B (DSAA Requirements for Documentation to Support Requests for Advances).

d. For each commercial purchase agreement for which financing is approved, the DSAA Comptroller will assign a case identifier and will provide to the Borrower a Loan Financing Approval 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 loan financing, the DSAA Comptroller will reserve loan funds in the amount requested. The loan funds so reserved will then be available only for payments on that case, unless the Borrower directs otherwise. Payments for deliveries, progress, or advance payments, will be processed by the DSAA Comptroller against the amount reserved for the approved purchase agreement.

e. The DSAA Comptroller will also provide letters to the commercial firm informing it of conditions of loan financing and certifications required as prerequisites to the DSAA approving FMS loan financing for the purchase agreement, and indicating the DSAA approval of financing of the purchase agreement.

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TABLE 9-III-3 (Continued)

ATTACHMENT TO \*\*  
EXHIBIT A

## LOAN FINANCING APPROVAL

Dear Sir:

Pursuant to the provisions of Section 1.3 of the Loan Agreement between your Government and the U.S. Government, and in response to your request for loan financing of a purchase directly from a commercial firm, financing for the following purchase arrangement is hereby approved:

Supplier:

Contract or Proforma Invoice number and date:

<u>Case Identifier Assigned to This Purchase</u>	<u>Funds Previously Reserved for This Purchase</u>	<u>Funding Revision</u>	<u>Funds Reserved for This Purchase</u>
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Sincerely,

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 TABLE 9-III-3. (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 requests for advances.
2. Whenever the Borrower desires a disbursement of FMS loan funds, its authorized representative(s), as designated pursuant to provisions of the Loan Agreement, shall forward the written request, prepared in accordance with Annex II of the Agreement, to the DSAA Comptroller, The Pentagon, Washington, D.C. 20301, not less than 15 business 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 Government of the United States of America dated \_\_\_\_\_ (date) \_\_\_\_\_, the Government of \_\_\_\_\_ hereby requests the DSAA approval and disbursement of an advance of \_\_\_\_\_ (amount) \_\_\_\_\_ from that loan.

The Government of \_\_\_\_\_ acknowledges that advances hereunder may be used to pay ocean and air freight costs only for transportation of Defense Items being carried on vessels or aircraft of United States registry, and 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 \_\_\_\_\_ confirms that, as appropriate: the defense articles and services 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 based on the contractor's satisfactory progress and is in accordance with requirements of the contract; and that payment is therefore due and unpaid under the Purchase Agreement (Case Identifier) with the \_\_\_\_\_ (Supplier) \_\_\_\_\_.

Sincerely,

GOVERNMENT OF \_\_\_\_\_

By \_\_\_\_\_  
(Name and Title)

TABLE 9-III-3 (Continued)

ATTACHMENT TO \*\*  
EXHIBIT B

CONTRACTOR'S CERTIFICATION AND AGREEMENT  
WITH  
DEFENSE SECURITY ASSISTANCE AGENCY

Effective October 1985

CONTRACT OR PROFORMA INVOICE ABSTRACT

Contractor's Name and Address:

Purchaser: Government of \_\_\_\_\_

Contract No.	Date:
RECIPIENT(S) OF COMMISSIONS OR OTHER CONTINGENT FEES	
Name	Address
Amount Paid/To Be Paid	

CONTRACTOR'S CERTIFICATION AND AGREEMENT WITH DEFENSE SECURITY ASSISTANCE AGENCY

The contractor, in entering into an agreement to sell defense articles, defense services, or design and construction services to the foreign government listed above as purchaser, hereby acknowledges that the sum to be claimed as due and owing under the contract or proforma invoice identified above (hereafter referred to as "Purchase Agreement") is to be paid, in whole or in part, to the contractor from U.S. Government loan funds made available to the foreign government under provisions of the Arms Export Control Act, as amended. In consideration of the receipt of such sum, the contractor certifies to, and agrees with, the U.S. Government, as represented by the Defense Security Assistance Agency (DSAA), the following:

1. 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 relative to this sale, prior to and as a condition to obtaining loan financing for the sale, during the sale, and for a period of three years immediately following receipt of the final payment made by the DSAA on the sale. The contractor also agrees to secure for the benefit of the U.S. Government, as may be required by the DSAA, coextensive rights of access and examination regarding its suppliers for subcontracts or purchase orders issued to those suppliers

TABLE 9-III-3. (Continued)

4. Whenever funds from this loan are to be used to pay a Commercial Supplier, the Borrower shall also provide invoices and bills-of-lading in support of each request for an advance, as follows:

a. A copy of the Supplier's invoice, which has been prepared in accordance with the relevant provisions of the Purchase Agreement. As a minimum, the invoice must: (1) reflect the amount due and payment due date; (2) specify whether the amount billed is a down payment, progress/milestone, or delivery payment; (3) list the items and services delivered for which payment is requested; (4) indicate by a separate entry the transportation and related costs if not included in the item price; (5) designate the FOB point and "ship to" address; (6) designate the address to where the payment should be sent; (7) if the billed amount consists of "cost, insurance and freight" for delivery of materiel to a destination point outside the United States, provide the name of the carrier(s) of the materiel from the U.S. Port of Embarkation; and (8) be supported by a copy of freight bills, air waybills, or rated on-board bills-of-lading, fully accounting for the cost of inland and export transportation of the items covered by the invoice for which payment is requested. If the Commercial Supplier pays for the transportation, whether the transportation cost is included in the price of the item or billed separately to the Borrower, bills-of-lading or air waybills must be submitted with the invoice for which payment is requested. A copy of the invoice for the cost of any insurance coverage on the shipment must also be submitted along with the shipping documents.

b. If the Borrower is paying the export transportation cost with other than FMS loan funds, and therefore the Commercial Supplier is not paying for the export transportation cost, the supplier will be required to submit a certification with the invoice as follows:

The (Commercial Supplier) acknowledges that U.S. Government funds are being used by the Government of \_\_\_\_\_ to finance this purchase and certifies that no shipping cost has been incurred by this firm for exporting this materiel from the United States, and no shipping cost is included in the sales price or otherwise included in the invoiced amount for which payment is requested.

(Signed)  
\_\_\_\_\_  
(Commercial Supplier)

c. Before the DSAA authorizes the use of loan funds to finance any purchase from a Commercial Supplier, the Borrower must ensure that the Commercial Supplier completes and submits to the DSAA the "Contractor's Certification and Agreement with Defense Security Assistance Agency" as illustrated in the attachment to this exhibit.

5. Whenever funds from this loan are to be used to pay an amount owed on an FMS case, the Borrower shall also provide a listing of the FMS cases for which payment is requested and the amounts applicable to each.

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TABLE 9-III-3 (Continued)

ATTACHMENT TO  
EXHIBIT B  
(Continued)

described in paragraph 5 above, utilized in the execution of the Purchase Agreement from non-U.S. contractors or individuals that are not resident in the United States of America, unless the financing of such services is expressly authorized by the DSAA.

7. Agrees to identify the full amount of any down payment received under the Purchase Agreement in its accounting records as a down payment, to apply these funds solely to the performance of obligations under this Purchase Agreement, and to provide a clear audit trail on the use of these funds. Agrees to certify on down payment invoice that payment requested does not exceed contractor costs incurred at the time of submission of invoice (plus termination liability, less profit, to be incurred prior to the first follow-on payment).

8. Agrees that export transportation costs financed under terms of the Purchase Agreement will be paid only to steamship, barge, tug, and airline companies of United States of America registry. Amounts billed for such transportation shall be the cost for shipping only the articles provided under terms of the Purchase Agreement.

9. Certifies that the cost of transportation, lodging, meals and other personal support costs incurred by or in behalf of the purchaser's personnel relating in any way to this contract will be paid by the purchaser, and that these costs will not be financed, in whole or in part, with FMS loan funds applied either directly or indirectly.

10. Certifies that the entire agreement which affects the contractual relationship between the contractor and the purchasing government relating to this Purchase Agreement consists of: (list articles, clauses, annexes, exhibits, appendices, letters, purchase orders, etc.)

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and that there are no other amendments, modifications, side letters, or supplementary agreements relating to this Purchase Agreement. Agrees that any future changes to the terms of the Purchase Agreement will be reported to the DSAA upon effect.

11. Agrees that the contractor's invoices will be prepared in accordance with the relevant provisions of the Purchase Agreement and will be submitted through the purchaser for presentation to the DSAA for payment.

a. As a minimum, the invoices must: (1) reflect the amount due and payment due date; (2) specify whether the amount billed is a down payment, progress/milestone payment, or delivery payment; (3) list the items and services delivered for which payment is requested; (4) indicate by a separate

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TABLE 9-III-3. (Continued)

ATTACHMENT TO  
EXHIBIT B  
(Continued)

for this sale, except for those Purchase Agreements which were awarded by the purchaser on a competitive lowest responsive bid basis.

2. Certifies that no rebates, gifts or gratuities have been given contrary to United States law to officers, officials, or employees of the purchaser by this contractor, its employees, or agents, intended to secure the Purchase Agreement or obtain favorable treatment under the Purchase Agreement, and agrees that no such rebates, gifts or gratuities will be given. Agrees to obtain and retain a certification and agreement to this effect from its sub-contractors or suppliers.

3. Agrees that the U.S. Government has the right to suspend the financing of this Purchase Agreement on the instruction of the purchaser, or for any suspected or confirmed misrepresentation or violation of any certification provided by this contractor to obtain such financing, without any liability accruing to the U.S. Government.

4. Certifies that the materiel or components to be provided under the Purchase Agreement are predominantly of U.S. manufacture. Agrees that, if DSAA approves financing of a stated dollar value of non-U.S. origin components or services, this dollar value will not be exceeded. Certifies that all non-U.S. origin or non-U.S. manufactured items and components, and non-U.S. services procured or to be procured specifically for this Purchase Agreement are identified:

(Mark the appropriate statement.)

\_\_\_\_\_ in the Purchase Agreement;

\_\_\_\_\_ in a document attached hereto;

\_\_\_\_\_ to DSAA under separate letter dated \_\_\_\_\_

Agrees to notify the DSAA of any future changes to the identification of non-U.S. items, manufacture or services as a condition to receive U.S. Government funds under this Purchase Agreement.

5. Certifies that the Purchase Agreement price includes only those commissions or other contingent fees listed above, which shall be paid to any and all agents, other than bona fide employees, to solicit or obtain this Purchase Agreement, or that if no recipients and payments are listed above, the contractor has not employed or retained any agent for such purpose who is to be paid from funds received by the contractor from the U.S. Government under the Purchase Agreement.

6. Certifies that funds received by the contractor from the U.S. Government under the Purchase Agreement will not be used to purchase services, other than

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TABLE 9-III-3. (Continued)



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 percent 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, The Pentagon, 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.

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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, 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. 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 loan funds. The following information must be reported:

- (A) Date of Loan
- (B) FAS Value of Cargo
- (C) Manufacturer

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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, The Pentagon, 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.

Each application for a non-availability waiver should contain the following information.

1. Identification and address of the applicant
2. Recipient country
3. Date of loan
4. Manufacturer and/or exporter
5. List and description of commodities to be shipped
6. FAS value of commodities
7. Shipping date

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TABLE 9-III-3. (Continued)

## TABLE 9-III-4

\*\*

DSAA SAMPLE LETTER TO PURCHASING COUNTRY APPROVING USE  
OF  
FMS LOAN FINANCING FOR DIRECT COMMERCIAL PURCHASES

In reply refer to:  
I- \_\_\_\_\_

Dear Sir:

Pursuant to the provisions of Section 1.3 of the Loan Agreement between your Government and the U.S. Government, and in response to your recent request for loan financing of a purchase directly from a commercial firm, financing for the following purchase agreement is hereby approved:

Supplier: \_\_\_\_\_

Contract or Proforma Invoice number and date: \_\_\_\_\_

Items to be purchased: \_\_\_\_\_

<u>Case Identifier Assigned to This Purchase</u>	<u>Funds Previously Reserved For This Purchase</u>	<u>Funding Revision</u>	<u>Funds Reserved for This Purchase</u>
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Sincerely,

Chief, Financial Reports  
and Credit Program Division  
Office of the Comptroller

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TABLE 9-III-4. DSAA Sample Letter Approving Use of FMS Loan Financing.

- (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.

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TABLE 9-III-3. (Continued)

that fully support the claim for payment. To prevent unnecessary delays in the processing of payments to you, your firm must ensure that invoices are prepared fully in accordance with the requirements specified in the Contractor's Certification and Agreement, and that the invoices show the Case Identifier assigned to this Purchase Agreement.

Payments will be made directly to your firm either by wire transfer or by U.S. Government check. Therefore, it is imperative that you provide to us your wire transfer address and your check mailing address as quickly as possible. The wire transfer address must include your bank's name, street address, zip code, and the bank account name and number. Do not include your bank's routing number in your account number. The bank account number that you provide to us will be the only account used by the DSAA for payments made under this purchase agreement, unless your firm formally requests a change.

Should refunds to the Borrower become necessary for any reason, from funds paid by the DSAA under this Purchase Agreement, such refunds must be made directly to the DSAA rather than to the Borrower. The DSAA will credit such refunds to the Borrower's Foreign Military Sales (FMS) Trust Fund Account for application on subsequent purchases of U.S. defense articles or defense services. Refunds may be made either by check and mailed to the DSAA, or by wire transfer to the U.S. Treasury. Refunds by check should be accompanied by a letter identifying the Borrower, and the DSAA's case identifier. Checks should be made payable to the Treasury of the United States and mailed to:

Defense Security Assistance Agency  
Architect Building, Suite 535  
1400 Wilson Boulevard  
Arlington VA 22209

Refunds by wire transfer should be addressed as follows:

United States Treasury  
New York, New York  
0210-3000-4  
Treasury NYC/(5037)  
Defense Security Assistance Agency  
Refund from: (Company Name) for purchase made by the  
Government of \_\_\_\_\_ under DSAA Case (Identifier)

Sincerely,

Chief, Financial Reports and Credit Program Division  
Office of the Comptroller

Copy to:  
Maritime Administration  
Office of Market Development (Rm. 7211)  
400 7th Street, S.W.  
Washington, D.C. 25090  
Embassy of \_\_\_\_\_

TABLE 9-III-5. DSAA Sample Letter to Supplier Approving Use of FMS Loan  
Financing for Direct Commercial Purchases. (Continued)

## TABLE 9-III-5

\*\*

DSAA SAMPLE LETTER TO SUPPLIER APPROVING USE OF FMS LOAN FINANCING  
FOR DIRECT COMMERCIAL PURCHASES

In reply refer to:

I-

X  
X  
X  
X  
X

Dear Sir:

The Defense Security Assistance Agency (DSAA) has approved the financing requested by the Government of \_\_\_\_\_ (Borrower) for the purchase of defense articles and defense services to be made from your firm under the contract or proforma invoice (Purchase Agreement) noted below. The financing will be provided from funds available to the Borrower through a U.S. Government loan. The amount of financing approved and the Case Identifier assigned to this Purchaser Agreement are also noted below. Any questions that you may have regarding this financing should reference the Case Identifier assigned to this Purchase Agreement.

Contract Number \_\_\_\_\_ Dated \_\_\_\_\_

Items to be Purchased: \_\_\_\_\_

Amount of Financing Approved: \$ \_\_\_\_\_

Case Identifier Assigned: \_\_\_\_\_

The amount of financing approved will be available to the Borrower for payment of this Purchase Agreement unless the Borrower defaults on either repayment of the loan or on other provisions of the loan agreement. 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 and irrevocable commitment to pay. The Borrower is not obligated to use U.S. Government loan funds in payment of this purchase; therefore, the Borrower could request a reduction of the amount reserved for your Purchase Agreement. In such event, however, we would endeavor to advise you of the Borrower's request prior to effecting the reduction.

Although the U.S. Government is not a party to the subject Purchase Agreement, the DSAA is required to ensure that the Borrower utilizes loan funds only for the purposes intended by law, and for which the financing is approved. Therefore, in addition to providing the Contractor's Certification and Agreement, your firm will be required to provide invoices and waybills

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TABLE 9-III-5. DSAA Sample Letter to Supplier Approving Use of FMS Loan  
Financing for Direct Commercial Purchases



## TABLE 9-III-7

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CONTRACTOR'S CERTIFICATION AND AGREEMENT  
WITH  
DEFENSE SECURITY ASSISTANCE AGENCY

Effective October 1985

CONTRACT OR PROFORMA INVOICE ABSTRACT

Contractor's Name and Address:

Purchaser: Government of \_\_\_\_\_

Contract No. \_\_\_\_\_

Date: \_\_\_\_\_

RECIPIENT(S) OF COMMISSIONS OR OTHER CONTINGENT FEES

Name

Address

Amount Paid/To Be Paid

CONTRACTOR'S CERTIFICATION AND AGREEMENT WITH DEFENSE SECURITY ASSISTANCE AGENCY

The contractor, in entering into an agreement to sell defense articles, defense services, or design and construction services to the foreign government listed above as purchaser, hereby acknowledges that the sum to be claimed as due and owing under the contract or proforma invoice identified above (hereafter referred to as "Purchase Agreement") is to be paid, in whole or in part, to the contractor from U.S. Government loan funds made available to the foreign government under provisions of the Arms Export Control Act, as amended. In consideration of the receipt of such sum, the contractor certifies to, and agrees with, the U.S. Government, as represented by the Defense Security Assistance Agency (DSAA), the following:

1. 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 relative to this sale, prior to and as a condition to obtaining loan financing for the sale, during the sale, and for a period of three years immediately following receipt of the final payment made by the DSAA on the sale. The contractor also agrees to secure for the benefit of the U.S. Government, as may be required by the DSAA, coextensive rights of access and examination regarding its suppliers for subcontracts or purchase orders issued to those suppliers for this sale, except for those Purchase Agreements which were awarded by the purchaser on a competitive lowest responsive bid basis.

TABLE 9-III-7. Contractor's Certification and Agreement with DSAA.

## TABLE 9-III-6

\*\*

## ESSENTIAL CONTRACT ELEMENTS

1. Elements that Must Be Included in the Contract:
  - a. Country
  - b. Complete identification of U.S. Contractor to include name, address, and telephone number
  - c. Contract number
  - d. Complete nomenclature of defense articles and description of services to be provided
  - e. Complete description of quantities and price(s)
  - f. Complete description of financial arrangements:
    - Unit prices
    - Down payment
    - Payment schedule (to include method of liquidating down payment based on deliveries)
  - g. Identification of shipment terms
  - h. Identification of any bonds or clauses that could result in a refund to the purchaser, such as, but not limited to:
    - Advance payment bond
    - Progress payment bond
    - Performance bond
    - Liquidated damages
  - i. Acceptance (signatures) by both parties
2. Elements that May Be Included in the Contract, or Submitted by the Contractor in a Separate Document to DSAA Prior to Approval of the Contract for FMS Credit Funding
  - a. Identification of the non-U.S. origin components and services. However, raw materials and items procured by a manufacturer from both U.S. and foreign sources, which are not ordinarily segregated by origin, and are incorporated on an interchangeable basis into the manufacturer's products, need not be identified.
  - b. Identification of offsets or countertrade requirements or agreements.

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 TABLE 9-III-6. Essential Contract Elements.

7. Agrees to identify the full amount of any down payment received under the Purchase Agreement in its accounting records as a down payment, to apply these funds solely to the performance of obligations under this Purchase Agreement, and to provide a clear audit trail on the use of these funds. Agrees to certify on the down payment invoice that payment requested does not exceed contractor costs incurred at the time of submission of invoice (plus termination liability, less profit, to be incurred prior to the first follow-on payment).

8. Agrees that export transportation costs financed under terms of the Purchase Agreement will be paid only to steamship, barge, tug, and airline companies of United States of America registry. Amounts billed for such transportation shall be the cost for shipping only the articles provided under terms of the Purchase Agreement.

9. Certifies that the cost of transportation, lodging, meals and other personal support costs incurred by or in behalf of the purchaser's personnel relating in any way to this contract will be paid by the purchaser, and that these costs will not be financed, in whole or in part, with FMS loan funds applied either directly or indirectly.

10. Certifies that the entire agreement which affects the contractual relationship between the contractor and the purchasing government relating to this Purchase Agreement consists of: (list articles, clauses, annexes, exhibits, appendices, letters, purchase orders, etc.)

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and that there are no other amendments, modifications, side letters, or supplementary agreements relating to this Purchase Agreement. Agrees that any future changes to the terms of the Purchase Agreement will be reported to the DSAA upon effect.

11. Agrees that the contractor's invoices will be prepared in accordance with the relevant provisions of the Purchase Agreement and will be submitted through the purchaser for presentation to the DSAA for payment.

a. As a minimum, the invoices must: (1) reflect the amount due and payment due date; (2) specify whether the amount billed is a down payment, progress/milestone payment, or delivery payment; (3) list the items and services delivered for which payment is requested; (4) indicate by a separate entry the transportation costs, if not included in the item price; (5) designate the FOB point and "ship to" address; (6) designate the address to where the payment should be sent; (7) if the billed amount consists of "cost, insurance and freight" for delivery of materiel to a destination point outside the United States, provide the name of the carrier(s) of the materiel from the U.S. Port of Embarkation; and (8) be supported by a copy of freight bills, air waybills, or rated on-board bills-of-lading, fully accounting for the cost of inland and export transportation of the items covered by the invoice for which payment is requested. If the contractor pays for the transportation, whether the transportation cost is included in the price of the item or billed separately

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TABLE 9-III-7. (Continued)

2. Certifies that no rebates, gifts or gratuities have been given contrary to United States law to officers, officials, or employees of the purchaser by this contractor, its employees, or agents, intended to secure the Purchase Agreement or obtain favorable treatment under the Purchase Agreement, and agrees that no such rebates, gifts or gratuities will be given. Agrees to obtain and retain a certification and agreement to this effect from its subcontractors or suppliers.

3. Agrees that the U.S. Government has the right to suspend the financing of this Purchase Agreement on the instruction of the purchaser, or for any suspected or confirmed misrepresentation or violation of any certification provided by this contractor to obtain such financing, without any liability accruing to the U.S. Government.

4. Certifies that the materiel or components to be provided under the Purchase Agreement are predominantly of U.S. manufacture. Agrees that, if DSAA approves financing of a stated dollar value of non-U.S. origin components or services, this dollar value will not be exceeded. Certifies that all non-U.S. origin or non-U.S. manufactured items and components, and non-U.S. services procured or to be procured specifically for this Purchase Agreement are identified:

(Mark the appropriate statement.)

\_\_\_\_\_ in the Purchase Agreement;

\_\_\_\_\_ in a document attached hereto;

\_\_\_\_\_ to DSAA under separate letter dated \_\_\_\_\_

Agrees to notify the DSAA of any future changes to the identification of non-U.S. items, manufacture or services as a condition to receive U.S. Government funds under this Purchase Agreement.

5. Certifies that the Purchase Agreement price includes only those commissions or other contingent fees listed above, which shall be paid to any and all agents, other than bona fide employees, to solicit or obtain this Purchase Agreement, or that if no recipients and payments are listed above, the contractor has not employed or retained any agent for such purpose who is to be paid from funds received by the contractor from the U.S. Government under the Purchase Agreement.

6. Certifies that funds received by the contractor from the U.S. Government under the Purchase Agreement will not be used to purchase services, other than described in paragraph 5 above, utilized in the execution of the Purchase Agreement from non-U.S. contractors or individuals that are not resident in the United States of America, unless the financing of such services is expressly authorized by the DSAA.

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TABLE 9-III-7. (Continued)

TABLE 9-III-8

NOTIFICATION OF REQUIREMENTS FOR DIRECT ACQUISITION  
TO BE FUNDED WITH U.S. FMS LOAN FUNDS

\*\*

A. Country: \_\_\_\_\_

B. Identification of Requirements:

1. U.S. Defense Item or Service: \_\_\_\_\_

2. Quantity: \_\_\_\_\_

3. Estimated Program Cost (if known): \$ \_\_\_\_\_

4. Projected date of submission of contract to DSAA for funding approval:  
\_\_\_\_\_

C. Comments: (Include information regarding firms to receive bid requests and your competitive acquisition process)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



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

SECTION IV - TRANSPORTATION
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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



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

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.

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. The following guidance is provided to assist SAOs in forwarding country police training certifications: \*\*

(1) SAOs may forward programming data for police training to MilDeps. Funding by DSAA will occur after receipt of required country police training certification or SAO message stating country certification has been received and has been forwarded to DSAA.

(2) Certifications in a language other than English must be accompanied by an English translation.

(3) Certification must include student name/rank, course title, MASL ID, host country service and WCN.

(4) Certification must be signed by appropriate host country official.

The following is a sample certification statement:

"The Government of (country) certifies that (student name/rank), who is scheduled to attend (course title/MASL ID) under WCN (number), is a member of (host country service) and will not be involved with or assigned to a unit performing in any civilian law enforcement functions for a period of at least two years following completion of training listed above."

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

a. Training not Related to Objectives. Training which is not clearly related to achievement of the objectives set forth in paragraph C (above).

b. Training for the Purpose of Obtaining a Degree. This constitutes training at U.S. military or civilian schools leading to a Bachelors or Masters degree, or credits toward such degrees, as opposed to specific military training. Training leading to a Doctoral degree or which is at the Ph.D. level is not eligible for IMET funding. The justification should include the rationale for providing the training under IMET and not FMS, an indication of the benefits to both the country and the U.S., and a statement regarding the intended utilization of the FMT after completion of the training. Finally, the justification should also include the number of IMET graduates and/or students that have been enrolled in the same curriculum or field during the previous five years, to include students undergoing training, and why it is considered necessary to train additional personnel. (Note: DSAA approval for degree level training at U.S. military or civilian schools is contingent on a specific and demonstrated country requirement which necessitates education up to and including a master's degree for persons who perform designated functions). See also sub-paragraph "s" (below).

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 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 to establish in-country training facilities, exclusive of Professional Military Education and Training.

h. Sufficient Trained Personnel Available. Training already provided in a quantity which, taking into account reasonable attrition, is sufficient to meet the military requirements of the requesting country.

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on-going civilian law enforcement functions. See also Chapter 2, Section IV, "Special Provisions," para. A.8.

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 ensure compliance with this paragraph. Other potentially sensitive training requests should be addressed to DSAA for appropriate guidance, processing, or decision. Requests for the Combined Strategic Intelligence Training Program (CSITP) should be addressed to the Defense Intelligence Agency (ATTN: DIC). Requests which include IMETP funds to support attendance at CSITP must be justified with information copies to DSAA and HQ USAF. See also Chapter 2, Section IV, "Special Provisions," paragraph A.8.

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.

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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. FMT and Dependent Employment. FMTs and alien dependents of FMTs are not allowed to seek employment during their stay in the United States. U.S. Embassy and/or security assistance personnel should make every attempt to explain this fact to FMTs at predeparture briefings in order to discourage such employment. In this connection, U.S. country team personnel should take all action necessary to insure that passports with A-2 Visas or related documents concerning FMTs and their alien dependents are not annotated with "Employment Authorized."

10. 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.

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

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 [SCIATTS and IAAFA]) and CONUS-USARSA.

(1) Costs incidental to the use of foreign guest instructors \*\* at SCIATTS and IAAFA are to be included in the operating costs of activities utilizing guest instructors and included in course tuition costs. Costs incidental to the use of foreign guest instructors at CONUS-USARSA are to be included in the USARSA fixed operating budget and not included in course tuition costs. These costs include travel of guest instructors and their authorized dependents, shipment of household goods and living allowance in accordance with Table 10-II-2.

(2) Shipment of household goods from the Panama Canal area or \* CONUS to their home country is authorized for Latin American guest instructors who have completed a tour of duty at PACAMS or USARSA. 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 when assigned as Deputy Commandant. 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



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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.

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<u>Category</u>	<u>Description</u>	**
PME	Officer Professional Military Education	
MGT	Officer Management	
PGS	Officer Postgraduate/Degree Related Training	
UPT/FLT	Undergraduate Pilot and Other Flight Training	
TECH	Technical, Operations, Maintenance, Medical and Enlisted Training	
OT	Orientation Tours	
OCONUS	OCONUS Student Training	
TEAMS	Mobile Training Teams and Field Training Services	
SUPPORT	English Language Equipment, Materials, PCH&T, Medical Lines and other Training Support	

#### L. PROGRAM DEVELOPMENT AND SUBMISSION.

1. Purpose. The following provides 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 at the training workshops. The workshops are hosted 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 concerning the programs proffered by the SAOs on behalf of their host countries. MILDEPs submissions of refined budget year and plan year training requirements resulting from the training workshop review will be completed and processed to DSAA by 15 April.

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 15 September, 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.

4. Submission of Program Data. 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.

level with priority D having the higher priority. Valid training priority coded D and E is defined as training in keeping with IMET policies and objectives, that MILDEPs can accommodate, for which the host country can provide qualified candidates and which has a dollar value that the SAO can reasonably expect to receive at mid-year/end-of-year if funds are available. In most cases, this should not exceed approximately 10 percent of the budget level. SAOs should code all training lines in a WCN series to reflect the code of the program line with the highest priority within that series.

3. Initial Funding of Current Year Training Program. As soon as the apportionment of IMETP funds is received from the Office of Management and Budget, DSAA will fund all priority codes A, B, and C within the apportioned funding/allocation level. SAOs should ensure that priority codes are appropriately adjusted so that the total of all priority A, B, and C training lines equals the allocation level. Adjustment of prioritization will be required if the apportionment level is less than the budget request level.

4. Additions/Increases to Current Year Program. If subsequent additions/increases to current year programs will cause the funded program to exceed the country allocation level, the SAO should simultaneously (1) submit deletions of funded lines sufficient to offset requested funding and/or (2) forward programming to lower the priority codes of selected funded lines to D or E. In the latter case, DSAA will withdraw funding of those lines and they will remain the program in an unfunded status.

5. Mid-Year Review of IMET Allocation Levels. Unified Commands will provide comments and recommendations concerning the status of individual country IMET allocation levels to DSAA by 15 May. Unified Commands will (1) identify those countries that will not be able to utilize all of their currently allocated IMET levels and recommend revised country allocation levels; (2) identify those country programs that have valid training requirements (as defined in paragraph 2 above) above currently allocated IMET levels and recommend corresponding increases to country allocation levels; and (3) those country programs that will require no change in allocation levels. Recommendations for increases will be prioritized within each Unified Command. Unified Commands will ensure that SAOs submit appropriate program additions/changes reflecting priority codes D or E and quarter availability no earlier than the fourth quarter for those countries that are recommended for increases.

6. End-of-Year Review of IMET Allocation Levels. Unified Commands will provide comments and recommendations concerning the final country IMET allocation levels to DSAA by 1 August. The same procedures used for the Mid-Year Review will apply.

7. Training Analysis Codes. Training Analysis Codes allow training program data to be grouped by categories that facilitate analysis of country IMET programs as they relate to overall IMET objectives. These codes replace the material-oriented generic code structure for training and enable the training community to match country requirements with policy considerations, particularly in the preparation of two year training plans and training AIASA's. A complete listing of all Training Analysis Codes is at Table 10-II-4. The nine primary analysis code categories are: \*\*

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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. Final current year program changes (increases and/or additions) to IMET program requirements must be submitted by SAOs to MILDEPs in proper program change format no later than 5 August and be forwarded by MILDEPs to 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.

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ER Other Language Training (non-English)  
 ES Cty Liaison/Exchange  
 ET Interpreters CONUS  
 EU Other non-Mgt/Enl  
 EV Unidentified CONUS Tng

## (6) Orientation Tours

FA OT-DV  
 FB OT-Non DV  
 FC OT-Other

B. OCONUS TRAINING

GA PME  
 HA Management  
 IA Flight  
 IB Tech/Maint  
 IC Operations  
 ID Medical  
 IE Correspondence Course  
 IF OTs  
 JA Other  
 JB Unidentified OCONUS

C. MOBILE TRAINING TEAMS AND FIELD TRAINING SERVICES

KA MTT-PME  
 KB MTT-Management/General  
 KC MTT-Intelligence/EW  
 KD MTT-Medical  
 KE MTT-Police/Security  
 KF MTT-Comm-Elect Mgt BT  
 KG MTT-Logistics Mgt  
 KH MTT-Engineering  
 KI MTT-Pers/Manpower/Anal  
 KJ MTT-Administration  
 KK MTT-Maint Mgt  
 KL MTT-English Language  
 KM MTT-Instructor/MOI  
 KN MTT-Aviation  
 KO MTT-Combat Operations  
 KP MTT-Non-Combat Operations  
 KQ MTT-Maintenance/Repair  
 KR MTT-Missile  
 KS MTT-Comm-Elec  
 KT MTT-Ship Transfer/Tng  
 KU MTT-Other  
 KV MTT-Survey  
 KW MTT-Excess Baggage  
 KX MTT-MTT-Training Aids  
 KY MTT-Lang Lab Install  
 KZ MTT-Supply Tech  
 K1 MTT-Wpns/Munitions/Arms

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TABLE 10-II-4. (Continued.)

TABLE 10-II-4

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## TRAINING ANALYSIS CODES

A. CONUS TRAINING

- (1) Officer Professional Military Education
  - AA PME-Senior Level
  - AB PME-Mid Level
  - AC PME-Basic
- (2) Officer Management Related Training
  - BA Defense Management
  - BB Intelligence/EW
  - BC Police/Security
  - BD Comm-Elect Mgt
  - BE Logistics Management
  - BF Engineering Mgt
  - BG Pers/Manpower/Anal
  - BH Administration
  - BI Maintenance Mgt
  - BJ Computer/ADP Mgt
  - BK Finance/Accounting
  - BL Other Mgt
- (3) Officer Postgraduate and Degree Related Training
  - CA Postgraduate/Degree
- (4) Undergraduate Pilot and Other Flight Training
  - DA UPT/Flt High Cost
  - DB Other Flt
- (5) Technical Operations, Maintenance, Medical and Enlisted Training
  - EA Aviation Non-Flt
  - EB Aviation Maintenance
  - EC Tech/Maintenance
  - ED Operations
  - EE Missile
  - EF Comm-Elect
  - EG Logistics/Supply-Enl
  - EH Computer/ADP Enl
  - EI Police/Security-Enl
  - EJ Administration-Enl
  - EK Mgt Related-Enl
  - EL Instructor
  - EM Medical
  - EN Damage Control
  - EO Contractor
  - EP English Language Prerequisite
  - EQ English Language Admin

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 TABLE 10-II-4. TRAINING ANALYSIS CODES.



SECTION III - RECIPROCAL EXCHANGE TRAINING
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A. PURPOSE.

1. This section provides information and general guidance for the conduct of reciprocal professional military education and unit exchanges.

2. Detailed implementing instructions will be provided by each military department.

B. PROFESSIONAL MILITARY EDUCATION (PME) EXCHANGE TRAINING. Section 544 of the Foreign Assistance Act of 1961, as amended, authorizes reciprocal exchanges between U.S. PME institutions and comparable institutions of foreign countries and international organizations. Security assistance funds are not authorized for this purpose. PME exchange must be pursuant to an international agreement which provides for the exchange of students on a one-for-one reciprocal basis during the same fiscal year. The Joint Security Assistance Training Regulation provides detailed implementing instructions, to include the prescribed international memorandum of agreement to be used for this purpose. PME exchange requests will be forwarded to the appropriate military department for action and for information to DSAA (ATTN: COMPT/TMD).

C. UNIT EXCHANGE TRAINING AND RELATED SUPPORT. Section 30A of the Arms Export Control Act authorizes reciprocal unit exchanges and related support between the U.S. and foreign countries and international organizations. The related reciprocal training and support must be pursuant to an international agreement and be provided within one year. Should the foreign country or international organization not provide comparable training and support, the U.S. must be reimbursed for the full costs of training and support provided by the U.S. The Joint Security Assistance Training Regulation provides detailed implementing instructions, to include the prescribed international memorandum of agreement to be used for this purpose. Requests for unit exchanges will be forwarded to the appropriate military department for action and for information to DSAA (ATTN: COMPT/TMD).

D. REPORTS. By 1 January each year the military departments will provide the following reports for PME and unit exchanges conducted during the preceding U.S. fiscal year. The PME report will be provided to DSAA (ATTN: COMP/TMD) with an information copy to the OASD Comptroller (Accounting Policy). The unit exchange report will be provided to the OASD Comptroller (Accounting Policy) with an information copy to DSAA (ATTN: COMP/TMD). At a minimum, the report will include, by country, the number of exchanges and, for each exchange, the subject or purpose of the exchange, the number of persons included in the exchange, the cost/comparable value of each of the exchanges, and, if applicable, action taken to recover the cost of any exchanges which were not reciprocated during the fiscal year in question.

K9 MTT-Misc/Unidentified  
 LA FTS-Aircraft Eng/Airframe  
 LB FTS-Comm-Elec  
 LC FTS-Radar Systems  
 LD FTS-Armament  
 LE FTS-Maintenance  
 LF FTS-Training Aids/Devices  
 LG FTS-English Language  
 LH FTS-Missile  
 LI FTS-Other  
 LZ FTS-Misc/Unidentified

D. SUPPORT

MA Training Exercises  
 MB Escort Officer  
 MC Supplies/Materials  
 MD Facilities/Rehabilitation  
 ME Services  
 MF Medical Cost-CONUS  
 MG Medical Cost-Overseas  
 MH Instructor Material  
 MI Other  
 NA Extraordinary Expenses  
 NB Training U.S. MAP Personnel  
 NC Training Support MAAG/Command  
 ND Training Support Department of State  
 OA English Language Labs (ELL)  
 OB ELL Spares  
 OC ELL Support Equipment  
 OD ELL Books/Tapes/Pubs  
 OE ELL PCH&T  
 OF Other Training Aids  
 OG Army Books/Tapes/Pubs  
 OH Navy Books/Tapes/Pubs  
 OI AF Books/Tapes/Pubs  
 OJ Army PCH&T  
 OK Navy PCH&T  
 OL AF PCH&T

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TABLE 10-II-4. (Continued.)

(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. Offshore procurement (OSP) under FMS cases funded with merged MAP funds is restricted by AECA, Sec. 42(c) (see Chapter 9, Section III, paragraph J). 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. MAP Financed LOAs for Defense Services. P.L. 99-83 amends Section 503A of the Foreign Assistance Act (FAA) of 1961, as amended, and provides for elimination of the cost of military pay and entitlements if the sales case for defense services including training or for design and construction services is totally financed by MAP. Effective 1 October 1985, services provided under Sections 21, 22, or 29 of the AECA shall be priced to exclude military pay and entitlements (including retired pay accrual) only for those cases citing MAP funds as the exclusive method of funding in Block 27 of the DD Form 1513. This pricing applies when services are performed regardless of the date of the DD Form 1513. Any subsequent amendment or modification serving to reduce the MAP method of funding below 100 percent shall require repricing to add military pay and entitlements to the entire case.

3. 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

# CHAPTER ELEVEN

## MILITARY ASSISTANCE PROGRAM (MAP)

SECTION I - USE OF MAP FUNDS TO FINANCE FOREIGN MILITARY SALES
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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.)

SECTION II - UTILIZATION, REDISTRIBUTION AND DISPOSAL OF MAP MATERIEL
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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).

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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 506 special authority implementing procedures are provided in Section III of this chapter.

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e. Reserves. Additional funds that are required to be on hand for termination liability and contractor holdback. [For a further definition of reserves, see SAMM Chapter 7, Section II, Para. C.8.c.(2)(B).]

f. Estimated Supply Completion Date. The date that all articles will have been delivered and all services performed. Provide date in YYYY format; e.g., Mar 87 would be 8703.

g. Estimated Closure Date. The date that a Case Closure Certificate will be submitted to the SAAC. (YYYY)

h. Excess Case Value. Any portion of case value that is in excess of anticipated total costs. For example, if a requisition case was originally established for \$10,000,000 but at the end of the ordering period requisitions totaling \$8,500,000 had been issued (including administrative fees, accessorial charges, and reasonable allowance for price increases), the case value would have a potential excess of \$1,500,000.

i. Remarks. Any exceptional circumstances concerning the financial status of the case, e.g., payment schedule front-loaded at customer request; -1 or -2 pending to increase/decrease case value or revise payment schedule; closure delayed because case in litigation, etc.

3. Following consolidation and analysis of the data, DSAA will meet or correspond with IAs, as appropriate, to follow-up on recommended actions.

SECTION III - DSAA FINANCIAL MANAGEMENT REVIEW PROGRAM
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A. BACKGROUND. The Director, DSAA, is responsible for carefully monitoring the requirements for and the availability of funds to support Foreign Military Sales (FMS) programs. Many FMS recipients have limited resources with which to finance essential defense programs. These factors highlight a requirement for DOD and the military departments to review the financial status of FMS programs in order that FMS customers may base programmatic and financial decisions on accurate and timely information.

B. PURPOSE. The DSAA Financial Management Review Program (FMRP) (RCN 1150) was established to identify and resolve current financial problems and to provide an "early warning" system for emerging problems so that the USG and the customer may have as many options as possible in resolving these problems. The FMRP constitutes a country-level overview of a customer's program, taking into account current and projected requirements and anticipated resources, including FMS credits, Military Assistance Program grants, and budgeted national funds. This information can assist FMS customers in managing their limited resources and in making crucial decisions related to future FMS purchases. The FMRP does not duplicate or substitute for FMS case financial and logistical reviews conducted by implementing agencies (IAs) with in-country counterparts, but ties together individual IA programs into an overall country financial summary.

C. PROCEDURES.

1. Each quarter, DSAA selects up to four FMS customer programs for review. For the programs selected, DSAA requests selected financial data (see Figure 13-III-1) on a list of cases representing about 90% of the ordered value of the FMS program.

2. IAs will be requested to complete a case worksheet furnished by DSAA for each case selected. The following is an explanation of data elements that may be included in the worksheet:

a. Total Case Value: "Estimated Cost" (articles/services/administrative/accessorial value) reflected in block (26) of the 1513 or in block (27) of the latest amendment (1513-1) or modification (1513-2) to the case.

b. Net Case Value: "Estimated Cost" (articles/service value) reflected in block (21) of the 1513 or in block (22) of the latest amendment (1513-1) or modification (1513-2) to the case.

c. Obligations. The implementing agency's total financial obligations related to the case during the periods cited on the form, e.g., value of contracts let and requisitions issued.

d. Working Funds. The amount of funds to be expended on behalf of the case during the period cited on the form; i.e., an estimate of the disbursements (reimbursable and direct cite) that SAAC will make from the trust fund for deliveries and contractual progress payments.



FIGURE 13-III-2  
SAMPLE TASKING LETTER FOR DSAA RCN 1150

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In reply refer to:  
I- \_\_\_\_\_/85

MEMORANDUM FOR THE COMMANDER, U.S. ARMY SECURITY ASSISTANCE CENTER  
(AMSAC-RP)

CHIEF, PLANS, PROGRAMS AND ANALYSIS BRANCH (OP-631)  
CHIEF OF NAVAL OPERATIONS  
DEPARTMENT OF THE NAVY

CHIEF, POLICY AND MANAGEMENT DIVISION (AF/PRIM)  
DIRECTORATE OF INTERNATIONAL PROGRAMS  
DEPARTMENT OF THE AIR FORCE

SUBJECT: Financial Management Reviews for       (COUNTRIES)       (DSAA RCN 1150)

Reference: SAMM, Chapter 13, Section III

The reference outlines the objectives and procedures of the financial management reviews conducted under DSAA Reports Control Number AR 1150.

Our next review will cover       (COUNTRIES)      . A list of cases to be reviewed is at Attachment 1. Each implementing agency (IA) is requested to complete the financial data form at Attachment 2 for each of the selected FMS cases. IAs should consolidate data from subordinate activities and forward a single response to DSAA. Your response should include the name and phone number of the IA point of contact.

Due dates for submission of the data are indicated below, along with the DSAA primary points of contact. If you encounter any difficulty in meeting these dates, please advise us of the reasons for the delay and the date the information can be provided.

<u>Country</u>	<u>Due Date</u>	<u>DSAA Point of Contact</u>
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Questions concerning these reviews may be referred to the above-listed points of contact, Pentagon extensions 41173 or 47097.

[Signature]  
Chief, Financial Management Division

Attachment  
a/s

FIGURE 13-III-2. SAMPLE TASKING LETTER FOR DSAA RCN 1150.

FIGURE 13-III-1

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## SOURCES OF DATA REVIEWED

DSAA 1200 SYSTEM

Case listing (90% coverage)  
 Case descriptions  
 LORs  
 Offers outstanding  
 Accepted/Unimplemented

DSAA FR&CPD

MAP and FMSCR program data  
 Totals  
 Committed  
 Disbursed  
 Uncommitted  
 Undisbursed  
 Commercial contracts  
 FMSCR repayment schedules

SAAC/DIFS

Case values  
 Deliveries  
 Undelivered values  
 Disbursed/undelivered  
   progress payments  
 Computed termination  
   liability  
 Unearned advances  
 Collections  
   Treasury cash  
   Available cash  
   FRB balances  
   Holding accounts  
 FRB arrearages  
 Billing history and forecast  
 Disbursement history  
 Case closure certificate inventories  
 Crossleveling agreements

IMPLEMENTING AGENCIES

Obligations  
 Multi-year working funds (disbursements)  
 Reserves for termination liability &  
   contractor holdback  
 Estimated supply completion dates  
 Estimated closure dates  
 Estimated excess program value  
 Potential shortfalls

SAOs-CUSTOMERS

Potential new sales requests  
 Potential funding for new sales requests  
 Budgeting data  
   FMSCR/MAP  
   Cash (national funds)

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 FIGURE 13-III-1. SOURCES OF DATA FOR RCN 1150.

h. Date agreement was signed, LOA was accepted, or MAP order was approved.

E. NATO COOPERATIVE PROJECTS UNDER THE AECA, SECTION 27.

1. Definition. The term "NATO Cooperative Project" means, for AECA, Section 27 purposes, a project described in an agreement entered into after October 29, 1979, under which:

a. NATO or one or more member countries agrees to share with the U.S. the costs of the research on and development, testing, and evaluation of certain defense articles and the costs of any agreed joint production of those articles in order to further standardization and interoperability of NATO forces; or

b. NATO or one or more member countries other than the U.S. agrees to bear the costs of research on and development, testing, and evaluation of certain defense articles and to have such articles produced for sale to and licensed for production within other participant member countries including the U.S., and the U.S. agrees to bear the costs of research on and development, testing, and evaluation of other defense articles and to have such articles produced for sale to and licensed for production within other participant member countries in order to further rationalization of the industrial and technological resources within NATO.

2. Types of Agreements. In order to ensure that all NATO "Cooperative Projects" are properly certified to the Congress pursuant to Section 27(c) of the AECA, any DOD component proposing to sign, on behalf of the United States, any international agreement with NATO or member country thereof involving either the sharing of research, development, testing or evaluation costs, i.e., RDT&E costs of any defense articles, and if there is to be any joint production ensuing therefrom, the costs of such production (see Section 27(a)(1), AECA) or "Family of Weapons" programs (see Section 27(a)(2), AECA) will, not later than sixty days prior to the planned signature of the proposed agreement, forward to the FMS Control Division, DSAA Comptroller, a copy of the proposed agreement and the information for a certification required by Section 27(c)(1), AECA. The information which is required is contained in paragraph 5 below. This does not apply to data or information exchange agreements; to feasibility studies that involve no waivers of or reductions in charges under the AECA and no ongoing research, development, testing, or evaluation commitments; or to any cooperative research and development agreement which does not provide for the sharing of costs which are funded wholly or partly with DOD RDT&E appropriations.

3. Waiver or Reduction of Charges. Authorization to waive or reduce certain charges associated with NATO cooperative projects is provided for in the AECA, Section 27(b). Waiver or reduction of appropriate charges must be approved by the Director, DSAA, prior to the conclusion of the cooperative project agreement. Pursuant to Executive Order 11958, the DSAA will consult with the Department of State in implementing AECA, Section 27, including waiver or reduction of charges.

- c. Implications of the proposed technology transfer endorsed by the DoD component;
- d. Any exceptions to the National Disclosure Policy (NDP) which are required or have been approved, together with the scope and limitations of the exceptions;
- e. Impact of such coproduction on U.S. industry, including both the prime and subcontractors involved in the manufacture of the items being considered;
- f. The views of these prime and subcontractors with respect to the proposal;
- g. The impact of the program on the U.S. mobilization base for the item; and
- h. The impact of the program on any other authorized foreign production of the same item.

#### 4. Coproduction Program Financed with FMS Credit Funds.

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a. AECA Section 42(b) Notification by Department of State. Section 42(b) of the Arms Export Control Act requires the Secretary of State to provide advice to the Congress prior to the approval of the use of any FMS credit or proceeds of any FMS loan to finance coproduction or licensed production in a foreign country. The advice to Congress must include a description of the defense article(s) to be produced under a coproduction program or licensed production and the probable impact of the proposed transaction on employment and production within the U.S.

b. DSAA Advice to Department of State. DSAA Operations will not approve release of an FMS Letter of Offer (LOA), or funding of a direct sale contract for coproduction/licensed production which is covered under a government-to-government MOU, to be financed with FMS credit funds until the Department of State has been advised of the pending program, and the Department of State has advised Congress as required by AECA, Section 42(b). The letter to the Department of State will advise of the country, type of proposed transaction (FMS, LOA or direct commercial sale), description of program and identification of extent of foreign production, and impact on employment and production within the U.S. (to the extent such information is available).

5. Status Report of Coproduction Programs. The MILDEPs will provide a quarterly update of the status of coproduction programs approved under security assistance procedures to the DSAA. The DSAA reports control symbol, DSAA(Q)1226 is established for this report. The following information is required on a quarterly basis, due fifteen days following each calendar quarter:

- a. Country producing the item;
- b. Item and quantity involved;
- c. Estimated total dollar value of items being produced;
- d. Name and location of principal U.S. production facilities involved, and whether they are U.S. Government owned, or privately owned;
- e. Third country sales authorized, if any, specifying country and quantity involved;
- f. The identity of any Congressional committees which have been informed of these programs according to MILDEP records;
- g. Copies of any LOAs or MOUs in MILDEP files covering these programs; and

## 2. FMS, FMCS and FMS Training.

a. FMS and FMCS 1200 System. The materiel MASL is used by DSAA in the 1200 system updating process as follows:

(1) Verification of Data. The defined generic code and national stock number entered on the DD Form 1513, Letter of Offer and Acceptance (LOA), must be reflected in the MASL before the Letter of Offer is countersigned. Once offers are tendered, the MASL is used to screen incoming detail records from the Security Assistance Accounting Center (SAAC) to ensure that the correct national stock number and generic code have been used in each record. All item detail transactions which do not match the MASL are rejected in the 1200 system updating process and SAAC is notified of each rejection.

(2) Description/Unit of Issue Information. The MASL match provides a description of each item entered into the 1200 system and also provides information on the unit of issue in each record.

b. FMS Training 1000 System. All input data cards which constitute an addition of training (Card format 4) to the FMS training program are matched against the appropriate fiscal year MASL for that category of training and the following is accomplished:

(1) Verification of Data. The MASL match determines that the program requirement is a valid line in the MASL.

(2) Description/Unit of Issue Information. The MASL match provides a description and unit of issue of each course being added to the program master file for FMS training.

(3) Course Cost and Duration. The match ensures that the most up-to-date course cost and duration information is used in each record being added.

3. Summary MASL. The Summary MASL is used along with the regular MASL data to assign supplemental information to each record in the master program file to facilitate subsequent preparation of reports.

## E. MASL DISTRIBUTION.

1. Schedule. The Training MASLs are printed and distributed to all MILDEPs, Unified Commands, SAOs, and numerous other activities, including schools and component commands, on a semi-annual basis. Materiel MASLs are no longer provided by DSAA and each MILDEP is required to maintain a Materiel MASL database with transaction data provided by DSAA and is responsible for distributing copies to their user activities. \*\*

2. Requests for MASL Information. MASL data may be obtained by submitting a request to the Data Management Division, Office of the Comptroller, Defense Security Assistance Agency, Washington, D.C. 20301. All requests should specify the particular MASL(s) desired and the format; i.e., punched card, magnetic tape, microfiche, or in printed form. (Sample MASL reports are shown in Figures 15-IV-1 through 15-IV-5 and abbreviated titles in Table 15-IV-1 of this section.)

(1) Current Year Training MASL. The current year MASL should be continuously updated throughout the applicable fiscal year to add new courses which become available for programming during that fiscal year and to incorporate significant changes such as course costs or duration of training.

(2) Budget Year Training MASL. During the second quarter of each new fiscal year the budget year MASL data are developed by the MILDEPs and submitted to DSAA based on guidance furnished by DSAA. Once the budget year MASL is established, this data will be continuously updated. On 1 October of each year the budget year MASL becomes the new current year MASL.

f. Review of Training MASL Data. It is the sole responsibility of the appropriate MILDEP to review MASL training lines for accuracy and item content.

g. Training MASL Input and Output Processing.

(1) Updates. The training MASL is updated weekly along with the master program file.

(2) Output. Feedback from each update is provided to the applicable MILDEP as requested either as printed output or via AUTODIN. Errors (input not passing the update edits) are furnished to the appropriate MILDEP as printed output.

D. MASL RELATIONSHIP TO DSAA PROGRAM DATA

1. MAP and IMET Programs. All program data (card formats 3 and 4) which constitute the addition of items to the program master file, regardless of the program year, and those program change cards (card format P and Q) which contain data punches in card columns 8 through 21 are matched against the appropriate MASL during the master file update process. This MASL match accomplishes the following:

a. Verification of Data. The match determines that the program requirement being added is a valid line in the MASL.

b. Description/Unit of Issue Information. Provides a description and unit of issue for items being added to the program file, and verifies the MILSTRIP Routing Identifier (MRI) and Execution Agency (EXA) codes and assigns Implementing Agency codes consistent with the MRI and EXA codes.

c. Data Error Feedback. Provides the program originator a list of all input (3/4/P/O cards) which fail to match the MASL.

d. Implementing Service. Assures the issuance of MAP and IMET Orders to the correct Implementing Agency or Execution Agency.

e. Course Cost and Duration. The match posts the most up-to-date IMET course and duration information to each unfunded record of the program master file.

CLO	Country Liaison Officer (Foreign Country Representative)
CLSSA	Cooperative Logistics Supply Support Arrangements
CMS	Contractor Maintenance Services
CONUS	Continental United States
COOPLOG	Cooperative Logistics
CPD	Congressional Presentation Document
CPL	Country Program Listing
CPM	Country Program Manager
CRA	Continuing Resolution Authority
CRS	Congressional Research Service
CSP	Concurrent (initial) Spare Parts

D
---

DAO	Defense Attache Office
DAS	Defense Audit Service
DATT	Defense Attache
DAVA	Defense Audiovisual Agency
DCAA	Defense Contract Audit Agency
DCAS	Defense Contract Administration Service
DCASR	Defense Contract Administration Services Region
DCM	Deputy Chief of Mission (U.S. Embassy)
DCSC	Defense Construction Supply Center (DLA)
DEA	Data Exchange Agreement
DESC	Defense Electronics Supply Center (DLA)
DFSC	Defense Fuel Supply Center (DLA)
DGSC	Defense General Supply Center (DLA)
DIC	Document Identifier Code
DIFS	Defense Integrated Financial System
DIL	Director of International Logistics
DISAM	Defense Institute of Security Assistance Management
DISC	Defense Industrial Supply Center (DLA)
DLA	Defense Logistics Agency
DLIELC	Defense Language Institute, English Language Center
DLSC	Defense Logistics Services Center
DLSSO	Defense Logistics Standards Systems Office
DMA	Defense Mapping Agency
DMAAC	Defense Mapping Agency Aerospace Center
DMAHTC	Defense Mapping Agency Hydrographic/Topographic Center
DOD	Department of Defense
DODIP	Department of Defense Informational Program
DODISS	Department of Defense Index of Specifications and Standards
DODSSP	Department of Defense Single Supply Point
DOS	Department of State
DPSC	Defense Personnel Support Center (DLA)
DRMS	Defense Reutilization and Marketing Service
DSAA	Defense Security Assistance Agency
DSC	Defense Supply Center/Delivery Source Code
DTC	Delivery Term Code
DTS	Defense Transportation System

\*\*

# APPENDIX A

## ABBREVIATIONS AND ACRONYMS

### A

AAO	Authorized Acquisition Objective
ACDA	Arms Control and Disarmament Agency
AECA	Arms Export Control Act, as amended
AFAO	Approved Force Acquisition Objective
AIASA	Annual Integrated Assessment of Security Assistance
AID	Agency for International Development
AMEMB	American Embassy
APOD	Aerial Port of Debarkation (Delivery)
ARC	Adjustment Reply Code
ASD	Assistant Secretary of Defense
ASD(C)	Assistant Secretary of Defense (Comptroller)
ASD(ISA)	Assistant Secretary of Defense (International Security Affairs)
ASD(ISP)	Assistant Secretary of Defense (International Security Policy)
ASD(MI&L)	Assistant Secretary of Defense (Manpower, Installations and Logistics)
ATMG	Arms Transfer Management Group
AU	Asset Use
AUTODIN	Automated Digital Network

### B

BA	Budget Authorization
B/L	Bill of Lading
BO	Blanket Order
BOA	Basic Order Agreement

\*\*

### C

CAD/PAD	Cartridge Actuated/Propellant Actuated Devices
CAS	Contract Administrative Services
CBL	Commercial Bill of Lading
CCBL	Collect Commercial Bill of Lading
CBO	Congressional Budget Office
CDR	Consolidated Data Report
CET	Civilian Engineering Team
CETS	Contractor Engineering Technical Services
CETSP	Contractor Engineering Technical Services Program
CFS	Contract Field Services
CFE	Contractor Furnished Equipment
CGSEL	Common Ground Support Equipment List
CIA	Central Intelligence Agency
CIP	Component Improvement Program (Engine)



H
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[None at this time.]

I
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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

## 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 Participating Governments
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)
FORDTIS	Foreign Disclosure & Technical Information 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

<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)
M -----	Department of the Navy (Naval Materiel)
N -----	Naval International Logistics Control Office (NAVILCO) <span style="float: right;">* (Deletion)</span>
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 YYYYDD 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.

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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>
A0-A9	100-109
B0-B9	110-119
C0-C9	120-129
D0-D9	130-139
etc.	

[This space left blank intentionally.]

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. A code which indicates that an IMET policy waiver applies to the line of training. The following represent the applicable codes:

B -- Books and Publications (non-English language)	*
C -- Civilian Student	*
G -- Postgraduate/Degree Related Training	*
H -- High Cost Training (tuition costs exceeds \$25,000)	*
L -- Training with Duration Less than 8 Weeks	*
M -- Mobile Training Teams (MTTs) and Field Training Services (FTS)	*
O -- Orientation Tours	*
R -- Other Waivers	*
S -- Combined Strategic Intelligence Training Program (Air Force unique).	*

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

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



<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
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)

\*  
(Deletion)

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).

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.

- 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 code assigned by the SAO to identify the importance of an individual student's training within a country's training program. The valid codes are "A" through "E" with "A" as the highest priority and "E" as 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

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, IMET, 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:

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 code which identifies an individual student or service (unique within MILDEP). The first four positions of the code represent the student or service and the last position identifies the student's sequence of training, if more than one applies. [See Chapter 10, paragraph L.4.c.(1) for additional guidance.] \*  
\*  
\*  
\*

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.

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.

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
NATO Missile Fire Instal- lation (NAMFI)	N9	NR	NR
NATO Multi-Role Combat Aircraft (MRCA) Devel- opment & 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]

Country	Code	Unified Command Cognizance	Area/Congressional 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 Communications System Management 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 & NH PLO)	N7	NR	NR	
NATO Maintenance and Supply Agency-Weapons (NAMS A-Weapons)	M5	NR	NR	**

TABLE D-5. (Continued) [Page 6 of 7]



TABLE D-7. (Continued) [Page 4 of 35]

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	F. Aerial Target Missile	T. Phoenix		
B. Harm	G. Maverick	V. Corporal		*
C. Standard Arm	N. Falcon	W. Sparrow		
D. Standard	R. Sidewinder	Y. Matador		
E. Walleye	S. Bullpup	Z. AMRAAM		*

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	
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		
	Missiles 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	

offer to sell defense articles or services if (1) the proposed sale was not previously reported under Part I, and (2) the request involves a proposed sale of MDE for \$7 million or more or any other defense articles or services for \$25 million or more. Each entry should include the following:

- (a) the name of the country which made the request;
- (b) the date of the request;
- (c) the defense articles or services involved;
- (d) the quantity involved; and
- (e) availability terms requested.

To facilitate the development of Part II, Military Department Desk Officers should informally coordinate the information with their counterparts in the DSAA Operations Directorate.

d. A P&A request is not:

\*

(1) A message or letter from a customer requesting Planning and Review (P&R) data;

(2) An oral request;

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

(4) A request for price/delivery data required to facilitate country decisionmaking on overall equipment purchase plan or budget.

## 2. Excess Defense Articles (EDA) Sold Under FMS (RCS: DSAA (M) 1118).

a. House Report No. 96-70 on the International Security Assistance Act of 1979, dated 24 March 1979, requires quarterly reporting of all outstanding LOAs and accepted LOAs to sell excess defense articles (EDA) through FMS procedures to foreign governments or international organizations, specifying (1) implementing agency; (2) country; (3) case number; (4) acquisition cost to the U.S. Government; and (5) sales value. The report will include spare parts supplied from defense stocks at inventory price if they are specifically identified as EDA in the LOA, and exclude grants or sales of: MAP redistributable and MAP Owned Materiel (MAPOM) property, ships, scrap and demilitarized EDA. Implementing agencies are encouraged to initiate separate cases for EDA. However, if separate cases are not used, each case will identify the EDA item(s) therein.

b. The report should be prepared monthly as of the last day of the month and is due in the DSAA Comptroller, Data Management Division, by the 15th of the following month. The DSAA Comptroller, Program Control Division, is designated as the coordinating office for all EDA sold under FMS in addition to prevailing coordination currently required in the SAMM for FMS cases. See Figure E-2 for sample reporting format.

# APPENDIX E

## CONGRESSIONAL REPORTS INVENTORY

A. PURPOSE. This appendix provides an up-to-date inventory of those statutory reports to the Congress, covering security assistance matters, submitted by the Department of Defense elements. It does not include those reports submitted by the Department of State. The inclusion of a report in this inventory does not in any way imply its availability to a SAMM recipient nor its releasability to a nongovernmental requestor. Some reporting requirements are identified elsewhere in the Manual within the applicable topical areas. This appendix also provides reporting instructions on selected reports, not covered elsewhere in this Manual, requiring feeder information from DoD components.

B. REPORTS INVENTORY. See Table E-1.

C. REPORTING INSTRUCTIONS.

1. Price and Availability Report (RCS: DSAA(Q) 1138).

a. The Price and Availability (P&A) Report, required by Section 28 of the Arms Export Control Act, is forwarded quarterly to members of Congress and top-level Defense and State Department officials. It is an important tool used to inform the Congress of major potential FMS cases and it assists the Congress in carrying out its oversight authority of arms transfers, particularly to the Third World. For these reasons the P&A report must contain complete, accurate, and timely information to serve its intended purpose. \*\*

b. It is important that all relevant information is reported regardless of its sensitivity. Releasability will be determined by the Director, DSAA, in conjunction with the Secretary of State. \*\*

c. The report is due to the Congress on the 15th of the month following the quarter being reported. Input from the Military Departments is due to the DSAA Comptroller, ATTN: Data Management Division, no later than the third day of the month following the quarter being reported and should be submitted in two parts. (See Figure E-1 for format):

(1) Part I should list each price and availability estimate provided during the quarter to a foreign country with respect to a possible FMS sale of major defense equipment (MDE) for \$7 million or more or of any other defense articles or services for \$25 million or more. Each entry should specify the following: \*\*

(a) the name of the country to which the estimate was provided;

(b) the name of the articles or services involved;

(c) the quantity involved; and

(d) the price estimate provided.

(2) Part II should list each request received from a foreign country during the quarter being reported, for the issuance of a letter of \*\*

3. Foreign Military Construction Sales (RCS: DSAA (Q) 1145). The AECA, Section 36(a) requires quarterly reporting of each Foreign Military Construction sale made under Section 29 during the quarter for which such report is made. The report should cover all sales of design and construction services to any eligible foreign country or international organization specifying (1) the purchaser; (2) the U.S. Government department or agency responsible for implementing the sale; (3) an estimate of the dollar amount of the sale; and (4) a general description of the real property facilities to be constructed pursuant to such sale. These reports must be submitted to the DSAA Comptroller, Data Management Division, not later than 20 days after the reporting period. See Figure E-3 for a sample reporting format.

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