



SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

4 MAY 1989

In reply refer to:  
I-02223/89

MEMORANDUM FOR COMMANDANT, DEFENSE INSTITUTE OF SECURITY  
ASSISTANCE MANAGEMENT

SUBJECT: Publication of Change 1 to the SAMM

Attachment 1 is provided for publication as Change 1 to DOD  
5105.38-M, Security Assistance Management Manual. Questions may  
be directed to Mr. Wells, DSAA/OPS-E, AV 227-8108.

CHARLES W. BROWN  
LIEUTENANT GENERAL, USA  
DIRECTOR

Attachment  
As stated

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Prepd by: Mr. Wells/MAY 89/kc  
DSAA/OPS-E

Distr: Orig addee & cc if shown  
Other:

USDP  
DSAA Chron  
CMD (1)  
OPS-E Subj ✓  
OPS-E Chron  
OPS-Chron

DSAA Compt

OPS- Hold

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*Changes in chaps 5 regarding  
extensions of 80 cases to 24 mos  
inadvertently omitted (Filed 7/19/89) -  
wz*

pscl8

19 Apr 89  
Bob Wise on Ron Rodgers

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Enclosed is my  
update of the letter sent  
to the Supplier for Financing  
approvals.

The highlighted lines  
are new words. If you  
think it's necessary, let Terry  
chop. Otherwise it's ready for  
the SMM.

Thanks John D

# USD/P INTEROFFICE COORDINATION SHEET

DATE (YYMMDD)  
89-04-27

I- 02223/89

SUBJECT  
Publication of Change to the SAMP

CURRENT SUSPENSE DATE (YYMMDD)

SUMMARY: (Describe briefly the origin, purpose, action recommended and coordination - (Attach original tasking - SD Form 14, etc.))

BACKGROUND: Accumulated changes to text in the SAMP are attached to the DISAM cover memo at the Signature Tab. The changes represent a mixture of edit and policy refinements which have been developed since 1 Oct 88 publication of the revised SAMP. A synopsis of the more significant changes is at Tab A. I will be working with DISAM to make certain the changes are added as we planned (since some changes may be difficult to decipher).

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	SA LEGIS				FMRA				REG POL		
	INTEL ADV								NATO POL		
	RESEARCH				DASD/AFR				EUR POL		
					AFR						
	ADMIN								DASD/NEGOT POL		
X	COMM MGT				DASD/EAP				MA		
	ODUSD/P				EAP				PD/NEGOT POL		
	DUSD/P				PW/MIA				EUR SEC NEGOT		
	MA								MULTI-NEGOT		
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	CCC								PDASD/SO-LIC		
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	PSYOP				POL PLAN						
	ODUSD/PLAN & RES				PLAN & REQ				DASD/A		
	DUSD/PLAN & RES				IEEA						
	DEF GUIDANCE				EAST-WEST ECON SEC				DASD/SO		
	ODUSD/TSP				HUMAN ASSISTANCE				CONT PLAN		
	DUSD/TSP				ISP				SPEC OPS		
	MA				ASD/ISP						
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	RESOURCE MGT				SPACE POLICY				BUDGET		
	OUTREACH								DSAA		
	MUN				DASD/NF & ACP			X	DIR		
	MUN TECH				MA				DEP DIR		
	WPNS SEC PLAN				TNF				EXEC OFFICER		
	STRAT TRADE				STRAT FORCES				COUNSEL		
	TECH COOP				VERIF POL			X	PLANS		
	TECH SEC OPS				START				CONG REL		
	ISA				SD & SPACE			X	COMPT		
	D/ISA							X	OPS		
	SA				DASD/EUR-NATO				NET ASSESSMENT		
	MA				EXEC OFFICER			X	OPS-E		

LAST NAME OF ORIGINATOR  
Wells

DIRECTORATE/OFFICE  
DSAA/OPS-E

EXTENSION  
x78108

SIGNATURE

Wayne Wells

**USD/P INTEROFFICE COORDINATION SHEET**

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	ADMIN								DASD/NEGOT POL		
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	DIS								SO-LIC		
	DL SUPPORT				DASD/NESA				ASD/SO-LIC		
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	DUSD/PLAN & RES				IEEA						
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	ODUSD/TSP				HUMAN ASSISTANCE				CONT PLAN		
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	MA				ASD/ISP						
	ADUSD/TSP				MA				DASD/LIC		
	DTSA				SEC DEF REPS						
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	DEP DIR				MA				PROG		
	RESOURCE MGT				SPACE POLICY				BUDGET		
	OUTREACH								DSAA		
	MUN				DASD/NF & ACP			X	DIR		
	MUN TECH				MA				DEP DIR		
	WPNS SEC PLAN				TNF				EXEC OFFICER		
	STRAT TRADE				STRAT FORCES				COUNSEL		
	TECH COOP				VERIF POL			X	PLANS		
	TECH SEC OPS				START				CONG REL		
	ISA				SD & SPACE			X	COMPT		
	D/ISA							X	OPS		
	ISA				DASD/EUR-NATO				NET ASSESSMENT		
	MA				EXEC OFFICER			X	OPS-E		

LAST NAME OF ORIGINATOR  
Wells

DIRECTORATE/OFFICE  
DSAA/OPS-E

EXTENSION  
x78108

SIGNATURE

*Wayne Wells*



**USD/P INTEROFFICE COORDINATION SHEET**

DATE (YYMMDD)  
891214

1 -

SUBJECT  
SAMM Change 1 Transmittal Letter

CURRENT SUSPENSE DATE (YYMMDD)  
-

SUMMARY: (Describe briefly the origin, purpose, action recommended and coordination - (Attach original tasking - SD Form 14, etc.))  
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Recommendation. Approve the proposed letter of transmittal at the Signature Tabs

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	INTEL ADV				FMRA						
	RESEARCH								DASD/NEGOT POL		
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	ADMIN				AFR				PD/NEGOT POL		
	COMM MGT								EUR SEC NEGOT		
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	MA								SO-LIC		
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					I-A				PDASD/SO-LIC		
	SUPPORT								MA		
	EMERG PLAN				DASD/NESA				POL INTEG		
	SPEC ADV STF				NESA						
	PSYOP										
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	DUSD/PLAN & RES				POL PLAN						
	DEF GUIDANCE				PLAN & REQ						
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	ODUSD/TSP				HUMAN ASSISTANCE						
	DUSD/TSP				ISP				DASD/RES		
	MA				ASD/ISP						
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	D TSA				SEC DEF REPS				DSAA		
	DIR				PDASD/ISP			X	DIR		9/11/5
	DEP DIR				MA			X	DEP DIR		9-15-89
	RESOURCE MGT				DASD/NF & ACP				EXEC OFFICER		
	OUTREACH				MA				COUNSEL		
	PSYOP				TNF				PLANS		
	MUN TECH				STRAT FORCES				CONG REL		
	STRAT TRADE				VERIF POL				COMPT		
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	TECH SEC OPS				SD & SPACE				NET ASSESSMENT		
	ISA								NA		
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					PD EUR-NATO						
					ADV NATO AFFRS						

LAST NAME OF ORIGINATOR

DIRECTORATE / OFFICE

EXTENSION

SIGNATURE

Wells

DSAA/OPS-E

78108

Wayne Wells

**USD/P INTEROFFICE COORDINATION SHEET**

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	TECH COOP				VERIF POL			X	PLANS <i>Concern Attached</i>		
	TECH SEC OPS				START				CONG REL		
	<b>ISA</b>				SD & SPACE			X	COMPT <i>Concern Attached</i>		
	D/ISA							X	OPS <i>3 MAY 89</i>		5-3-89
					DASD/EUR-NATO				NET ASSESSMENT		
	MA				EXEC OFFICER			X	<del>XXX</del> OPS-E <i>5-3-89</i>		

LAST NAME OF ORIGINATOR  
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DIRECTORATE/OFFICE  
DSAA/OPS-E

EXTENSION  
x78108

SIGNATURE  
*Wayne Wells*

27 April 1989

Note for Comptroller  
Director, Plans Directorate

Subject: Change 1 to the SMM

Attached are proposed changes accumulated for the SMM since the 1 Oct 88 revision.

The changes have been coordinated with the office responsible for each change within DSAA.

Director, DSAA's 24 Oct 88 memo, subject: SMM Maintenance, assigns various SMM maintenance responsibilities and gives OPS-E the mission of reconciling changes with information in the manual and with insuring that a homogeneous document is developed and maintained. In compliance with these instructions, I have made a number of edit/format adjustments concerning use of acronyms, spelling consistency, verbiage, etc., while attempting to avoid changing substance. In your review/clearance for publication, you may wish to scan handwritten changes to insure that my "format" is not your "substance".

A few of these changes need to be published as quickly as possible; therefore, comments or clearance on the attached Form 161 by 3 May 89 would be appreciated.

*Thanks,*  
*Wayne W.*  
Wayne Wells  
OPS-E, X78108

Attachment  
As stated

psclad



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

20 October 1989

**Letter of Transmittal**

Change 1 to the 1 October 1988 SAMP includes a number of guidance adjustments which have been published in messages or other correspondence. It also includes major changes, such as a revised financial management section, that were coordinated with the offices which have primary responsibility for the areas involved. Those who refer to the SAMP frequently may wish to review the attachments prior to collation into the manual in order to be better aware of all changes incorporated therein.

Guidance within the SAMP is adjusted continuously. Due to the necessity to establish a cutoff date in order to stabilize information for publication, changes with which you are familiar may not be included. A revision to the Special Defense Acquisition Fund section, now being coordinated, is one example. Those changes will be added following final approval and merger into the publication process.

As legislation, policy, and management processes pertaining to Security Assistance continue to mature, each person using the SAMP should consider its accuracy and general utility to be an integral part of the management of our programs. Suggestions for improving the manual are welcome and may be provided to DSAA as discussed in Chapter 1.

A handwritten signature in black ink, appearing to read "Charles W. Brown", is located below the text.

CHARLES W. BROWN  
LIEUTENANT GENERAL, USA  
DIRECTOR

# USD/P INTEROFFICE COORDINATION SHEET

DATE (YYMMDD)

891214

1- -

SUBJECT

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	RESEARCH		
	ADMIN		
	COMM MGT		
	<b>ODUSD/P</b>		
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	ADUSD/CI & S		
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	SUPPORT		
	EMERG PLAN		
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	<b>ODUSD/TSP</b>		
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	PLANS		
	CONG REL		
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	NET ASSESSMENT		
	NA		
	OTHER		
	OPS-E		

Distribution copies are at back  
The folder is to keep the letter as unblemished as possible (It will cover 7,000 copies of SAMM change 1).  
When signed, please call W. Wells X78108. I plan to arrange handcarry to DISAM.

Thanks,  
WZ

SSD 9/15  
P/MA 9-15-89

159/14 m 9-15-89

1419

LAST NAME OF ORIGINATOR

DIRECTORATE/OFFICE

EXTENSION

SIGNATURE

Wells

DSAA/OPS-E

78108

Wayne Wells

27 April 1989

SUBJECT: Publication of Change 1 to the SAMM

A synopsis of the more significant changes and page number (handwritten in the upper right corner of each page) where each change starts is as follows:

Miscellaneous edit changes/Page 1

Proper Use of Materiel/4

Guidelines for Industry Interface with SAOs/7

CLSSA policy POC/10

MDE coordination form change/11

MDE List update/13

Add Bolivia as excess list recipient/27

Use of 1513-2 for sole source designation/29

Movement of 1513-2 guidance within Section 80403/32

Change 80403.C.4 and D.2.b to agree with 70002.C.2.d/34

Chap 9 changes (primarily Direct Commercial Purchase)/36

Chap 13 major revision, Financial Principles and  
Procedures/103a

Transport Cost Look-Up Table update/183

pscad



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

In reply refer to:  
I-02223/89

MEMORANDUM FOR COMMANDANT, DEFENSE INSTITUTE OF SECURITY  
ASSISTANCE MANAGEMENT

SUBJECT: Publication of Change 1 to the SAMM

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Attachment  
As stated

psc18

change 2 to the  
SAMM / 1 Oct 88 / Errata

- now page → 1. FORWARD should be spelled FOREWORD.
2. Chapter 8, Section 802, Para 80201.A.4. (page 802-2). Revise "Chapter Seven, Section I, paragraph B.3.b" to read "Chapter Seven, Section 700, paragraph 70002.C.2"
3. Chapter 8, Section 804, Para 80401.L. (page 804-3). Revise "(see Paragraph C.3.C)" to read "(see Paragraph 80403.C.3)"
4. Chapter 8, Table 804-1, Para J, Block (10) Countersignature. (page 804-8). Revise part of the last line "... SAMM Paragraph 870401.B, ...." to read "... SAMM Paragraph 80401.B ...."
5. Chapter 8, Table 804-2, Para I, Block (9) Countersignature. (page 804-13). Revise part of the last line "... SAMM, Paragraph 80403.B, ...." to read "... SAMM, Paragraph 80403.D ...."
6. Appendix D, Table D-5, country Kenya, Code: DI. (page D-26). Revise Code: "DI" to read Code: "KE"
- now page → 7. Appendix D, Table D-5, pp D-24-D-28, column titled *Unified Command Cognizance*. For the following countries change SO (Southern Command) to read AT (Atlantic Command): Anguilla, Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Cuba, Falkland Islands, Guadeloupe, Martinique, Montserrat, Netherlands Antilles, Turks and Caicos. Also, for Mexico, change SP to read SO.
8. Table 503-5, *Equivalent Foreign and International Pact Organization Security Classifications*, p. 503-12. Add Singapore after Saudi Arabia and prior to Spain. In the four columns to the right of the country column enter in order Top Secret, Secret, Confidential, Restricted. Note the Singapore classifications closely match those of the U.S. (Headers).
9. Chapter 6, Section 600, Para 60002.3 (page 600-2), *Purchasers Options*. Change Section II on the first line to read Section 601.
10. Appendix C, page C-1. Delete DOD Directive 2000.10 and its title. On page C-2 after DOD Instruction 2050.1, add DOD Directive 2055.3-*Manning of Security Assistance Organizations and the Selection and Training of Security Assistance Personnel*.
11. Chapter 8, Section 802, Para 80203.D.2 (page 802-6), *Reporting Discrepancies*. Last line on page change Section IV, Paragraph F to read Section 803, Para 80306.



### Chapter Eleven--Military Assistance Program (MAP)

<b>Section 1100 - Use of MAP Funds to Finance</b>	
Foreign Military Sales	1100-1
110001 Grant Aid (MAP) Funding	1100-1
<b>Section 1101 - Utilization, Redistribution and Disposal of MAP Materiel</b>	1101-1
110101 Purpose	1101-1
110102 Legal Limitations	
110102 Supervision of End-Item Use and Maintenance of Inventories	1101-1
110104 Transfer of MAP Excess Materiel	1101-2
110105 Cannibalization and Retention of MAP Property	1101-4
110106 Disposal of MAP Property	1101-4
<b>Section 1102 - Section 506 Special Authority</b>	1102-1
110201 Purpose	1102-1
110202 Section 506(A)	1102-1
110203 Section 506(B)	1102-2
110204 Section 506(C)	1102-2

### Chapter Twelve--Leases and Loans of Defense Articles

<b>Section 1200 - Leases</b>	1200-1
120001 Authority and Purpose	1200-1
120002 Lease Terms and Conditions	1200-2
120003 Coordination	1200-3
120004 Congressional Notification	1200-4
120005 Financial Arrangements	1200-5
120006 Lease Closure	1200-5
120007 Reporting	1200-5
<b>Section 1201 - Loans of Defense Articles</b>	1201-1
120101 Authority and Purpose	1201-1
120102 Reporting Requirements	1201-1
120203 Implementation of Loan Documents	1201-1

### Chapter Thirteen--~~Security Assistance Program Administration~~

*Financial Principles and Procedures*

<del><b>Section 1300 - Security Assistance Budgets</b></del>	<del>1300-1</del>
<del>130001 Purpose</del>	<del>1300-1</del>
<del>130002 Financial Resources</del>	<del>1300-1</del>
<del>130003 Operation of the FMS Administrative and MAP Administrative-Overhead and Support and SAO Budget Systems</del>	<del>1300-2</del>
<del><b>Section 1301 - Audits and Inspections</b></del>	<del>1301-1</del>
<del>130101 Purpose</del>	<del>1301-1</del>
<del>130102 Types of Audits/Inspections</del>	<del>1301-1</del>
<del>130103 Notification of Audits and Inspections</del>	<del>1301-1</del>
<del>130104 Policy Concerning Releasability of DOD Records Relating to MAP and FMS</del>	<del>1301-1</del>
<del>130105 Relationship with Audit/Inspection Agency</del>	<del>1301-2</del>

*use new chapter 13 Table of contents, use Tables*

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*Use new  
Chapter 13  
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DEFENSE SECURITY ASSISTANCE AGENCY  
SECURITY ASSISTANCE OPERATIONS DIRECTORATE  
WASHINGTON, D.C. 20301-2800

FACSIMILE TRANSMISSION

TO: Mr Val Trummus  
(NAME)

694-6550 DTSA  
(PHONE NUMBER) (OFFICE SYMBOL)

694-6392  
(TELECOPIER PHONE NUMBER)

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REMARKS, INSTRUCTIONS, COMMENTS:

Val, regarding our discussion earlier today: The attached change to DOD 5105.38-M was drafted based on our meeting several months ago with DLA. The change is to be included in Change 1, soon to be published. Based on the effort that went into this, including coordination with State, it was my impression that this issue is resolved.

FROM: Wayne Wells  
(NAME)

697-8108 DSAA/OPS-E  
(PHONE NUMBER) (OFFICE SYMBOL)

TELECOPIER NUMBER -- (202) 697-1656 (COMMERCIAL ONLY)

VERIFICATION# AV 227-6221 COMMERCIAL (202) 697-6222/6221

UNCLASSIFIED ONLY

The following should be substituted for Para 60003.D in the next change to the SAMM:

D. Proper Use of Materiel. The designated U.S. overseas military SAO will assist the host country in observing and reporting on the utilization of defense articles and services acquired through sale or lease from the United States. The following applies to FMS items, including those financed by MAP Merger funds. Items furnished under MAP prior to FY 1982 or Section 506 FAA are discussed in Section 1101.

1. Each country receiving U.S. defense articles is responsible for adherence to agreements under which transfers are made. These agreements were established to assure compliance with U.S. legislation and policy in order to protect the U.S., recipient country, other countries in the region, and private citizens against non-approved use of the articles. U.S. policy is designed to allow transfers only to those countries with the capability and intent to utilize equipment in accordance with established agreements.

2. Although controls established by the receiving country will continue to be the primary means for assuring that defense articles are used, from receipt to final disposition, according to agreements with the U.S., the SAO and others with knowledge of usage should be alert to indications of unauthorized use and report such use to the appropriate host country or U.S. country team organization.

3. When a U.S.-origin defense article has fulfilled its requirement and the recipient country desires to dispose of the article, there are two proper methods to use as follows:

a. The item may retain its military capability and be transferred to another country. It will normally be the responsibility of the transferring country to locate a purchaser. Third party transfer certification requirements are shown in Section 60003.K.

b. The item may be disposed of in-country. Because the military capability, potential for unauthorized disclosure of classified or sensitive information, civilian safety concerns, and other factors vary widely, adherence to DoD procedures for disposal are strongly encouraged.

4. Classified, sensitive, or dangerous features must be neutralized prior to or during the disposal process in order to eliminate potential for military or other unauthorized use. For non-MAP items, disposal remains the responsibility of the recipient country; however, the SAO should be aware of methods used by the country for final disposal of defense articles and whether a viable process exists for proper demilitarization.

5. If in-country demilitarization practices do not appear to meet U.S. standards, the recipient country should be encouraged to use U.S. demilitarization guidance in DOD 4160.21-M-1 obtained through FMS publications cases. Assistance for specific types of items may also be obtained from the DOD integrated materiel managers or DRMS for those items. A disposal process which fails to meet U.S. standards should be discussed with other principal members of the country team and raised to the appropriate U.S. level of the command chain, either within the host country or in the U.S., for resolution.

psca

60003.

60003 POLICIES.

**A. List of Eligible Countries to Purchase or Lease Defense Articles or Defense Services.** The current list of eligible countries and international organizations determined by the President is provided at Table 600-2. It should be noted that sales to certain countries or international organizations may be suspended for legal or policy reasons. Any questions relative to the eligibility of a foreign country or international organization should be referred to DSAA, Operations Directorate.

**B. Designation of Defense Articles and Services.** A copy of the U.S. Munitions List is included in Chapter 2. Items in categories which are asterisked (\*) on this list are considered SME.

**C. Foreign Military Design and Construction Sales.**

**1. Authority.** The AECA, Section 29 authorizes the sale of design and construction services to eligible foreign countries and international organizations provided the full costs are paid to the U.S. by the purchasing country or international organization. If such services are to be procured by the USG for sale under Section 29, the purchaser must make funds available in such amounts and at such time as they may be needed to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due.

**2. Congressional Reporting.** Congressional reporting requirements in the AECA, Section 36(b), apply to any design and construction program valued at \$200 million or more.

**3. Use of FMS Procedures.** The LOA and standard sales procedures will be utilized for all design and construction programs. Normally, design and construction services will be offered as follows:

**a.** When the design and construction services are a part of a total program, the services will be included in the total system case under the cognizance of the managing DOD component. A special note will be added to the case indicating that the services are offered under the authority of the AECA, Section 29 and also identifying the construction agent for this portion of the program, e.g. U.S. Army Corps of Engineers. In certain cases, the DOD component program manager and the construction agent may wish to conclude an internal agreement to summarize management relationships for a program.

**b.** When the design and construction services are not part of a total program, the DOD component responsible for providing the design and construction services will be assigned management responsibility for the case.

**c.** When the design and construction services are a follow-on requirement to a previous major system sale, the DOD component responsible for providing the design and construction services will prepare the LOA. However, where special circumstances such as unique funding requirements are experienced, the requirement for preparation of the follow-on LOA will be coordinated with DSAA, Operations Directorate to determine the appropriate management responsibility.

To Be  
Replaced

**D. Proper Use of Materiel.** Consistent with its resources and the situation prevailing in-country, the designated U.S. overseas military SAO will assist DOD components in observing and reporting on the utilization by the foreign country of defense articles and services acquired through FMS or leased to the recipient by the DOD.



UNCLASSIFIED ONLY

DEFENSE SECURITY ASSISTANCE AGENCY  
SECURITY ASSISTANCE OPERATIONS DIRECTORATE  
WASHINGTON, D.C. 20301-2800

FACSIMILE TRANSMISSION

TO: Mr Wayne Wells - DSAA  
~~Mr Val Trammes~~ (NAME)  
697-8108 (PHONE NUMBER) DSAA (OFFICE SYMBOL)  
~~694-6550~~  
~~694-6502~~ 697-1656 (TELECOPIER PHONE NUMBER)

TOTAL NUMBER OF PAGES INCLUDING COVER SHEET: 3

DATE/TIME SENT: 8/27/89 1230

REMARKS, INSTRUCTIONS, COMMENTS:

Val, regarding our discussion earlier today: The attached change to DOD 5105.38-01 was drafted based on our meeting several months ago with DLA. The change is to be included in change 1, soon to be published. Based on the work that went into this, including coordination with State, it is my opinion that this issue is resolved.

Wayne, your change is good. All it needs is a few fixes reflected in attached.

FROM: Val Trammes  
~~Wayne Wells~~ (NAME) DSAA-TCS  
694-6550 (PHONE NUMBER) ~~DSAA/TCS-E~~ (OFFICE SYMBOL)

TELECOPIER NUMBER - (202) 697-1656 (COMMERCIAL ONLY)

VERIFICATION# AV 227-6221 COMMERCIAL (202) 697-6222/6221

UNCLASSIFIED ONLY

Reply me'd 9/13/89

5. If in-country demilitarization practices do not appear to meet U.S. standards, the recipient country should be encouraged to use U.S. demilitarization guidance in DOD 4160.21-M-1 obtained through FMS publications cases. Assistance for specific types of items may also be obtained from the ~~DOD integrated materiel managers or DMS~~ for those items. A disposal process which fails to meet U.S. standards should be discussed with other principal members of the country team and raised to the appropriate U.S. level of the command chain, either within the host country or in the U.S., for resolution.

*advise  
DOD  
not under  
this  
under  
in SH*

psca



Approved by Mr. Ridd 1/14/85

2  
4

The following should be substituted for Para 60003.D in the next change to the SAMM:

**D. Proper Use of Material.** The designated U.S. overseas military SAO will assist the host country in observing and reporting on the utilization of defense articles and services acquired through sale or lease from the United States. The following applies to FMS items, including those financed by MAP Merger funds. Items furnished under MAP prior to FY 1982 or Section 506 FAA are discussed in Section 1101.

1. Each country receiving U.S. defense articles is responsible for adherence to agreements under which transfers are made. These agreements were established to assure compliance with U.S. legislation and policy in order to protect the U.S., recipient country, other countries in the region, and private citizens against non-approved use of the articles. U.S. policy is designed to allow transfers only to those countries with the capability and intent to utilize equipment in accordance with established agreements.

2. Although controls established by the receiving country will continue to be the primary means for assuring that defense articles are used, from receipt to final disposition, according to agreements with the U.S., the SAO and others with knowledge of usage should be alert to indications of unauthorized use and report such use to the appropriate host country or U.S. country team organization.

3. When a U.S.-origin defense article has fulfilled its requirement and the recipient country desires to dispose of the article, there are two proper methods to use as follows:

a. The item may retain its military capability and be transferred to another country. It will normally be the responsibility of the transferring country to locate a purchaser. Third party transfer certification requirements are shown in Section 60003.K.

b. The item may be disposed of in-country. Because the military capability, potential for unauthorized disclosure of classified or sensitive information, civilian safety concerns, and other factors vary widely, adherence to ~~DoD procedures for disposal~~ disposal procedures which meet ~~DoD standards~~ standards are required.

4. Classified, sensitive, or dangerous features must be neutralized prior to or during the disposal process in order to eliminate potential for military or other unauthorized use. For non-MAP items, disposal remains the responsibility of the recipient country; however, the SAO ~~should~~ <sup>must</sup> be aware of methods used by the country for final disposal of defense articles and whether a viable process exists for proper demilitarization ~~which meets or exceeds DoD requirements~~.

unlike they follow how DoD procedures, you can stay by the book with DoD. The DoD arms return program is the only way to get DoD arms back.

Approved  
Add to 1 Oct 88 SAMM 7  
change 1 —

**Subject: Guidelines for Industry Interface With SAOs**

The following will be included in the next change to DOD 5105.38-M, Security Assistance Management Manual:

**60203 GUIDELINES FOR INDUSTRY INTERFACE WITH SAO'S**

This subsection is directed toward representatives of U.S. industry. It is included as information in recognition of overlapping DOD and commercial interests in the area of defense sales and as a courtesy to the commercial organizations which purchase and use this manual as a reference document in their marketing efforts. It shows actions which U.S. commercial marketers may take which, when working with SAOs, will support U.S. interests while improving the opportunities for marketing success.

**A. Background.**

1. It is the mutual responsibility of the USG and U.S. industry to understand the merits of transferring U.S. military items and services in furtherance of U.S. objectives, including enhancement of U.S. defenses through support to friendly countries. It is to the advantage of both parties to build these defenses through both FMS and commercial channels and, in the process, to support U.S. policy and foster U.S. trade.

2. In order to carry defense marketing efforts out effectively, a working knowledge of the major differences between FMS and direct commercial sales should be helpful. A DOD booklet, "A Comparison of Direct Commercial Sales and Foreign Military Sales for the Acquisition of U.S. Defense Articles and Services", as well as other DOD publications pertaining to security assistance, are available from the Defense Institute for Security Assistance Management (DISAM/DIR), Building 125, Area B, Wright Patterson Air Force Base, OH 45433-5000; telephone (513) 255-2994/3669.

**B. SAO-Host Country-Industry Interface.** Representatives of U.S. industry should take into consideration that SAOs are responsible for long term mutually beneficial relationships between the U.S. and host countries. This "honest broker" role has, as one important aspect, the need to stress maximum defensive capability within available resources. This and other factors are weighed by SAOs, who give their overall mission precedence over the benefits of a specific prospective sale.

**C. Contacts With Country Representatives.** When dealing with international customers for the first time, it will be found

8

that ethics, customs, policies, and laws sometimes vary from those which are accepted or in force in the United States. It is important to become aware of these distinctions before consequential problems develop; therefore, industry representatives should familiarize themselves with U.S. laws which have a bearing on the conduct of international business.

D. Quality of Products and Support.

1. Industry representatives should be knowledgeable and forthright concerning follow-on support arrangements and should assist customer countries in using the available logistics infrastructure to operate and maintain marketed equipment. This is especially important in less developed countries.

2. In any direct sale, but particularly those for items which are not in the DOD inventory, industry should make every effort to provide a total package, including concurrent and follow-on spare parts, special tools, publications, training, and a repair and return program.

3. Quality control and customer service should be carried to delivery and acceptance since small nations often have great difficulty in correcting even minor problems.

E. Administrative Actions. Thirty days in advance of initial visits, defense industry representatives should provide SAOs:

1. A synopsis of equipment and services proposed for sale.

2. Current export license information, including restrictions and provisos.

3. Dates of planned in-country travel.

4. Non-proprietary information already provided to the host country, or other contacts concerning this equipment or service.

5. Specific support (briefings, appointments) requested.

In order to help insure program continuity, industry representatives should also backbrief SAOs before departure.

60202.C.5.b.

through FMS. DOD policy also provides that price quotes will not normally be provided for comparison of FMS with direct sales.

b. A particular concern of industry is that SAOs may be requested to provide pricing data on an informal basis, and that the planning data provided may be unfavorable to a commercial sale because the data does not reflect a considered response prepared by a MILDEP procurement activity. All inquiries on pricing should be referred back to the appropriate MILDEP and/or DSAA in accordance with the procedures elsewhere in this manual. This is the only way to assure that an SAO response will provide the most accurate P&A data possible. Even then it will be noted that a particular sale, either FMS or commercial, may include marked differences in delivery schedules, equipment modifications, spare parts, and training packages, and the recipient should exercise considerable caution in comparing FMS and commercial data.

c. The SAO should endeavor to be of assistance to a broad spectrum of U.S. defense industry marketing efforts. The SAO should endeavor to see that defense industry representatives marketing less complex, less expensive equipment receive attention just as do representatives marketing more sophisticated equipment. It is not uncommon for various levels of any Embassy to be involved in promoting particularly large sales of American equipment. While smaller vendors cannot expect this level of support, they should receive as much attention from the SAO and the mission staff as time and the specific case permits.

6. Follow-Up. The SAO should encourage visiting U.S. contractors to debrief him and other relevant members of the mission staff on their experiences in country. The SAO should also be prepared to respond to possible follow-up inquiries from industry representatives with respect to any reactions from host country officials or subsequent marketing efforts by foreign competitors. Embassy staff may also be alerted by the SAO about obtaining reactions from the host country officials and passing these on to industry representatives.

7. Exceptional Circumstances. It is reaffirmed that, in general, industry representatives are to receive assistance for defense materiel or service marketing efforts when requested. In the unusual event that assistance is requested but, in the judgement of the SAO, marketing efforts do not coincide with overall U.S. defense interests (e.g., the product is wrong for the country), or have potential for damaging U.S. credibility and relations with the country, SAO concerns should be relayed to the appropriate MILDEP and/or DSAA along with a request for instructions on how to proceed.

60203 GUIDELINES FOR INDUSTRY INTERFACE WITH SAO'S

(to be added)

add change  
D2

70002.C.3.a.

a. **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.

b. **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.]

*CLSSA policy questions may be referred to DSAA/OPS-E*

4. **Non-Standard Support.** This includes hardware or services required to support commercial end items; support of obsolete end items, including end items which have undergone system support buy outs; and to support selected non-U.S. origin military equipment.

a. In the absence of special circumstances such as existing commercial support arrangements, security assistance for these items may be provided through normal FMS procedures.

b. Requests involving sensitive technology or which have significant impact on U.S. programs should be coordinated with DSAA

←  
OK  
WZ  
(Based on  
DOD 5105.38  
OPS YDF  
Implementation  
DSAA 21  
5 Oct '85

**70003 PROCEDURES.**

A. **LOR.** An eligible foreign country or international organization which desires P&R data, P&A data, or an LOA from the USG conveys that desire to the U.S. Government in an LOR.

1. **Format.** Although no specific format is required for an LOR, the requestor must assure that the request is complete as indicated below:

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

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

c. 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.

d. When LORs are received which do not meet the requirements of paragraphs a. through c. 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.

2. **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:

a. **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

TABLE 700-2

MEMORANDUM FOR <sup>1 SP</sup> THE CHAIRMAN, JOINT CHIEFS OF STAFF  
~~UNDER SECRETARY OF DEFENSE ACQUISITION (P&T)~~  
~~DEPUTY UNDER SECRETARY OF DEFENSE (INDUSTRIAL AND~~  
~~INTERNATIONAL PROGRAMS) DUSD(A)~~  
SUBJECT: )  Security Assistance Request for Major Defense Equipment (MDE) - <sup>(Insert</sup> ~~(Country of~~  
~~Equipment of a Sensitive Nature~~  
 ~~International Organization~~

S. Spaw, Hum  
(\*)

(\*) The attached request from [Insert Country or International Organization] for [Insert Identification of Articles] which is identified as MDE or is considered to be of a sensitive nature 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.

(LEAVE SPACE FOR SIGNATURE BY  
DIRECTOR/DEPUTY DIRECTOR, DSAA)

Attachment(s):  
~~as~~ [Identity letter, message, or other request]

Copy Furnished:

- OJCS, Director, J-5
- DUSD(TSP)
- Applicable Security Assistance Organization in country SAO
- Applicable DOD Component
- Applicable Unified Command
- Applicable ASD (ISA or ISP)

\*Normally, memos <sup>nonclassified</sup> will be classified Confidential.

Change in red pen will show -  
workbook 5/12/89

TABLE 700-2. Memo <sup>random</sup> -- Subject: Security Assistance Request for MDE on Sensitive ~~Items~~ Articles

no change -  
Background

13 October 1988

MEMORANDUM FOR ALL OPERATIONS PERSONNEL

SUBJECT: Processing of Letters of Request

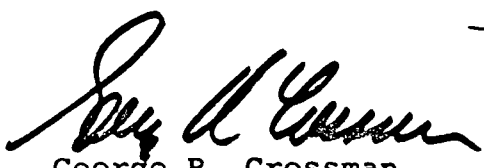
Several questions have been recently raised concerning the proper format for our memoranda to the JCS and USD(A) requesting their views on significant incoming LORs. The purpose of this memorandum is to clarify our current guidance in this area.

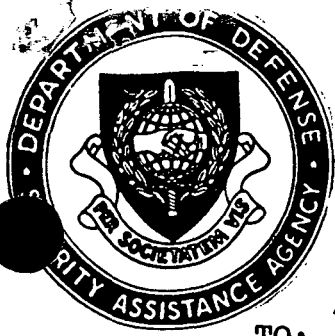
- 1. The address lines will continue to be those specified on page 7-14 of the SAMP. See copy attached.
- 2. The subject line, however, should be simplified. The preferable subject format is: Security Assistance Request - Country Name.
- 3. The Copy Furnished block should be revised to:
  - a. Change the IP&T line to reflect the new USD(A) reorganization. This entry should now read: DUSD(I&IP). (For Deputy Under Secretary of Defense, Industrial and International Programs.)
  - b. Include the appropriate Unified Command.
- 4. Note that there are three criteria for determining whether a memorandum is required:
  - a. All coproduction or licensed production requests for MDE items.
  - b. All MDE items expected to require a 36(b) notification.
  - c. Any other item you consider to be sensitive.

See page 7-9 of the SAMP, a copy of which is attached.

The new revised and updated version of the SAMP is currently at the printer, and should be distributed next month. Because we have only recently confirmed the new organizational structure in USD(A) it will not conform to the above guidance until we are able to process a first amendment. To the extent it differs, please follow the guidance outlined above.

Attachments as stated

  
George R. Crossman  
Deputy Director  
Security Assistance Operations



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DEFENSE SECURITY ASSISTANCE AGENCY  
SECURITY ASSISTANCE OPERATIONS DIRECTORATE  
WASHINGTON, D.C. 20301-2800

FACSIMILE TRANSMISSION

TO: DISAM

(NAME)

(PHONE NUMBER)

(OFFICE SYMBOL)

9-1-513-255-4319

(TELECOPIER PHONE NUMBER)

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FROM: Mr. WEISS

(NAME)

697-8108  
(PHONE NUMBER)

DSAA OPE  
(OFFICE SYMBOL)

TELECOPIER NUMBER -- (202) 697-1656 (COMMERCIAL ONLY)

VERIFICATION# AV 227-6221 COMMERCIAL (202) 697-6222/6221

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ORIGINAL



As of 25 Sep 89

**TABLE 700-6**  
**MAJOR DEFENSE EQUIPMENT LIST**

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
<b><u>CATEGORY I - FIREARMS</u></b>		
Rifle, 5.56mm M-16 Series (A)	(No Charge)	
* Gun, Machine, 7.62mm, M240 (A)	65.07	(c)
<b><u>CATEGORY II - ARTILLERY AND PROJECTILES</u></b>		
Gun, M-61, 20mm (AF)	1,342.00	6 Dec 84
* Gun, GAU-8, 30mm (AF)	27,881.00	22 Jan 81
Gun, Pod, GPU-5/A, 30mm (AF)	60,239.00	11 Aug 82
* Gun, Machine, 50 CAL, M-2 (A)	1.82	(c)
Howitzer, Towed, 105mm, M101A1 (A)	850.00	11 Jun 87
Howitzer, Med, Towed, 155mm, M-198 (A)	47,483.00	14 Feb 86
<b><u>CATEGORY III - AMMUNITION</u></b>		
Cartridge, 20mm (A)	(a)	
* Cartridge, 30mm (GAU-8) (AF)	.50	(c)
* Cartridge, 40mm HE (A)	.11	(c)
Cartridge, 40mm, HE, M406 (A)	(a)	
* Cartridge, 60mm, HE (A)	.47	(c)
Cartridge, 60mm, HE, M49A2/A3/A4 (A)	(a)	
Cartridge, 81mm, ILLUM (M301)(only)(A)	.04	7 May 81
Cartridge, 81mm, HE, M374A2/A3 (A)	(a)	
* Cartridge, 105mm, HE, HEP-T, M393A2 (A)	(a)	
Cartridge, 105mm, HEAT-T MP M456 (A)	3.59	7 May 81
Cartridge, 105mm, M490 (A)	.57	7 May 81
Cartridge, 105mm, M724A1 (A)	1.42	7 May 81
* Cartridge, 105mm, APFSDS-T M735 (A)	68.00	(c)
Cartridge, 105mm, APFSDS-T M774 (A)	(a)	
Cartridge, 105mm, APFSDS-T M833 (A)	(a)	
* Cartridge, 120mm, APFSDS-T M829 (A)	126.60	2 Dec 88
* Cartridge, 120mm, HEAT MP-T M830 (A)	293.59	2 Dec 88
* Cartridge, 120mm, HEAT TP-T M831 (A)	83.03	2 Dec 88
* Cartridge, 120mm, TPCSDS-T M865 (A)	37.82	2 Dec 88
* Cartridge, 4.2", HE (A)	(a)	
* Cartridge, 4.2", HE, M329 (A)	(a)	
Cartridge, 4.2", ILLUM (M335) (includes M577 fuze) (A)	4.03	
Projectile, 5"/38 CAL (N)	15.60	9 Jul 84
Projectile, 5"/54 CAL (N)	74.42	4 May 84
Projectile, 155mm, M107 (A)	3.22	21 May 79

Projectile, 155mm, M483/M483A1 (A)	2.20	2 Mar 82
Projectile, 155mm, HE RAP (M549) (A)	13.76	5 Feb 81
Projectile, 155mm, CLGP, M-712 COPPERHEAD (A)	4,152.00	17 Sep 81
Projectile, 155mm, ADAM M692/M731 (A)	111.00	30 May 86
Projectile, 155mm, HE, RAAMS M718/M741 (A)	57.00	30 May 82
Projectile, 175mm, HE, M437 (A)	2.33	26 Mar 80
Projectile, 8", HE M106 (A)	.04	21 May 79
Projectile, 8", HE, ICM (A)	15.48	21 May 79
Projectile, 8", HE, ICM M509 (A)	(a)	
Projectile, 8", HE, M650 (A)	83.04	21 May 79

**CATEGORY IV - LAUNCH VEHICLES. GUIDED**

**MISSILES, BALLISTICS MISSILES, ROCKETS**

**TORPEDOES, BOMBS, AND MINES**

* Bomb, BLU-109 w/FMU-143/B Fuze	1.097.00	18 May 89
Bomb, Anti-Armor Cluster Munition CBU-90 (AF)	3,351.00	
Bomb, Combined Effects Bomblet, CBU-87 (AF)	1,080.00	6 Dec 84
Bomb, Cluster, TMD/Gator Mines, CBU-89 (N)	(a)	
Bomb, MK-20, Cluster Bomb, Rockeye (N)	117.39	25 Mar 83
Bomb, MK-82, 500#, General Purpose (N)	3.29	25 Mar 83
Bomb, MK-83, 1,000#, General Purpose (N)	10.40	25 Mar 83
Bomb, MK-84, 2,000#, General Purpose (N)	12.80	25 Mar 83
Bomb, M-117, 750#, General Purpose (AF)	20.00	6 Dec 84
Bomb, Guided, Walleye Series (N)	6,183.00	6 Dec 84
Fuel Air Explosive Weapon, FAE II (N)	(a)	
Gun Mount, 5"/54, MK-45 MOD1 (N)	142,566.00	1 Oct 84
Gun Mount, 76mm Gun, MK-75 (N)	62,749.00	6 Dec 84
* Launcher, HARPOON Shipboard Command and Launch Control System, AN/SWG-1 (V) (N)	80,562.00	20 Jan 78
* Launcher, HARPOON Shipboard Command and Launch Control System, AN/SWG-1A (V) (N)	109,603.00	11 Dec 86
Launcher, HELLFIRE (A)	14,715.00	14 May 85
Launcher, TOW (A)	3,029.00	16 Sep 77
* Launcher, MK-13 (MOD0 thru 4) (N)	78,125.00	17 Nov 78
Launcher, PATRIOT (A)	214,782.00	18 Nov 88
Launcher, ROLAND (A)	324,828.00	24 Sep 80
Launcher, Multiple Launch Rocket System (MLRS) (A)	173,000.00	2 Dec 85
* Launcher, Vertical, MK-41 (w/o Cannister) (N)	1,232,863.00	14 Dec 87
* Launcher, Vertical, MK-41 (w/Canister)	1,239,246.00	14 Dec 87

Light, Antitank Weapon, 66mm, LAW		
M72 Series (A)	1.32	(c)
Missile, AIM-120, AMRAAM (AF)	(a)	
Missile, AIM-4A-G, FALCON (AF)	3,321.00	12 Mar 82
Missile, AIM-7 SKYFLASH Portion (N)	820.30	7 May 81
Missile, AIM-7C/D/E, SPARROW (N)	2,733.00	7 May 81
Missile, AIM/RIM-7F/M, SPARROW (N)	7,646.00	2 Jun 82
Missile NATO SEASPARROW Surface Missile System (NSSMS) (N)	(a)	
Missile, AIM-9H SIDEWINDER (N)	3,457.00	26 Oct 78
* Missile, AIM-9/J/P/N, SIDEWINDER (AF)	134.00	12 Mar 82
Missile, AIM-9L SIDEWINDER (N)	2,604.00	18 May 78
Missile, AIM-9M SIDEWINDER (N)	6,368.00	25 Mar 83
* Missile, AGM-45, SHRIKE (N)	4,890.00	11 Aug 78
Missile, AIM-54A-C, PHOENIX (N)	71,295.00	10 Jan 83
(Includes Front End - 35,019; Aft End - 36,276)		
Missile, AGM-65A/B, MAVERICK (AF)	3,722.00	3 Feb 81
* Missile, AGM-65D (AF)	5,343.00	3 Nov 87
Missile, AGM-65E, LASER MAVERICK (AF)	24,213.00	6 Dec 84
* Missile, AGM-65F/G (AF)	6,331.00	3 Nov 87
Missile, AGM-88, HARM (N)	21,249.00	20 Apr 82
* Army Tactical Missile System (ATACMS) (A)	148,275.00	1 Oct 88
* Missile, MIM-72 CHAPARRAL Series (A)	2,099.91	16 Dec 88
* Missile, MIM-72 CHAPARRAL w/Smokeless Motor) (A)	2,102.91	16 Dec 88
Missile, DRAGON, HEAT and Practice (A)	378.00	24 Mar 80
Missile, R/U/AGM-84 HARPOON (N)	44,083.00	20 Jan 78
Missile, HELLFIRE, HEAT (A)	4,124.00	14 May 85
Missile, HELLFIRE, Dummy (A)	531.00	14 May 85
Missile, HELLFIRE, Training (A)	2,719.00	14 May 85
Missile, I-HAWK Series (A)	7,053.00	12 Nov 80
Missile, LANCE (A)	76,205.00	21 May 79
Missile, NIKE HERCULES (A)	448,055.00	
Missile, MIM-104 PATRIOT (includes canister) (A)	82,836.00	18 Nov 82
Missile PERSHING Series (A)	128,378.00	
Missile, REDEYE (A)	(a)	
Missile, ROLAND (A)	4,422.00	24 Sep 80
Missile, Shore Defense, RBS-17 (Derivative of HELLFIRE) (A)	3,300.00	20 May 87
Missile, AGM-78 STANDARD ARM (N)	(a)	
Missile, RGM-66D, STANDARD ARM, MR (N)	(a)	
Missile, RIM-66B-2--66B, RIM-66E (MR), RIM-67A-13(ER), BLOCK V STANDARD SM-I (N)	12,602.00	15 Sep 77
* Missile, RIM-66D and RIM-67B STANDARD II, MR, ER, SM-2 Block I (N)	89,651.00	6 Dec 84
* Missile, RIM-66D and RIM-67B STANDARD II, MR, ER, SM-2/BLOCK II (N)	40,253.00	21 Apr 89
Missile, 5" Rolling Airframe, RAM,		

X-RIM-116A (N)	(a)	
Missile, STINGER Basic (A)	7,600.00	20 Dec 88
Missile, STINGER Post (A)	302,200.00	20 Dec 88
Missile, STINGER RMP (A)	3,700.00	20 Dec 88
Missile, TOMAHAWK (N)	(a)	
Missile, BGM-71A, Basic TOW HEAT and Practice (A)	293.00	16 Sep 77
Missile, I-TOW (A)	487.00	3 Nov 81
Missile, BGM-71D, TOW 2 (A)	658.00	19 Dec 83
Missile, M-65 Subsystem, Airborne TOW (A)	28,578.00	7 May 81
Rocket, Antisubmarine, ASROC (N)	855.00	20 Dec 84
Rocket, 2.75" Series (A)	.87	26 Mar 80
Rocket, M-77, Multiple Launch Rocket System (MLRS) Tactical, Practice, and Training (A)	615.00	2 Dec 85
* Rocket Vertical Launch Antisubmarine (N)	98,926.00	14 Dec 88
Torpedo, MK-46 MOD 2 (N)	8,993.00	
Torpedo, MK-46 NEARTIP O/A Kit (Converts MK-46 MODs 1/2 to MOD 5) (N)	3,795.00	26 Jan 80
Torpedo, MK-46 MOD 5 (N)	9,308.00	
Torpedo, MK-48 (N)	86,255.00	21 Jul 77
Torpedo, MK-48 ADCAP Kit (N)	103,322.00	25 Nov 80

**CATEGORY V - PROPELLANTS, EXPLOSIVES  
AND INCENDIARY AGENTS**

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

**CATEGORY VI - VESSELS OF WAR AND  
SPECIAL NAVAL EQUIPMENT**

CG - Guided Missile Cruiser (N)	(a)	
DD-963 (N)	(a)	
DD - Destroyer (N)	(a)	
DDG - Guided Missile Destroyer (N)	(a)	
* FF-1040 (N)	(a)	
FFG - Guided Missile Frigate (N)	3,591,379.00	18 Oct 78
* FFG-1 (N)	(a)	
LCAC - Landing Craft Air Cushion (N)	(a)	
LHD - Amphibious Assault Ship (N)	(a)	
LPD - Amphibious Transport Dock (N)	(b)	
LSD - Dock Landing Ship (N)	(b)	
LST - Tank Landing Ship (Newport Class) (N)	824,840.00	25 Jan 84
LKA - Amphibious Cargo Ship (N)	(b)	
LPA - General Purpose Amphibious Assault Ship (N)	(b)	
MSO - Minesweeper, Ocean, Nonmagnetic (N)	(b)	
* PHM - Patrol Combatant Missile, Hydrofoil (Nato Configuration) (N)	1,000,000.00	(c)
* PHM - Patrol Combatant Missile, Hydrofoil (FRG Configuration) (N)	1,250,000.00	(c)

SS - Submarine, Conventionally Powered (N)

(b)

**CATEGORY VII - TANKS AND  
MILITARY VEHICLES**

Carrier, Armored Personnel, M-113		
Series (A)	688.00	11 Sep 78
Carrier, Mortar, M-106A1/2 (A)	688.00	11 Sep 78
Carrier, Mortar, M-125A1 (A)	688.00	11 Sep 78
Carrier, Cargo, M-548 Series (A)	688.00	11 Sep 78
Carrier, Command Post, M-577 Series (A)	688.00	11 Sep 78
Carrier, LANCE, M-667, (A)	688.00	11 Sep 78
Carrier, HAWK, M-727, (A)	688.00	11 Sep 78
Carrier, CHAPARRAL, M-730, (A)	688.00	11 Sep 78
Carrier, VULCAN, M-741, (A)	688.00	11 Sep 78
Gun, Self-propelled, 175mm, M-107 (A)	40,258.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110 (A)	14,371.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110A1 (A)	16,975.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110A2(A)	21,069.00	26 Mar 80
Howitzer, Self-propelled, 155mm, M-109A1-A3 (w/cannon assembly) (A)	8,771.00	23 Jun 87
Howitzer, Self-propelled, 155mm, M-109A1-A3 (w/o cannon assembly) (A)	7,447.00	23 Jun 87
Tank, M-48A1 (A)	1,479.00	
Tank, M-48A3 (A)	5,521.00	
Tank, M-48A5 (A)	12,849.00	
Tank, M-60A1 (A)	14,083.00	3 Mar 80
Tank, M-60A3 w/TTS (A)	31,427.00	3 Mar 80
Tank, M-60A3 w/o TTS (A)	21,939.00	3 Mar 80
* Tank, M-1, ABRAMS (A)	114,443.00	27 Oct 88
* Tank, M-1A1 (A)	226,725.00	27 Oct 88
Tank Engine, AVDS-1790 Series (A)	2,066.00	3 Mar 80
Vehicle, Assault Amphibian, AAV7A1 (N)	91,426.00	20 Apr 82
Vehicle, Armored Reconnaissance Assault, M-551 (A)	33,213.00	
Vehicle, Combat Engineering Vehicle (CEV), M-728 (A)		(a)
Vehicle, Fire Direction Control Center (FDCV) (A)	3,382.00	21 May 86
Vehicle, Fire Support Team (FISTV), M-981 (A)	68,476.00	3 Feb 86
Vehicle, Infantry Fighting (IFV), M2 (A) (w/o 25mm Cannon)	74,715.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M2 (A) (w/25mm Cannon)	79,392.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M3 (A) (w/o 25mm Cannon)	73,678.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M3 (A) (with 25mm Cannon)	78,355.00	25 Jun 82
* Vehicle, Light Armored (LAV) (N) LAV 25 (w/o M242 Gun)	69,965.00	24 Aug 88
LAV Anti Tank	69,965.00	24 Aug 88

LAV Command and Control	69,965.00	24 Aug 88
LAV Logistics	69,965.00	24 Aug 88
LAV Mortar	69,965.00	24 Aug 88
LAV Recovery	69,965.00	24 Aug 88
Vehicle Mechanized Infantry Combat, M-723 (A)	(a)	
* Vehicle, Recovery, M-88/M88A1) (A)	8,460.00	1 Nov 88
Vehicle, Recovery, M578 (A)	(a)	
Vulcan Air Defense System, M-163 an M-167 Series (A)	29,439.00	26 Mar 80
* High Mobility Multi-Purpose Wheeled Vehicle (HMMWV)	660.00	6 Apr 88
M966 Tow Carrier BSC Armor	660.00	6 Apr 88
M996 Ambulance, 2 Litter	660.00	6 Apr 88
M997 Ambulance, 4 Litter	660.00	6 Apr 88
M998 Cargo Troop Carrier	660.00	6 Apr 88
M1025 Armament Carrier BSC Armor w/o wpns	660.00	6 Apr 88
M1026 Armament Carrier BSC Armor w/wpns	660.00	6 Apr 88
M1027 GLLD Carrier	660.00	6 Apr 88
M1035 Soft Top Ambulance, 2 Litter	660.00	6 Apr 88
M1036 Tow Carrier BSC Armor w/wpns	660.00	6 Apr 88
M1037 Shelter Carrier w/wpns	660.00	6 Apr 88
M1038 Cargo Troop Carrier Soft Top	660.00	6 Apr 88
M1042 Shelter Carrier w/wpns	660.00	6 Apr 88
M1044 Armament Carrier Supp Armor w/wpns	660.00	6 Apr 88
M1045 Tow Carrier Supp Armor w/o wpns	660.00	6 Apr 88
M1046 Tow Carrier Supp Armor w/wpns	660.00	6 Apr 88

**CATEGORY VIII- AIRCRAFT, SPACECRAFT  
AND ASSOCIATED EQUIPMENT**

* A-4A (w/o engine) (N)	15,165.00	20 Oct 83
* A-4B (w/o engine) (N)	12,864.00	20 Oct 83
* A-4C (w/o engine) (N)	15,523.00	20 Oct 83
* A-4E (w/o engine) (N)	27,929.00	20 Oct 83
* A-4F (w/o engine) (N)	32,226.00	20 Oct 83
* A-4M (w/o engine) (N)	132,000.00	20 Oct 83
A-6 (N)	(a)	
A-7 (w/o FLIR) (N)	243,881.00	8 Sep 83
* A-10 (w/o TF-34 Engine) (AF)	388,786.00	12 Mar 82
A-37 (AF)	19,651.00	
* AH-1S COBRA W/T-53-L-705 Engine, M-65 TOW & C-NITE Systems	163,860.00	17 May 89
AH-1J SEACOBRA (w/o engine) (N)	52,245.00	11 Oct 85
AH-1T SEACOBRA (w/o engine) (N)	486,665.00	11 Oct 85
* AH-64 APACHE (w/o 2 T-700 engines)	1,006,272.00	30 Dec 83
AV-8B (w/o UK Assessment) (N)	867,373.00	26 Jun 81
C-5A, GALAXY (AF)	12,661,728.00	12 Mar 82
C-130, HERCULES w/4 T-56 engines (AF)	102,520.00	3 Aug 83
C-141A/B, STARLIFTER (AF)	892,254.00	12 Mar 82

CH-47A/B/C w/2 T-53-L-11A engines (A)	100,000.00	
CH-47D CHINOOK (A)	(a)	
CH-53E/MH-53E (w/o T 64 Engine) (N)	1,023,097.00	12 May 83
* E-2B (N)	298,400.00	22 Jun 89
E-2C (N)	2,625,904.00	18 May 78
E-3A, SENTRY (U.S./NATO Standard) (AF)	33,021,000.00	26 Oct 81
(total U.S. NRC charge \$27.43M; total NATO NRC charge \$5.59M)		
EA-6 (N)	(a)	
* F-4A (w/o engines) (N)	129,712.00	20 Oct 83
* F-4B (w/o engines) (N)	70,450.00	20 Oct 83
F-4E (N) (w/engines) (25% discounted for useful life) (N)	159,408.00	20 Oct 83
F-4G WILD WEASEL (MOD only) (AF)	667,241.00	12 Mar 82
* F-4J (w/o engines) (N)	122,089.00	20 Oct 83
* F/RF-5A, TIGER (w/o 2 J-85 engines) (AF)	40,000.00	1 Nov 71
* F/RF-5E, TIGER II (w/o 2 J-85 engines) (AF)	68,000.00	1 Nov 71
* F/RF-5F, TIGER II (w/o 2 J-85 engines) (AF)	207,000.00	25 Nov 75
F-8 (N)	56,859.00	12 May 81
F-14 (N)	1,600,000.00	29 Nov 76
F-15, EAGLE (AF)	1,600,000.00	29 Nov 76
F-16 A/B (w/J-79 engine) (AF)	456,934.00	1 May 81
F-16 A/B FIGHTING FALCON (w/o EPG special NRC) (AF)	640,000.00	4 Jun 80
F-16A Simulated Aircraft Maintenance Trainer (SAMT) (AF)	172,220.00	3 Jul 85
* F-16 C/D (w/o engine) (AF)	554,000.00	24 Feb 89
F-18 (N)	1,117,281.00	30 Mar 87
F-100A (AF)	37,840.00	6 Dec 84
F-100C (AF)	25,800.00	6 Dec 84
F-100D (AF)	25,440.00	6 Dec 84
F-100F (AF)	27,840.00	6 Dec 84
F-101B/F (AF)	65,560.00	6 Dec 84
F-102 (AF)	38,320.00	6 Dec 84
F-104A STARFIGHTER (AF)	42,080.00	6 Dec 84
F-104B/C/D (AF)	91,040.00	6 Dec 84
* F-104G/J (AF)	54,360.00	27 Nov 87
F-105B, THUNDERCHIEF (AF)	168,000.00	6 Dec 84
F-105D/F (AF)	78,400.00	6 Dec 84
F-106A/B, DELTA DART (AF)	159,200.00	6 Dec 84
F-111A/C/D/E/F (AF)	605,320.00	6 Dec 84
H-3E (N)	(a)	
H-46 (N)	(a)	
H-53 (S-65) (N)	166,029.00	27 Feb 79
KC-10, EXTENDER (AF)	1,176,667.00	12 Mar 82
KC-135A, STRATOTANKER (AF)	217,034.00	12 Mar 82
OH-6, CAYUSE (A)	18,000.00	11 Jun 87
OH-58A, KIOWA (A)	22,000.00	11 Jun 87
OH-58C, KIOWA (A)	48,000.00	11 Jun 87
OV-1A/B/C, MOHAWK (A)	119,229.06	23 Jun 82

OV-10 (w/o engine) (N)	41,930.00	9 Jun 78
P-3A/B (N)	382,750.00	20 Oct 83
P-3C (N)	592,219.00	3 Jan 78
P-3C AEW&C (N)	1,761,974.00	25 Feb 87
P-3C Update III Configuration (N)	1,044,128.00	17 May 89
Remotely Piloted Vehicle (RPV), ACQUILA (A)	(a)	
* RF-4B (w/o engines) (N)	104,566.00	20 Oct 83
RF-4C, PHANTOM II (AF)	108,000.00	6 Dec 84
S-2A (w/o engines) (N)	18,987.00	20 Oct 83
S-2C (w/o engines) (N)	23,497.00	20 Oct 83
S-2D (w/o engines) (N)	38,448.00	20 Oct 83
S-2E (w/o engines) (N)	35,950.00	20 Oct 83
S-3 (N)	3,502,643.00	26 Jun 81
SH-2/2D/2F LAMPS, MARK I (w/ 2 T-58-GE engines) (N)	325,423.00	6 Dec 84
SH-60B (LAMPS, MARK III Airframe w/o 2 T-700-GE-401 engines) (N)	859,636.00	15 Oct 82
SH-60B Minimum Avionics Suite (N)	366,236.00	15 Oct 82
SH-60B Mission Avionics Suite (N)	1,063,400.00	15 Oct 82
SH-60B Ship Electronics (N)	1,131,227.00	15 Oct 82
* SH-70C (w/o engine) (N)	855,284.00	23 Jun 87
T-2 (N)	39,968.00	10 Jan 78
TA-4F (w/o engine) (N)	28,110.00	20 Oct 83
* TA-4J (w/o engine) (N)	51,176.00	20 Oct 83
T-33 (AF)	2,857.00	12 Mar 82
* T-37 (AF)	19,651.00	(c)
T-38A (AF)	80,972.00	12 Mar 82
TH-55, OSAGE (A)	6,000.00	11 Jun 87
UH-1H, IROQUOIS (A)	4,501.00	1 May 81
UH-1N (N)	48,032.00	12 Jul 85
UH-60A BLACKHAWK (w/o 2 T-700-GE-700 eng.)(A)	169,692.00	3 Oct 81

**ENGINES**

* CFM-56 (AF)	20,000.00	17 May 89
* CT7-2A/2D (derivative of T-700 eng.) (N)	29,697.00	21 Dec 88
* CT7-5A/7A (derivative of T-700 eng.) (A)	25,777.00	21 Dec 88
* CT7-6/9 (derivative of T-700 eng.) (N)(A)	9,236.00	21 Dec 88
CT-58 (derivative of T-58) (N)	20,045.00	11 Jun 87
F-100-PW-100/200 (AF)	221,705.00	12 Mar 82
* F-100-PW-220 (AF)	464,050.00	24 Feb 89
F-101 (AF)	(a)	
F-101X (AF)	(a)	
F-107(N)	(a)	13 Mar 87
* F-110-GE-100 (AF)	464,050.00	24 Feb 89
F-404 (N)	63,840.00	30 Mar 87
J-47 (AF)	2,168.00	12 Mar 82
J-52P-6A/B (N)	7,370.00	8 Sep 83
J-52P-8A/B (N)	30,658.00	8 Sep 83
J-52P-408 (N)	33,106.00	8 Sep 83



J-57P-6B (N)	4,600.00	8 Sep 83
J-57P-10 (N)	4,120.00	8 Sep 83
J-60P-3/3A (N)	2,520.00	8 Sep 83
J-75 (AF)	28,999.00	12 Mar 82
J-79-GE-8/10 (N)	6,400.00	8 Sep 83
J-79-GE-17/17A/119 (AF)	27,464.00	1 Oct 83
J-85 (AF)	17,901.00	23 Mar 83
PW-1120 (Derivative of F-100-PW-200) (AF)	155,194.00	20 Oct 83
T-33-P-100 (AF)	(a)	
T-53 (N)	1,542.00	7 May 81
T-53-L-703 (A)	2,626.00	7 May 81
T-55 (A)	6,400.00	
T-56 (N)	13,313.00	12 May 83
T-58 (N)	20,045.00	11 Jun 87
T-64 (N)	38,578.00	12 May 83
* T700-GE-401/401A (N)	29,697.00	21 Dec 88
* T700-GE-401C (N)	25,450.00	21 Dec 88
* T700-GE-700 (A)	29,697.00	21 Dec 88
* T700-GE-701/701A/701A1 (A)	29,697.00	21 Dec 88
* T700-GE-701C (A)	25,450.00	21 Dec 88
TF-30 (N)	43,866.00	20 Jun 79
TF-34 (N)	20,705.00	12 Mar 82
TF-39 (AF)	441,707.00	12 Mar 82
TF-41-A-2A/-2B/-400/-402/-402B (N)	48,249.00	6 Dec 84

#### Other

Modular Integrated Communication		
Navigation System Ground Data		
Terminal (MICNS GDT) (A)	(a)	

#### CATEGORY IX - MILITARY TRAINING EQUIPMENT

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

#### CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

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

#### CATEGORY XI - MILITARY AND SPACE ELECTRONICS

Avionics Intermediate Shop (AIS) (F-16A/B) (AF)	1,190,000.00	12 Apr 84
Avionics Intermediate Shop (AIS) (F-16C/D) (AF)	2,400,000.00	12 Apr 84
Countermeasure System Torpedo Ex Set 1 (N)	(a)	
Countermeasures, AN/ALQ-126, SPJ System (N)	26,631.00	5 Jun 85
Countermeasures, AN/ALQ-165, ASPJ (N)	111,425.00	6 Dec 84

Countermeasures, ALQ-119 (AF)	6,138.09	9 Dec 75
Countermeasures, ALQ-131 w/receiver (AF)	26,970.00	28 Sep 79
Countermeasures, ALQ-131 w/o receiver (AF)	24,108.00	28 Sep 79
Countermeasures, AN/SLQ-32(V)1 (N)	115,000.00	25 Apr 86
Countermeasures, AN/SLQ-32(V)2 (N)	250,350.00	25 Apr 86
Countermeasures, AN/SLQ-32(V)3 (N)	381,803.00	25 Apr 86
Engagement Control System (ECS), PATRIOT, AN/MSQ-104 (A)	548,311.00	15 Nov 82
Joint Tactical Information Distribution System, JTIDS (AF)	50,828.00	30 Oct 82
* Digital Mapping System, MK 90, (DMA) Product Generation Module	91,898.00	18 May 89
Source Preparation Module	432,291.00	18 May 89
Data Services Module	34,254,561.00	18 May 89
Data Extraction Module	324,248.00	18 May 89
NAVSTAR Global Positioning System (GPS) (AF)	1,000.00	
* Ocean Surveillance Information System (OSIS) Baseline Upgrade (OBU) (N)	11,586,364.00	11 Sep 87
Radio, AN/ARA-54 (A)	39.84	
Radio, AN/VRC-12 Series (12, 43 through 49) (A)	70.00	15 Feb 84
Radio, AN/TRC-170 (AF)	60,622.00	15 Feb 84
Sonar, AN/SQR-18A (N)	267,069.00	
Sonar, AN/SQR-18A (CV) 1 (N)	601,837.00	24 May 84
Sonar, AN/SQR-19 (N)	1,349,593.00	29 Mar 82
* Sonar, AN/SQS-56 (N)	173,193.00	19 Jul 88
* SURTASS, AN/UQQ-2(V)1 (N)	3,029,374.00	28 Aug 89
* SURTASS, AN/UQQ-2(V)1 (Shipboard System)(N)	1,785,000.00	28 Aug 89
Tactical Flag Command Center (N)	(a)	
* Tactical Air Operations Center, AN/TYQ-23 (N)	198,600.00	17 May 89
Tactical Air Operations Center, TAOC-85 (N)	(a)	
Tactical Operations System (TOS) AN/UYQ-19 and AN/UYQ-36 (A)	121.128.00	
Telephone, AN/TTC-38, Central (A)	(a)	
Telephone AN/TTC-39, (A)	(a)	
Telephone, AN/TTC-42, Unit Level Circuit Switch (N)	(a)	
Versatile Avionics Shop Test (VAST), AN/USM-247(V) (N)	(a)	

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

AEGIS Weapon System (N)	16,288,000.00	25 Feb 87
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(Note: NRC for AEGIS does not include the NRC for the Standard Missile nor the Vertical Launch System)

Close in Weapon Systems, CIWS,

PHALANX (NRC is per gun mount) (N)	287,842.00	28 Oct 78
Computer, Fire Control MK1A (N)	(a)	
Director, Fire Control, MK51-2 (N)	(a)	
Fire Control Gun System, MK-37 (N)	24,800.00	6 Dec 84
Fire Control System, Missile MK-74 MOD 4 (N)	(a)	
Fire Control gun System, MK-56 (N)	15,400.00	6 Dec 84
Fire Control gun System, MK-68 (N)	60,000.00	6 Dec 84
Fire Control, System, ROLAND AN/GSG-11 (A)	324,828.00	24 Sep 80
Fire Control System, MK-86 (N)	(a)	
Fire Direction System, AN/GSG-10 TACFIRE (A)	740,331.00	
Goggles, Night Vision, AN/PVS-5 (A)	157.49	31 Jan 80
Guided Bomb Unit, GBU-10/12 w/o fuze (AF)	203.00	15 Jun 87
Guided Bomb Unit, GBU-10/12 w/FMU-81 Fuze (AF)	243.00	15 Jun 87
Guided Bomb Unit, GBU-10/12 w/FMU-139A A/B fuze (AF)	217.00	15 Jun 87
Guided Bomb Unit, GBU-15 (AF)	12,528.00	
Guided Bomb Unit, GBU-16 (N)	(a)	
Laser Target Designator, AN/AVQ-26, PAVE TACK (AF)	643,071.00	11 Jun 87
MFC5 MK-92 (N)	(a)	
Manpack System, Single Channel UHF, AN/PSC-1 and AN/PSC-7 (A)	(a)	
Manpack, LOREN, AN/PSN-6 (A)	(a)	
Marine Integrated Fire and Air Support System (MIFASS) (N)	(a)	
Missile Minder, AN/TSQ-73 (A)	715,687.00	
Mission Payload Subsystem (MPS), Daylight (A)	(a)	
MPS, Forward Looking InfraRed (FLIR) (A)	(a)	
Modular Tactical Communications Center (MTCC) (A)	(a)	
* Navigation Pod, AN/AAQ-13 (LANTIRN) (AF)	217,453.00	18 May 89
* Pathfinder (Derivative of AN/AAQ-13) (AF)	32,618.00	12 Jul 89
* PATRIOT Antenna Mast Set (A)	131,906.00	18 Nov 82
* PATRIOT Electrical Power Plant (EPPII) (A)	339,464.00	18 Nov 82
* Position Location Reporting System, AN/TSQ-129 Master Station (A)	1,179,261.00	30 Nov 88
* RT-1343/TSQ-129 Basic User Unit (A)	41,298.00	30 Nov 88
Radar, AN/APG-63, (AF)	410,407.00	
Radar, AN/APG-65 (F-18)	29,471.00	30 Mar 87
* Radar, AN/APG-65 (EFA Configuration)	23,543.00	21 Apr 89

Radar, AN/APG-66 (F-16A/B) (AF)	30,400.00	12 Apr 84
Radar, AN/APG-68 (F/16C/D) (AF)	101,120.00	12 Apr 84
Radar, AN/APS-145 (N)	1,078,582.00	25 Feb 87
Radar, Antenna, AN/APS-138 (AN/APS-145) (N)	162,047.00	25 Feb 87
Radar, AN/AWG-9 (PHOENIX) (AF)	338,403.00	
* Radar, AN/FPS-117 (AF)	883,053.00	20 Apr 89
Radar, AN/MPQ-53, (PATRIOT) (A)	2,383,426.00	18 Nov 82
Radar, AN/SPS-46 (N)	(a)	
Radar, AN/SPS-40B (N)	216,746.00	7 May 82
Radar, AN/SPS-48E (N)	(a)	
* Radar, AN/SPS-49(V)5/(V)7 (N)	304,719.00	15 Mar 84
* Radar, AN/TPQ-36 (A)	344,261.00	17 May 89
Radar, Low Altitude Surveillance Radar (LASR) (derivative of AN/TPQ-36 Radar) (A)	73,361.00	1 Oct 84
* Radar, AN/TPQ37 (A)	1,236,126.00	17 May 89
Radar, AN/TPS-43 w/basic antenna (AF)	27,462.00	5 Feb 86
Radar, AN/TPS-63 (USMC Baseline) (N)	45,557.00	7 May 87
Radar, AN/TPS-63 (derivative configuration) (N)	31,890.00	7 May 87
Radar, Fire Control, MK-25 (N)	(a)	
* Targeting Pod, AN/AAQ-14 (AF)	201,057.00	18 May 89
* Targeting Pod Support Equipment (FMS) (AF)	1,418,320.00	18 may 89
SHF System, Multichannel, AN/TSC-85 and AN/TSC-93 (A)	(a)	
SATCOM GND System, AN/TSC-86 (A)	(a)	
Target Acquisition Designation Sight (TADS) (A)	202,591.00	30 Dec 83
Target Acquisition System (TAS), MK 23 Mods 0-8 (N)	(a)	
Terminal, Light for AN/TSC-86 (A)	(a)	
Terminal, Medium, AN/GSC-39(V) DSCS (A)	(a)	
Terminal, Single Subscriber (SST) (A)	(a)	

**CATEGORY XIII - AUXILIARY MILITARY EQUIPMENT**

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

**NOTES:**

\* Indicates added, changed, revised, or new information.

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

(b) For older ship designs, a percentage (3.5%) nonrecurring cost recoupment charge will be established at the time of actual request for an FMS or commercial sales proposal.

(c) For administrative convenience, a date for the determination of the pro rata charge has been established as 28 March 1989 for this item, ~~and will be reflected in future publications of this list.~~

9/26/89 agreed with Wray-Luckinbill that change above would be made and date added before each "(c)" appearing in the list -

Defense Institute of Security Assistance Management (DISAM)

24 HOUR TELEPHONE TERMINAL

35-4319

COMM. CIAL: 513-255-4319

FACSIMILE TRANSMITTAL



FROM:

LOU SAMELSON

(Name)

AV 785-2994/3669

(Telephone)

TO:

MR. WAYNE WELLS

(Name)

EXT 78108

(Telephone)

DSAA - OPS / E

(Organization/Office Symbol)

DATE: 19 SEP 89

NO. OF PAGES (including cover sheet): 12

ADDITIONAL COMMENTS:

PER 21 SEP TELECON, HERE IS REVISED MDE LIST FOR INCLUSION  
IN CHANGE 1 TO SAMM. IT INCORPORATES MOST CURRENT DATA  
AS PROVIDED BY OSD(C) FOR FORTHCOMING CHANGE 4 TO  
DD 7290.3-M. THE USE OF A COMMON DATA BASE FOR THE  
MDE LIST FOR BOTH MANUALS WILL GREATLY ENHANCE  
DISAM'S PUBLICATION EFFORT. REGARDS.

Charlie,

Do you agree with  
this? (If yes, I will  
give DISARM the go-  
ahead -) Thanks

W2

Wayne -

I have some  
problems with the  
MDE ~~document~~ list. It  
reflects OSD(C)'s  
agenda, not DSAA's.  
I am reviewing but it  
will take some time.  
Charlie

**TABLE 700-6  
MAJOR DEFENSE EQUIPMENT LIST**

	<u>Approved Charge</u>	<u>Effective (c,d) Date</u>
<b><u>CATEGORY I - FIREARMS</u></b>		
Rifle, 5.56mm M-16 Series (A)	[No Charge]	
* Gun, Machine, 7.62mm, M240 (A)	65.07	28 Mar 89
<b><u>CATEGORY II - ARTILLERY AND PROJECTILES</u></b>		
Gun, M-61, 20mm (AF)	1,34	4
* Gun, GAU-8, 30mm (AF)	27,88	51
Gun Pod, GPU-5/A, 30mm (AF)	60,239	11 Aug 82
* Gun, Machine, 50 CAL, M-2 (A)	1,000	12 Mar 89
Howitzer, Towed, 105mm, M101A1 (A)	85	1 Jun 87
<b><u>CATEGORY III - AMMUNITION</u></b>		
Cartridge, 20mm (A)		
Cartridge, 30mm (GAU-8) (AF)	.50	28 Mar 89
Cartridge, 40mm, HE (A)	.11	28 Mar 89
Cartridge, 40mm, HE, M406 (A)	(a)	
Cartridge, 60mm, HE (A)	.47	28 Mar 89
Cartridge, 60mm, HE, M49A2/A3/A4 (A)	(a)	
Cartridge, 81mm, ILLUM (M301)(only) (A)	.04	7 May 81
Cartridge, 81mm, HE, M374A2/A3 (A)	(a)	
Cartridge, 105mm, APFSDS-T M735 (A)	68.00	28 Mar 89
Cartridge, 105mm, APFSDS-T M833	(a)	
Cartridge, 105mm, M490 (A)	.57	7 May 81
Cartridge, 105mm, M724A1 (A)	1.42	7 May 81
Cartridge, 105mm, APFSDS-T M774 (A)	(a)	
Cartridge, 105mm, HEAT-T MP M456 (A)	3.59	7 May 81
Cartridge, 105mm, HE, HEP-T, M393A2 (A)	(a)	
Cartridge, 4.2", HE (A)	(a)	
Cartridge, 4.2", HE, M329 (A)	(a)	
Cartridge, 4.2", ILLUM (M335) (includes M577 fuze) (A)	4.03	20 Jan 82
Cartridge, 120mm, APFSDS-T M829 (A)	126.60	2 Dec 88
Cartridge, 120mm, TPCSDS-T M865 (A)	37.82	2 Dec 88
Cartridge, 120mm, HEAT TP-T M831 (A)	83.03	2 Dec 88
Cartridge, 120mm, HEAT MP-T M830 (A)	293.59	2 Dec 88
Projectile, 5"/38 CAL (N)	15.60	9 Jul 84
Projectile, 5"/54 CAL (N)	7.45	4 May 84
Projectile, 155mm, M107 (A)	3.22	21 May 79
Projectile, 155mm, M483/M483A1 (A)	2.20	
Projectile, 155mm, HE RAP (M549) (A)	13.76	
Projectile, 155mm, CLGP, M-712 COPPERHEAD (A)	(a)	
Projectile, 155mm, HE, ADAM M692/M731 (A)	(a)	
Projectile, 155mm, HE, ADAM M692(A)	43.00	
Projectile, 155mm, HE, ADAM M731 (A)	22.00	
Projectile, 155mm, HE, RAAMS M718 (A)	229.00	
Projectile, 155mm, HE, RAAMS M741 (A)	99.00	
Projectile, 155mm, HE, RAAMS M718/M741 (A)	57.00	1 May 86

TABLE 700-6 MDE List



DOD 5105.38-M

Projectile, 155mm, M483A1 (A)	2.41	10 Sep 80
Projectile, 175mm, HE M437 (A)	2.33	26 Mar 80
Projectile, 8", HE M106 (A)	.04	21 May 79
Projectile, 8", HE, ICM (A)	15.48	21 May 79
Projectile, 8", HE, ICM M4509 (A)	(a)	
Projectile, 8", HE, M6 (A)	83.04	21 May 79

**CATEGORY IV - LAUNCHER VEHICLES, GUIDED  
MISSILES, BALLISTIC MISSILES, ROCKETS,  
TORPEDOES, BOMBS, AND MINES**

Bomb, Anti-Armor Cluster Munition CBU-90 (AF)	3,351.00	28 Mar 89
Bomb, Combined Effects Bomblet, CBU-87 (AF)	1,080.00	6 Dec 84
Bomb, Cluster, TMD/Gator Mines, CBU-89 (N)	(a)	
Bomb, MK-20, Cluster Bomb, Rockeye (N)	117.39	25 Mar 83
Bomb, MK-82, 500#, General Purpose (N)	3.29	25 Mar 83
Bomb, MK-83, 1,000#, General Purpose (N)	10.40	25 Mar 83
Bomb, MK-84, 2,000#, General Purpose (N)	12.80	25 Mar 83
Bomb, BLU-109 with FMU-143/B Fuze	1,097.00	18 May 89
Bomb, BLU-109 w/o Fuze	747.00	18 May 89
Bomb, M-117, 750#, General Purpose (AF)	20.00	6 Dec 84
Bomb, Guided, Walleye Series (N)	6,183.00	6 Dec 84
Fuel Air Explosive Weapon, FAE II (N)	(a)	
Gun Mount, 5"/54, MK-45 MOD I (N)	142,566.00	1 Oct 84
Gun Mount, 76mm Gun, MK-75 (N)	62,749.00	6 Dec 84
Launcher, HARPOON, Baseline, AN/SWG-1(V) (N)	80,562.00	20 Jan 78
Launcher System, HARPOON Shipboard Command and Launch Control, AN/SWG-1A(V) (N)	109,603.00	11 Dec 86
Launcher, HELLFIRE (A)	14,715.00	14 May 85
Launcher, TOW (A)	3,029.00	16 Sep 77
Launcher, MK-13 (MOD 0 to MOD 3)(N)	78,125.00	17 Nov 78
Launcher, PATRIOT (A)	214,782.00	18 Nov 78
Launcher, ROLAND (A)	324,828.00	24 Sep 80
Launcher, Multiple Launch Rocket System (MLRS) (A)	132,400.00	(prior to 1985)
Launcher, Multiple Launch Rocket System (MLRS) (A)	173,000.00	2 Dec 85
Launcher, Vertical, MK-41(w/o cannister) (N)	1,232,863.00	14 Dec 87
Launcher, Vertical, MK-41(w/ cannister) (N)	1,239,246.00	14 Dec 87
Light, Antitank Weapon, 66mm, LAW M72 Series (A)	1.32	28 Mar 89
Missile, AIM-120, AMRAAM (AF)	(a)	
Missile, AIM-4A-G, FALCON (N)	3,321.00	12 Mar 82
Missile, AIM-7, SKYFLASH (N)	820.30	7 May 81
Missile, AIM-7, C/D/E SPA (N)	2,733.00	7 May 81
Missile, AIM/RIM-7F/M, SEA (N)	7,646.00	2 Jun 82
Missile, NATO SEASPARROW (N)	(a)	
System (NSSMS) (N)	(a)	
Missile, AIM-9 J/P/N, SIDEWINDER (AF)	333.00	12 Mar 82
Missile, AIM-9L SIDEWINDER (N)	2,604.00	18 May 78
Missile, AIM-9H SIDEWINDER (N)	3,457.00	26 Oct 78
Missile, AIM-9M SIDEWINDER (N)	6,368.00	25 Mar 83
Missile, AIM-54A-C, PHOENIX (N)	71,295.00	10 Jan 83
(Includes Front End - 35,019; Aft End - 36,276)		
Missile, AGM-45, SHRIKE (N)	4,890.00	11 Aug 78
Missile, AGM-65A/B, MAVERICK (AF)	3,722.00	3 Feb 81

TABLE 5 - List (Continued)

**CATEGORY V - PROPELLANTS, EXPLOSIVES  
AND INCENDIARY AGENTS**

Items in this category which meet the dollar criteria for major defense equipment are no significant military equipment as defined in the U.S. Munitions List.

**CATEGORY VI - VESSELS OF WAR AND  
SPECIAL NAVAL EQUIPMENT**

CG - Guided Missile Cruiser (N)	(a)	
DD-963 (N)	(a)	
DD - Destroyer (N)	(a)	
DDG - Guided Missile Destroyer (N)	(a)	
FFG - Guided Missile Frigate (N)		3,591,379.00 18 C
LCAC - Landing Craft Air Cushion (N)	(a)	
LHD - Amphibious Assault Ship (N)	(a)	
LPD - Amphibious Transport Dock (N)	(b)	
LSD - Dock Landing Ship (N)	(b)	
LST - Tank Landing Ship (Newport Class)(N)		824,840.00 25 J
LKA - Amphibious Cargo Ship (N)	(b)	
LPA - General Purpose Amphibious Assault Ship (N)	(b)	
MSO - Minesweeper, Ocean, Nonmagnetic (N)	(b)	
PHM - Patrol Combatant Missile, (NATO) Hydrofoil (N)		1,000,000.00 28 N
PHM - Patrol Combatant Missile, (FRG Variant) Hydrofoil (N)		1,250,000.00 28 N
SS - Submarine, Conventionally Powered (N)	(b)	

**CATEGORY VII - TANKS AND MILITARY VEHICLES**

Carrier, Armored Personnel, M-113 Series (A)	00	11 S
Carrier, Mortar, M-106A1/2 (A)	00	11 S
Carrier, Mortar, M-125A1 (A)	688.00	11 S
Carrier, M-667, LANCE (A)	688.00	11 S
Carrier, M-730, CHAPARRAL (A)	688.00	11 S
Carrier, M-741, VULCAN (A)	688.00	S
Carrier, M-727, HAWK (A)	688.00	S
Carrier, Cargo, M-548 Series	688.00	11 S
Carrier, Command Post, M-113 Series (A)	688.00	11 S
Gun, Self-propelled, 175mm, M-107 (A)	40,253.00	26 N
Howitzer, Self-propelled, 8" M-110 (A)	14,371.00	26 N
Howitzer, Self-propelled, 8" M-110A1 (A)	16,975.00	26 N
Howitzer, Self-propelled, 8" M-110A2 (A)	21,069.00	26 N
Howitzer, Self-propelled, 155mm, M-109 Series (A)	5,636.00	26 N
Howitzer, Self-propelled, 155mm, M-109A1-A3 includes cannon assembly (A)	8,771.00	23 J
Howitzer, Self-propelled, 155mm, M-109A1-A3 without cannon assembly (A)	7,447.00	23 J
Howitzer, Med, Towed, 155mm, M-198 (A)	47,483.00	14 F
Howitzer, Med, Towed, 155mm, M-198 (A)	80,876.00	21 M
Tank, M-48A1 (A)	1,479.00	
Tank, M-48A3 (A)	5,521.00	

TABLE 700-6 MDE List (Continued)

DOD 5105.38-M

Tank, M-48A5 (A)	12,849.00	
Tank, M-60A1 (A)	14,083.00	3 Mar 80
Tank, M-60A3 w/ITS (A)	31,427.00	3 Mar 80
Tank, M-60A3 w/o TTS (A)	21,939.00	3 Mar 80
Tank, M-1, ABRAMS (A)	132,162.00	20 Aug 84
Tank, M-1, ABRAMS (A)	114,443.00	27 Oct 88
Tank, M-1A1 (A)	226,725.00	27 Oct 88
Tank, M-1A2 (A)	237,048.00	20 Aug 84
Engine, AVDS-1790 (M60A1 Tank)(A)	2,066.00	3 Mar 80
Vehicle, AAV7A1/AAVAI Assault Amphibious (N)	91,426.00	20 Aug 84
Vehicle, Armored Reconnaissance Assault, M-551 (A)	33,213.00	
Vehicle, Combat Engineering Vehicle (CEV), M-728 (A)	(a)	
Vehicle, Fire Direction Control Center (FDCV) (A)	3,382.00	21 May 86
Vehicle, Fire Support Team (FISTV), M-981 (A)	68,476.00	3 Feb 86
Vehicle High Mobility Multi-Purpose Wheeled (HMMWV) (A)	660.00	6 Apr 88
Vehicle, Infantry Fighting (IFV), M2 (A) (w/o 25mm Cannon)	74,715.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M2 (A) (with 25mm Cannon)	79,392.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M3 (A) (w/o 25mm Cannon)	73,678.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M3 (A) (with 25mm Cannon)	78,355.00	25 Jun 82
Vehicle, Light Armored LAV Series	69,965.00	24 Aug 88
LAV 25 (w/o M242 gun)	69,965.00	24 Aug 88
LAV Anti-Tank	69,965.00	24 Aug 88
LAV Command and Control	69,965.00	24 Aug 88
LAV Logistics	69,965.00	24 Aug 88
LAV Mortar	69,965.00	24 Aug 88
LAV Recovery	69,965.00	24 Aug 88
Vehicle, Mechanized Infantry Combat, M-723 (A)	(a)	
Vehicle, Recovery, M-88 Series (A)	15,089.00	13 Feb 80
Vehicle, Recovery, M-88/M88A1	8,460.00	1 Nov 88
Vehicle, Recovery, M578 (A)	(a)	
Vulcan Air Defense System, M-163 and M-167 Series (A)	29,439.00	26 Mar 80
M966 Tow Carrier BSC Armor	660.00	6 Apr 88
M996 Ambulance, 2 Litter	660.00	6 Apr 88
M997 Ambulance, 4 Litter	660.00	6 Apr 88
M998 Cargo Troop Carrier	660.00	6 Apr 88
M1025 Armament Carrier BSC Armor w/o Weapons	660.00	6 Apr 88
M1026 Armament Carrier BSC Armor w/o Weapons	660.00	6 Apr 88
M1027 GLLD Carrier	660.00	6 Apr 88
M1035 Soft Top Ambulance, 2 Litter	660.00	6 Apr 88
M1036 Tow Carrier BSC Armor w/Weapons	660.00	6 Apr 88
M1037 Shelter Carrier w/Weapons	660.00	6 Apr 88
M1038 Cargo Troop Carrier Soft Top	660.00	6 Apr 88
M1042 Shelter Carrier w/Weapons	660.00	6 Apr 88
M1044 Armament Carrier Supp Armor w/Weapons	660.00	6 Apr 88
M1045 Tow Carrier Supp Armor w/o Weapons	660.00	6 Apr 88
M1046 Tow Carrier Supp Armor w/Weapons	660.00	6 Apr 88

TABLE 700-6 MDE List (Continued)

DOD 5105.38-M

**CATEGORY VIII - AIRCRAFT, SPACECRAFT  
AND ASSOCIATED EQUIPMENT**

A-4A (N)	15,165.00	20 Oct 83
A-4B (N)	12,864.00	20 Oct 83
A-4C (N)	15,523.00	20 Oct 83
A-4E (N)	27,929.00	20 Oct 83
A-4F (N)	32,226.00	20 Oct 83
A-6 (N)	(a)	
A-7 (w/o FLIR) (N)	243,881.00	8 Sep 83
A-10 (w/o TF34 Engine (AF)	388,786.00	12 Mar 82
A-37 (AF)	19,651.00	23 Mar 89
AH-1S COBRA w/T-53-L-703 Engine (A)	150,856.00	
AH-1S COBRA w/T-53-L-703 Engine, M65 Airborne TOW Missile and C-Nite System (A)	163,860.00	17 May 89
AH-1J Airframe, SEACOBRA (N)	52,245.00	
AH-1T Airframe, SEACOBRA (N)	486,665.00	11 Oct 85
AH-64 w/2 T-700 engines, APACHE (A)	1,045,566.00	30 Dec 83
AV-8B (w/o UK Assessment) (N)	867,373.00	26 Jun 81
C-5A, GALAXY (AF)	12,661,720.00	12 Mar 82
C-130, HERCULES w/4T-56 Engines (AF)	102,000.00	3 Aug 83
C-141A/B, STARLIFTER (AF)	892,000.00	12 Mar 82
CH-47A/B/C includes T-53-L-11A engine (A)	100,000.00	7 Nov 70
CH-47D CHINOOK		
CH-53E/MH-53E w/o T64 Engine (N)	1,023,000.00	12 May 83
E-2B with Engines (N)	298,400.00	22 Jun 89
E-2C (N)	2,625,904.00	18 May 78
E-3A, U.S./NATO Standard, SENTRY (AF)	33,021,000.00	26 Oct 81
(Total U.S. NRC charge \$27.43M; Total NATO NRC charge \$5.59M)		
EA-6 (N)	(a)	
F-4A (N)	129,712.00	20 Oct 83
F-4B (N)	70,450.00	20 Oct 83
F-4J (N)	122,089.00	20 Oct 83
F-4E (N) ( includes engines) (25% discounted for useful life) (N)	159,408.00	20 Oct 83
F-4G WILD WEASEL (MOD only) (AF)	667,241.00	12 Mar 82
F/RF-5A, TIGER (AF) (without 2 J-85 engines)	40,000.00	1 Nov 71
F/RF-5E, TIGER II (AF) (without 2 J-85 engines)	60,000.00	1 Nov 71
F/RF-5F, TIGER II (AF) (without 2 J-85 engines)	30,000.00	25 Nov 75
F-8 (N)	50,859.00	12 May 81
F-14 (N) with engine	1,600,000.00	29 Nov 76
F-15, EAGLE (AF)	1,600,000.00	29 Nov 76
F-16 A/B (without EPG special NRC \$85,060.00) FIGHTING FALCON (AF)	640,000.00	4 Jun 80
F-16A Simulated Aircraft Maintenance Trainer (SAMT) (AF)	172,220.00	3 Jul 85
F-16 C/D (AF)	713,750.00	12 Apr 84
F-16/79 (AF)	456,934.00	1 May 81
F-18 (N) (includes 2 engines each acft)	1,117,281.00	30 Mar 87
F-18 (N) (includes 2 engines each acft)	877,690.00	5 Aug 79
F-20 (AF)	(a)	

TABLE 700-6 MDE List (Continued)

## DOD 5105.38-M

F-100A (AF)	37,840.00	6 Dec 84
F-100C (AF)	25,800.00	6 Dec 84
F-100D (AF)	25,440.00	6 Dec 84
F-100F (AF)	27,840.00	6 Dec 84
F-101B/F (AF)	65,560.00	6 Dec 84
F-102 (AF)	38,320.00	6 Dec 84
F-104A STARFIGHTER (AF)	42,080.00	6 Dec 84
F-104B/C/D (AF)	91,040.00	6 Dec 84
F-104G/J (AF)	(a)	
F-105B, THUNDERCHIEF (AF)	168,000.00	6 Dec 84
F-105D/F (AF)	78,400.00	6 Dec 84
F-106A/B, DELTA DART (AF)	159,200.00	6 Dec 84
F-111A/C/D/E/F (AF)	505,320.00	6 Dec 84
H-3E (N)	(a)	
H-46 (N)	(a)	
H-53 (S-65) (N)	166,029.00	27 Feb 79
KC-10, EXTENDER (AF)	1,176,667.00	12 Mar 82
KC-135A, STRATOTANKER (AF)	217,034.00	12 Mar 82
OH-6, CAYUSE (A)	18,000.00	11 Jun 87
OH-58A, KIOWA (A)	22,000.00	11 Jun 87
OH-58C, KIOWA (A)	48,000.00	11 Jun 87
OV-1A/B/C, MOHAWK (A)	199,590.00	(Prior to 1982)
OV-1A/B/C, MOHAWK (A)	119,229.06	23 Jun 82
OV-10 (N) without engine	41,930.00	9 Jun 78
P-3A/B (N) with engine	382,750.00	
P-3C (N)	592,710.00	3 Jan 78
P-3C AEW&C (N)	1,761,974.00	25 Feb 87
P-3C Update III a/c (N)	1,044,128.00	17 May 89
Remotely Piloted Vehicle (RPV), ACQUILA (A)	(a)	
RF-4B (N)	104,566.00	20 Oct 83
RF-4C, PHANTOM II (AF)	108,000.00	6 Dec 84
S-2 (N) with engine	85,149.00	28 Aug 81
S-2A/US-2 without engine (N)	1,000.00	20 Oct 83
S-2C without engine (N)	2,000.00	20 Oct 83
S-2D without engine (N)	38,400.00	20 Oct 83
S-2E without engine (N)	55,950.00	20 Oct 83
S-3 (N)	1,643.00	26 Jun 81
SH-2/2D/2F LAMPS, MARK I) (w/2 T-58-GE Engines) (N)	125,423.00	6 Dec 84
SH-60B (LAMPS, MARK III Airframe without T-700-GE-401 Engines (N)	859,636.00	15 Oct 82
SH-60B Minimum Avionics Suite (N)	266,236.00	15 Oct 82
SH-60B Mission Avionics Suite (N)	263,400.00	15 Oct 82
SH-60B Ship Electronics (N)	31,227.00	15 Oct 82
SH-70C(M) w/o Engine (N)	555,284.00	23 Jan 87
T-2 (N)	39,968.00	10 Jun 78
TA-4F without engine (N)	28,110.00	20 Oct 83
TA-4J without engine (N)	51,176.00	20 Oct 83
T-33 (AF)	2,857.00	12 Mar 82
T-37 (AF)	19,651.00	28 Mar 89
T-38A (AF)	80,972.00	12 Mar 82

TABLE 700-6 MRF List (Continued)

TH-55, OSAGE (A)	6,000.00	11 Jun 87
UH-1H, IROQUOIS (A)	4,501.00	1 May 81
UH-1N (N)	48,032.00	12 Jul 85
UH-60A includes 2 T-700-GE-700 Engines (Airframe only - \$169,692.00) BLACKHAWK (A)	208,986.00	3 Oct 81
UH-60A includes 2 T-700 GE 700 Engines	208,986.00	12 Oct 83
UH-60A BLACKHAWK w/o Engines(A)	169,692.00	3 Oct 81

Engines

CFM-56 (AF)	20,000.00	25 May 89
CFM-56 (AF)	39,677.00	6 Mar 84
CT7-2A/2D	29,697.00	21 Dec 87
CT7-5A/7A	25,000.00	21 Dec 83
CT7-6/9	9,000.00	21 Dec 88
CT-58 (Derivative of T-58) (N)	20,000.00	1 Jun 87
F-100-100/200 (AF)	221,700.00	12 Mar 82
F-100-220 (AF)	79,700.00	13 Mar 87
F-101 (AF)		
F-101X (AF)		
F-107 (N)		
F-110-100 (AF)	9,725.00	13 Mar 87
F-404 (N)	840.00	30 Mar 87
F-47 (AF)	2,168.00	12 Mar 82
J-52P-6A/B (N)	7,370.00	8 Sep 83
J-52P-8A/B (N)	3,358.00	8 Sep 83
J-52P-408 (N)	1,100.00	8 Sep 83
J-57P-6B (N)	4,500.00	8 Sep 83
J-57P-10 (N)	3,220.00	8 Sep 83
J-60P-3/3A (N)	1,520.00	8 Sep 83
I-75 (AF)	20,999.00	12 Mar 82
I-79-GE-8/10 (N)	1,000.00	8 Sep 83
I-79-GE-17/17A/119 (AF)	27,640.00	1 Oct 83
I-85 (AF)	7,000.00	3 Mar 83
PW-1120 (Derivative of F-100-200)	12,000.00	20 Oct 83
T-53-P-100 (AF)		
T-53 (N)		7 May 81
T-53-L-703 (A)		7 May 81
T-53-L-703 (A)		17 May 89
T-55 (A)		3 Nov 70
T-56 (N)		12 May 81
T-58 (N)		1 Jun 87
T-64 (N)		1 May 88
T-700-GE-700 (A)		2 Oct 83
T-700-GE-700 (A)		21 Dec 88
T-700-GE-401 (NRC is additive to T-700-GE-700 engine) (N)	12,000.00	15 Oct 83
T-700-GE-401/401A (N)	1,697.00	21 Dec 88
T-700-GE-401C (N)	1,695.00	21 Dec 88
T-700-GE-701/701A/701A (A)	1,697.00	21 Dec 88
T-700-GE-701C (A)	1,450.00	21 Dec 88
T-700-GE-701C (N)	1,456.00	20 Jun 79

TABLE 700-6 WIDE List (Continued)

DOD 5105.38-M

TF-34 (N)	20,705.00	12 Mar 82
TF-39 (AF)	441,707.00	12 Mar 82
TF-41-A-2A/-2B/-400/-402/-402B (N)	48,249.00	6 Dec 84

Other

Modular Integrated Communication Navigation System Ground Data Terminal (MICNS GDT) (A)	(a)	
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CATEGORY IX - MILITARY TRAINING EQUIPMENT

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

CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

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

CATEGORY XI - MILITARY AND SPACE ELECTRONICS

Avionics Intermediate Shop (AIS) (F-16A/B) (AF)	1,190,000.00	12 Apr 84
Avionics Intermediate Shop (AIS) (F-16C/D) (AF)	2,400,000.00	12 Apr 84
Countermeasure System Torpedo Ex Set 1 (N)	(a)	
Countermeasures, AN/ALQ-126, SPJ System (N)	26,631.00	5 Jun 85
Countermeasures, AN/ALQ-165, ASPJ (N)	111,425.00	6 Dec 84
Countermeasures, ALQ-119 (AF)	6,138.09	9 Dec 75
Countermeasures, ALQ-131 w/receiver (AF)	26,970.00	28 Sep 79
Countermeasures, ALQ-131 w/o receiver (AF)	24,108.00	28 Sep 79
Countermeasures, AN/SLQ-32(V)1 (N)	115,000.00	25 Apr 86
Countermeasures, AN/SLQ-32(V)2 (N)	250,350.00	25 Apr 86
Countermeasures, AN/SLQ-32(V)3 (N)	381,803.00	25 Apr 86
Digital Mapping System MK 90 (DMA)	35,102,998.00	18 May 89
Product Generation Module (DMA)	91,898.00	18 May 89
Source Preparation Module (DMA)	432,291.00	18 May 89
Data Services Module (DMA)	34,254,561.00	18 May 89
Data Extraction Module (DMA)	324,248.00	18 May 89
Engagement Control System (ECS), PATRIOT, AN/MSQ-104 (A)	548,311.00	15 Nov 82
Joint Tactical Information Distribution System JTIDS (AF)	50,828.00	30 Oct 82
NAVSTAR Global Positioning System (GPS) (AF)	1,000.00	28 Oct 87
Ocean Surveillance Information System (OSIS) Baseline Upgrade (OBU) (N)	7,873,000.00	26 Sep 86
Ocean Surveillance Information System (OSIS) Baseline Upgrade (OBU) (N)	11,586,364.00	11 Sep 87
Radio, AN/ARA-54 (A)	39.84	28 Mar 89
Radio, AN/VRC-12 Series (12, 43 through 49) (A)	70.00	15 Feb 84
Radio, AN/TRC-170 (AF)	60,622.00	15 Feb 84
Sonar, AN/SQR-18A (N)	267,069.00	
Sonar, AN/SQR-18A (CV) 1(N)	601,837.00	24 May 84
Sonar, AN/SQR-19 (N)	1,349,593.00	29 Mar 82
Sonar, AN/SQS-56 (N)	173,193.00	19 Jul 88
SURTASS AN/VQQ-2(V)1 (N)	3,029,374.00	28 Aug 89

TABLE 700-6 MDE List (Continued)





TABLE 700-6  
MAJOR DEFENSE EQUIPMENT LIST

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
<b><u>CATEGORY I - FIREARMS</u></b>		
Rifle, 5.56mm M-16 Series (A)	(No Charge)	
* Gun, Machine, 7.62mm, M240 (A)	65.07	
<b><u>CATEGORY II - ARTILLERY AND PROJECTILES</u></b>		
Gun, M-61, 20mm (AF)	1,342.00	6 Dec 84
* Gun, GAU-8, 30mm (AF)	27,881.00	22 Jan 81
Gun, Pod, GPU-5/A, 30mm (AF)	60,239.00	11 Aug 82
* Gun, Machine, 50 CAL, M-2 (A)	1.82	
Howitzer, Towed, 105mm, M101A1 (A)	850.00	11 Jun 87
Howitzer, Med, Towed, 155mm, M-198 (A)	47,483.00	14 Feb 86
<b><u>CATEGORY III - AMMUNITION</u></b>		
Cartridge, 20mm (A)	(a)	
Cartridge, 30mm (GAU-8) (AF)	.50	
Cartridge, 40mm HE (A)	.11	
Cartridge, 40mm, HE, M406 (A)	(a)	
Cartridge, 60mm, HE (A)	.47	
Cartridge, 60mm, HE, M49A2/A3/A4 (A)	(a)	
Cartridge, 81mm, ILLUM (M301)(only)(A)	.04	7 May 81
Cartridge, 81mm, HE, M374A2/A3 (A)	(a)	
* Cartridge, 105mm, HE, HEP-T, M393A2 (A)	(a)	
Cartridge, 105mm, HEAT-T MP M456 (A)	3.59	7 May 81
Cartridge, 105mm, M490 (A)	.57	7 May 81
Cartridge, 105mm, M724A1 (A)	1.42	7 May 81
* Cartridge, 105mm, APFSDS-T M735 (A)	68.00	
Cartridge, 105mm, APFSDS-T M774 (A)	(a)	
Cartridge, 105mm, APFSDS-T M833 (A)	(a)	20 Jan
82		
* Cartridge 120mm APFSDS-T M829 (A)	126.60	2 Dec 88
* Cartridge 120mm HEAT MP-T M830 (A)	293.59	2 Dec 88
* Cartridge 120mm HEAT TP-T M831 (A)	83.03	2 Dec 88
* Cartridge 120mm TPCSDS-T M865 (A)	37.82	2 Dec 88
* Cartridge, 4.2", HE (A)	(a)	
* Cartridge, 4.2", HE, M329 (A)	(a)	
Cartridge, 4.2", ILLUM (M335) (includes M577 fuze) (A)	4.03	
Projectile, 5"/38 CAL (N)	15.60	9 Jul 84
Projectile, 5"/54 CAL (N)	74.42	4 May 84

Projectile, 155mm, M107 (A)	3.22	21 May 79
Projectile, 155mm, M483/M483A1 (A)	2.20	2 Mar 82
Projectile, 155mm, HE RAP (M549) (A)	13.76	5 Feb 81
Projectile, 155mm, CLGP, M-712 COPPERHEAD (A)	4,152.00	17 Sep 81
Projectile, 155mm, ADAM M692/M731 (A)	111.00	30 May 86
Projectile, 155mm, HE, RAAMS M718/M741 (A)	57.00	30 May 82
Projectile, 155mm, M483A1 (A)	2.41	10 Sep 80
Projectile, 175mm, HE (A)	2.33	26 Mar 80
Projectile, 175mm, HE M437 (A)	(a)	
Projectile, 8", HE M106 (A)	.04	21 May 79
Projectile, 8", HE, ICM (A)	15.48	21 May 79
Projectile, 8", HE, ICM M509 (A)	(a)	
Projectile, 8", HE, M650 (A)	83.04	21 May 79

CATEGORY IV - LAUNCH VEHICLES. GUIDED

MISSILES, BALLISTICS MISSILES, ROCKETS  
TORPEDOES, BOMBS, AND MINES

Bomb, Anti-Armor Cluster Munition CBU-90 (AF)	3,351.00	
Bomb, Combined Effects Bomblet, CBU-87 (AF)	1,080.00	6 Dec 84
Bomb, Cluster, TMD/Gator Mines, CBU-89 (N)	(a)	
Bomb, MK-20, Cluster Bomb, Rockeye (N)	117.39	25 Mar 83
Bomb, MK-82, 500#, General Purpose (N)	3.29	25 Mar 83
Bomb, MK-83, 1,000#, General Purpose (N)	10.40	25 Mar 83
Bomb, MK-84, 2,000#, General Purpose (N)	12.80	25 Mar 83
Bomb, M-117, 750#, General Purpose (AF)	20.00	6 Dec 84
Bomb, Guided, Walleye Series (N)	6,183.00	6 Dec 84
Fuel Air Explosive Weapon, FAE II (N)	(a)	
Gun Mount, 5"/54, MK-45 MODI (N)	142,566.00	1 Oct 84
Gun Mount, 76mm Gun, MK-75 (N)	62,749.00	6 Dec 84
Launcher, HARPOON, Baseline, AN/SWG-1(V) (N)	80,562.00	20 Jan 78
Launcher, System, HARPOON Shipboard Command and Launch Control, AN/SWG-1A(V) (N)	109,603.00	11 Dec 86
Launcher, HELLFIRE (A)	14,715.00	14 May 85
Launcher, TOW (A)	3,029.00	16 Sep 77
Launcher, MK-13 (N)	78,125.00	17 Nov 78
Launcher, PATRIOT (A)	214,782.00	18 Nov 88
Launcher, ROLAND (A)	324,828.00	24 Sep 80
Launcher, Multiple Launch Rocket System (MLRS) (A)	173,000.00	2 Dec 85
* Launcher, Vertical, MK-41 (w/o Canister) (N)	1,232,863.00	14 Dec 87
* Launcher, Vertical, MK-41 (w/Canister)	1,239,246.00	14 Dec 87

Table 700-b continued

2

Light, Antitank Weapon, 66mm, LAW

M72 Series (A)	1.32	
Missile, AIM-120, AMRAAM (AF)	(a)	
Missile, AIM-4A-G, FALCON (AF)	3,321.00	12 Mar 82
Missile, AIM-7 SKYFLASH Portion (N)	820.30	7 May 81
Missile, AIM-7, SPARROW C/D/E (N)	2,733.00	7 May 81
Missile, AIM/RIM-7F/M, SPARROW (N)	7,646.00	2 Jun 82
Missile NATO SEASPARROW Surface Missile System (NSSMS) (N)	(a)	
Missile, AIM-9H SIDEWINDER (N)	3,457.00	26 Oct 78
Missile, AIM-9/J/P/N, SIDEWINDER (AF)	134.00	12 Mar 82
Missile, AIM-9L SIDEWINDER (N)	2,604.00	18 May 78
Missile, AIM-9M SIDEWINDER (N)	6,368.00	25 Mar 83
* Missile, AGM-45, SHRIKE (N)	4,890.00	11 Aug 78
Missile, AIM-54A-C, PHOENIX (N)	71,295.00	10 Jan 83
(Includes Front End - 35,019; Aft End - 36,276)		
Missile, AGM-65A/B, MAVERICK (AF)	3,722.00	3 Feb 81
* Missile, AGM-65D (AF)	5,343.00	3 Nov 87
Missile, AGM-65E, LASER MAVERICK (AF)	24,213.00	6 Dec 84
* Missile, AGM-65F/G (AF)	6,331.00	3 Nov 87
Missile, AGM-88, HARM (N)	21,249.00	20 Apr 82
* Army Tactical Missile System (ATACMS) (A)	148,275.00	1 Oct 88
* Missile, MIM-72 CHAPARRAL Series (A)	2,099.91	16 Dec 88
* Missile, MIM-72 CHAPARRAL w/Smokeless Motor) (A)	2,102.91	16 Dec 88
Missile, DRAGON, HEAT and Practice (A)	378.00	24 Mar 80
Missile, R/U/AGM-84 HARPOON (N)	44,083.00	20 Jan 78
Missile, HELLFIRE, HEAT (A)	4,124.00	14 May 85
Missile, HELLFIRE, Dummy (A)	531.00	14 May 85
Missile, HELLFIRE, Training (A)	2,719.00	14 May 85
Missile, I-HAWK Series (A)	7,053.00	12 Nov 80
Missile, LANCE (A)	76,205.00	21 May 79
Missile, NIKE HERCULES (A)	448,055.00	
Missile, MIM-104 PATRIOT (includes canister) (A)	82,836.00	18 Nov 82
Missile PERSHING Series (A)	128,378.00	
Missile, REDEYE (A)	(a)	
Missile, ROLAND (A)	4,422.00	24 Sep 80
Missile, Shore Defense, RBS-17 (Derivative of HELLFIRE) (A)	3,300.00	20 May 87
Missile, AGM-78 STANDARD ARM (N)	(a)	
Missile, RGM-66D, STANDARD ARM, MR (N)	(a)	
Missile, RIM-66B-2--66B, RIM-66E (MR), RIM-67A-13(ER), BLOCK V STANDARD SM-I (N)	12,602.00	15 Sep 77
Missile, RIM-66D and RIM-67B STANDARD II, MR, ER, SM-2 (N)	89,651.00	6 Dec 84
Missile, 5" Rolling Airframe, RAM, X-RIM-116A (N)	(a)	
Missile, STINGER Basic (A)	7,600.00	20 Dec 88

*Handwritten notes:*  
 Air Force cites  
 \$13.00 for  
 AIM-9P2/B in  
 LOA's.

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BGM-71E  
TOW-2E

Missile, STINGER Post (A)	302,200.00	20 Dec 88
Missile, STINGER RMP (A)	3,700.00	20 Dec 88
Missile, TOMAHAWK (N)	(a)	
Missile, BGM-71A, Basic TOW HEAT and Practice (A)	293.00	16 Sep 77
Missile, I-TOW (A)	487.00	3 Nov 81
Missile, BGM-71D, TOW 2 (A)	658.00	19 Dec 83
Missile, M-65 Subsystem, Airborne TOW (A)	28,578.00	7 May 81
Rocket, Antisubmarine, ASROC (N)	855.00	20 Dec 84
Rocket, 2.75" Series (A)	.87	26 Mar 80
Rocket, M-77, Multiple Launch Rocket System (MLRS) Tactical, Practice, and Training (A)	615.00	2 Dec 85
* Rocket Vertical Launch Antisubmarine (N)	98,926.00	14 Dec 88
Torpedo, MK-46 MOD 2 (N)	8,993.00	
Torpedo, MK-46 NEARTIP O/A Kit (Converts MK-46 MODs 1/2 to MOD 5) (N)	3,795.00	26 Jan 80
Torpedo, MK-46 MOD 5 (N)	9,308.00	
Torpedo, MK-48 (N)	86,255.00	21 Jul 77
Torpedo, MK-48 ADCAP Kit (N)	103,322.00	25 Nov 80

CATEGORY V - PROPELLANTS, EXPLOSIVES AND INCENDIARY AGENTS

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

CATEGORY VI - VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT

CG - Guided Missile Cruiser (N)	(a)	
DD-963 (N)	(a)	
DD - Destroyer (N)	(a)	
DDG - Guided Missile Destroyer (N)	(a)	
FFG - Guided Missile Frigate (N)	3,591,379.00	18 Oct 78
LCAC - Landing Craft Air Cushion (N)	(a)	
LHD - Amphibious Assault Ship (N)	(a)	
LHD - Amphibious Transport Dock (N)	(b)	
LSD - Dock Landing Ship (N)	(b)	
LST - Tank Landing Ship (Newport Class) (N)	824,840.00	25 Jan 84
LKA - Amphibious Cargo Ship (N)	(b)	
LPA - General Purpose Amphibious Assault Ship (N)	(b)	
MSO - Minesweeper, Ocean, Nonmagnetic (N)	(b)	
* PHM - Patrol Combatant Missile, Hydrofoil (Nato Configuration) (N)	1,000,000.00	
* PHM - Patrol Combatant Missile, Hydrofoil (FRG Configuration) (N)	1,250,000.00	
SS - Submarine, Conventionally Powered (N)	(b)	

Table 700-6 continued

CATEGORY VII - TANKS AND  
MILITARY VEHICLES

Carrier, Armored Personnel, M-113 Series (A)	688.00	11 Sep 78
Carrier, Mortar, M-106A1/2 (A)	688.00	11 Sep 78
Carrier, Mortar, M-125A1 (A)	688.00	11 Sep 78
Carrier, M-667, LANCE (A)	688.00	11 Sep 78
Carrier, M-730, CHAPARRAL (A)	688.00	11 Sep 78
Carrier, M-741, VULCAN (A)	688.00	11 Sep 78
Carrier, M-727, HAWK (A)	688.00	11 Sep 78
Carrier, Cargo, M-548 Series (A)	688.00	11 Sep 78
Carrier, Command Post, M-577 Series (A)	688.00	11 Sep 78
Gun, Self-propelled, 175mm, M-107 (A)	40,258.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110 (A)	14,371.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110A1 (A)	16,975.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110A2(A)	21,069.00	26 Mar 80
Howitzer, Self-propelled, 155mm, M-109A1-A3 (w/cannon assembly) (A)	8,771.00	23 Jun 87
Howitzer, Self-propelled, 155mm, M-109A1-A3 (w/o cannon assembly) (A)	7,447.00	23 Jun 87
Tank, M-48A1 (A)	1,479.00	
Tank, M-48A3 (A)	5,521.00	
Tank, M-48A5 (A)	12,849.00	
Tank, M-60A1 (A)	14,083.00	3 Mar 80
Tank, M-60A3 w/TTS (A)	31,427.00	3 Mar 80
Tank, M-60A3 w/o TTS (A)	21,939.00	3 Mar 80
* Tank, M-1, ABRAMS (A)	114,443.00	27 Oct 88
* Tank, M-1A1 (A)	226,725.00	27 Oct 88
Tank Engine, AVDS-1790 Series (A)	2,066.00	3 Mar 80
Vehicle, Assault Amphibian, AAV7A1 (N)	91,426.00	20 Apr 82
Vehicle, Armored Reconnaissance Assault, M-551 (A)	33,213.00	
Vehicle, Combat Engineering Vehicle (CEV), M-728 (A)	(a)	
Vehicle, Fire Direction Control Center (FDCV) (A)	3,382.00	21 May 86
Vehicle, Fire Support Team (FISTV), M-981 (A)	68,476.00	3 Feb 86
Vehicle, Infantry Fighting (IFV), M2 (A) (w/o 25mm Cannon)	74,715.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M2 (A) (w/25mm Cannon)	79,392.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M3 (A) (w/o 25mm Cannon)	73,678.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M3 (A) (with 25mm Cannon)	78,355.00	25 Jun 82
* Vehicle, Light Armored (LAV) (A)		
LAV 25 (w/o M242 Gun)	69,965.00	24 Aug 88
LAV Anti Tank	69,965.00	24 Aug 88
LAV Command and Control	69,965.00	24 Aug 88
LAV Logistics	69,965.00	24 Aug 88

Table 700-b continued

LAV Mortar	69,965.00	24 Aug 88
LAV Recovery	69,965.00	24 Aug 88
Vehicle Mechanized Infantry Combat, M-723 (A)	(a)	
* Vehicle, Recovery, M-88/M88A1) (A)	8,460.00	1 Nov 88
Vehicle, Recovery, M578 (A)	(a)	
Vulcan Air Defense System, M-163 an M-167 Series (A)	29,439.00	26 Mar 80
* High Mobility Multi-Purpose Wheeled Vehicle (HMMWV)	660.00	6 Apr 88
M966 Tow Carrier BSC Armor	660.00	6 Apr 88
M996 Ambulance, 2 Litter	660.00	6 Apr 88
M997 Ambulance, 4 Litter	660.00	6 Apr 88
M998 Cargo Troop Carrier	660.00	6 Apr 88
M1025 Armament Carrier BSC Armor w/o wpns	660.00	6 Apr 88
M1026 Armament Carrier BSC Armor w/wpns	660.00	6 Apr 88
M1027 GLLD Carrier	660.00	6 Apr 88
M1035 Soft Top Ambulance, 2 Litter	660.00	6 Apr 88
M1036 Tow Carrier BSC Armor w/wpns	660.00	6 Apr 88
M1037 Shelter Carrier w/wpns	660.00	6 Apr 88
M1038 Cargo Troop Carrier Soft Top	660.00	6 Apr 88
M1042 Shelter Carrier w/wpns	660.00	6 Apr 88
M1044 Armament Carrier Supp Armor w/wpns	660.00	6 Apr 88
M1045 Tow Carrier Supp Armor w/o wpns	660.00	6 Apr 88
M1046 Tow Carrier Supp Armor w/wpns	660.00	6 Apr 88

**CATEGORY VIII- AIRCRAFT, SPACECRAFT  
AND ASSOCIATED EQUIPMENT**

* A-4A (w/o engine) (N)	15,165.00	20 Oct 83
* A-4B (w/o engine) (N)	12,864.00	20 Oct 83
* A-4C (w/o engine) (N)	15,523.00	20 Oct 83
* A-4E (w/o engine) (N)	27,929.00	20 Oct 83
* A-4F (w/o engine) (N)	32,226.00	20 Oct 83
* A-4M (w/o engine) (N)	132,000.00	20 Oct 83
A-6 (N)	(a)	
A-7 (w/o FLIR) (N)	243,881.00	8 Sep 83
* A-10 (w/o TF-34 Engine) (AF)	388,786.00	12 Mar 82
A-37 (AF)	19,651.00	
AH-1S COBRA W/T-53-L-705 Engine (A)	150,856.00	7 Mar 81
AH-1J SEACOBRA (w/o engine) (N)	52,245.00	11 Oct 85
AH-1T SEACOBRA (w/o engine) (N)	486,665.00	11 Oct 85
* AH-64 APACHE (w/o 2 T-700 engines)	1,006,272.00	30 Dec 83
AV-8B (w/o UK Assessment) (N)	867,373.00	26 Jun 81
C-5A, GALAXY (AF)	12,661,728.00	12 Mar 82
C-130, HERCULES w/4 T-56 engines (AF)	102,520.00	3 Aug 83
C-141A/B, STARLIFTER (AF)	892,254.00	12 Mar 82

*Table 700-b continued*

CH-47A/B/C w/2 T-53-L-11A engines (A)	100,000.00	
CH-47D CHINOOK (A)	(a)	
CH-53E/MH-53E (w/o T 64 Engine) (N)	1,023,097.00	12 May 83
E-2C (N)	2,625,904.00	18 May 78
E-3A, SENTRY (U.S./NATO Standard) (AF)	33,021,000.00	26 Oct 81
(total U.S. NRC charge \$27.43M; total NATO NRC charge \$5.59M)		
EA-6 (N)	(a)	
* F-4A (w/o engines) (N)	129,712.00	20 Oct 83
* F-4B (w/o engines) (N)	70,450.00	20 Oct 83
F-4E (N) (w/engines) (25% discounted for useful life) (N)	159,408.00	20 Oct 83
F-4G WILD WEASEL (MOD only) (AF)	667,241.00	12 Mar 82
* F-4J (w/o engines) (N)	122,089.00	20 Oct 83
F-5A, TIGER (AF)	40,000.00	1 Nov 71
F-5E, TIGER II (AF)	68,000.00	1 Nov 71
F-5F, TIGER II (AF)	207,000.00	25 Nov 75
F-8 (N)	56,859.00	12 May 81
F-14 (N)	1,600,000.00	29 Nov 76
F-15, EAGLE (AF)	1,600,000.00	29 Nov 76
F-16 A/B (w/J-79 engine) (AF)	456,934.00	1 May 81
F-16 A/B FIGHTING FALCON (w/o EPG special NRC) (AF)	640,000.00	4 Jun 80
F-16A Simulated Aircraft Maintenance Trainer (SAMT) (AF)	172,220.00	3 Jul 85
* F-16 C/D (w/o engine) (AF)	554,000.00	24 Feb 89
F-18 (N)	1,117,281.00	30 Mar 87
F-100A (AF)	37,840.00	6 Dec 84
F-100C (AF)	25,800.00	6 Dec 84
F-100D (AF)	25,440.00	6 Dec 84
F-100F (AF)	27,840.00	6 Dec 84
F-101B/F (AF)	65,560.00	6 Dec 84
F-102 (AF)	38,320.00	6 Dec 84
F-104A STARFIGHTER (AF)	42,080.00	6 Dec 84
F-104B/C/D (AF)	91,040.00	6 Dec 84
* F-104G/J (AF)	54,360.00	27 Nov 87
F-105B, THUNDERCHIEF (AF)	168,000.00	6 Dec 84
F-105D/F (AF)	78,400.00	6 Dec 84
F-106A/B, DELTA DART (AF)	159,200.00	6 Dec 84
F-111A/C/D/E/F (AF)	605,320.00	6 Dec 84
H-3E (N)	(a)	
H-46 (N)	(a)	
H-53 (S-65) (N)	166,029.00	27 Feb 79
KC-10, EXTENDER (AF)	1,176,667.00	12 Mar 82
KC-135A, STRATOTANKER (AF)	217,034.00	12 Mar 82
OH-6, CAYUSE (A)	18,000.00	11 Jun 87
OH-58A, KIWAWA (A)	22,000.00	11 Jun 87
OH-58C, KIWAWA (A)	48,000.00	11 Jun 87
OV-1A/B/C, MOHAWK (A)	119,229.06	23 Jun 82
OV-10 (N)	41,930.00	9 Jun 78

Table 700-b continued

P-3A/B (N)	382,750.00	20 Oct 83
P-3C (N)	592,219.00	3 Jan 78
P-3C AEW&C (N)	1,761,974.00	25 Feb 87
Remotely Piloted Vehicle (RPV), ACQUILA (A)	(a)	
* RF-4B (w/o engines) (N)	104,566.00	20 Oct 83
RF-4C, PHANTOM II (AF)	108,000.00	6 Dec 84
S-2A (w/o engines) (N)	18,987.00	20 Oct 83
S-2C (w/o engines) (N)	23,497.00	20 Oct 83
S-2D (w/o engines) (N)	38,448.00	20 Oct 83
S-2E (w/o engines) (N)	35,950.00	20 Oct 83
S-3 (N)	3,502,643.00	26 Jun 81
SH-2/2D/2F LAMPS, MARK I (Includes 2 T-58-GE engines) (N)	325,423.00	6 Dec 84
SH-60B (LAMPS, MARK III Airframe w/o 2 T-700-GE-401 engines) (N)	859,636.00	15 Oct 82
SH-60B Minimum Avionics Suite (N)	366,236.00	15 Oct 82
SH-60B Mission Avionics Suite (N)	1,063,400.00	15 Oct 82
SH-60B Ship Electronics (N)	1,131,227.00	15 Oct 82
* SH-70C (w/o engine) (N)	855,284.00	23 Jun 87
T-2 (N)	39,968.00	10 Jan 78
TA-4F (w/o engine) (N)	28,110.00	20 Oct 83
* TA-4J (w/o engine) (N)	51,176.00	20 Oct 83
T-33 (AF)	2,857.00	12 Mar 82
T-37 (AF)	19,651.00	
T-38A (AF)	80,972.00	12 Mar 82
TH-55, OSAGE (A)	6,000.00	11 Jun 87
UH-1H, IROQUOIS (A)	4,501.00	1 May 81
UH-1N (N)	48,032.00	12 Jul 85
UH-60A BLACKHAWK (w/o 2 T-700-GE-700 eng.)(A)	169,692.00	3 Oct 81

### ENGINES

CFM-56 (AF)	39,677.00	6 Mar 84
* CT7-2A/2D (derivative of T-700 eng.) (N)	29,697.00	21 Dec 88
* CT7-5A/7A (derivative of T-700 eng.) (A)	25,777.00	21 Dec 88
* CT7-6/9 (derivative of T-700 eng.) (N)(A)	9,236.00	21 Dec 88
CT-58 (derivative of T-58) (N)	20,045.00	11 Jun 87
F-100-PW-100/200 (AF)	221,705.00	12 Mar 82
* F-100-PW-220 (AF)	464,050.00	24 Feb 89
F-101 (AF)	(a)	
F-101X (AF)	(a)	
F-107(N)	(a)	13 Mar 87
* F-110-GE-100 (AF)	464,050.00	24 Feb 89
F-404 (N)	63,840.00	30 Mar 87
J-47 (AF)	2,168.00	12 Mar 82
J-52P-6A/B (N)	7,370.00	8 Sep 83
J-52P-8A/B (N)	30,658.00	8 Sep 83
J-52P-408 (N)	33,106.00	8 Sep 83
J-57P-6B (N)	4,600.00	8 Sep 83
J-57P-10 (N)	4,120.00	8 Sep 83

Table 700-b continued



J-60P-3/3A (N)	2,520.00	8 Sep 83
J-75 (AF)	28,999.00	12 Mar 82
J-79-GE-8/10 (N)	6,400.00	8 Sep 83
J-79-GE-17/17A/119 (AF)	27,464.00	1 Oct 83
J-85 (AF)	17,901.00	23 Mar 83
PW-1120 (Derivative of F-100-PW-200) (AF)	155,194.00	20 Oct 83
T-33-P-100 (AF)	(a)	
T-53 (N)	1,542.00	7 May 81
T-53-L-703 (A)	2,626.00	7 May 81
T-55 (A)	6,400.00	
T-56 (N)	13,313.00	12 May 83
T-58 (N)	20,045.00	11 Jun 87
T-64 (N)	38,578.00	12 May 83
* T700-GE-401/401A (N)	29,697.00	21 Dec 88
* T700-GE-401C (N)	25,450.00	21 Dec 88
* T700-GE-700 (A)	29,697.00	21 Dec 88
* T700-GE-701/701A/701A1 (A)	29,697.00	21 Dec 88
* T700-GE-701C (A)	25,450.00	21 Dec 88
TF-30 (N)	43,866.00	20 Jun 79
TF-34 (N)	20,705.00	12 Mar 82
TF-39 (AF)	441,707.00	12 Mar 82
TF-41-A-2A/-2B/-400/-402/-402B (N)	48,249.00	6 Dec 84

Other

Modular Integrated Communication  
 Navigation System Ground Data  
 Terminal (MICNS GDT) (A) (a)

CATEGORY IX - MILITARY TRAINING EQUIPMENT

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

CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

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

CATEGORY XI - MILITARY AND SPACE ELECTRONICS

Avionics Intermediate Shop (AIS) (F-16A/B) (AF)	1,190,000.00	12 Apr 84
Avionics Intermediate Shop (AIS) (F-16C/D) (AF)	2,400,000.00	12 Apr 84
Countermeasure System Torpedo Ex Set 1 (N)	(a)	
Countermeasures, AN/ALQ-126, SPJ System (N)	26,631.00	5 Jun 85
Countermeasures, AN/ALQ-165, ASPJ (N)	111,425.00	6 Dec 84
Countermeasures, ALQ-119 (AF)	6,138.09	9 Dec 75
Countermeasures, ALQ-131		

Table 700-6 continued

w/receiver (AF)	26,970.00	28 Sep 79
Countermeasures, ALQ-131 w/o receiver (AF)	24,108.00	28 Sep 79
Countermeasures, AN/SLQ-32(V)1 (N)	115,000.00	25 Apr 86
Countermeasures, AN/SLQ-32(V)2 (N)	250,350.00	25 Apr 86
Countermeasures, AN/SLQ-32(V)3 (N)	381,803.00	25 Apr 86
Engagement Control System (ECS), PATRIOT, AN/MSQ-104 (A)	548,311.00	15 Nov 82
Joint Tactical Information Distribution System, JTIDS (AF)	50,828.00	30 Oct 82
NAVSTAR Global Positioning System (GPS) (AF)	1,000.00	
* Ocean Surveillance Information System (OSIS) Baseline Upgrade (OBU) (N)	11,586,364.00	11 Sep 87
Radio, AN/ARA-54 (A)	39.84	
Radio, AN/VRC-12 Series (12, 43 through 49) (A)	70.00	15 Feb 84
Radio, AN/TRC-170 (AF)	60,622.00	15 Feb 84
Sonar, AN/SQR-18A (N)	267,069.00	
Sonar, AN/SQR-18A (CV) 1 (N)	601,837.00	24 May 84
Sonar, AN/SQR-19 (N)	1,349,593.00	29 Mar 82
* Sonar, AN/SQS-56 (N)	173,193.00	19 Jul 88
Tactical Flag Command Center (N)	(a)	
Telephone, AN/TTC-38, Central (A)	(a)	
Telephone AN/TTC-39, (A)	(a)	
Telephone, AN/TTC-42, Unit Level Circuit Switch (N)	(a)	
Versatile Avionics Shop Test (VAST), AN/USM-247(V) (N)	(a)	

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

AEGIS Weapon System, MK-7, w/o Standard Missile and MK-41 Vertical Launch Systems (N)	16,288,000.00	25 Feb 87
Close in Weapon Systems, CIWS, PHALANX (NRC is per gun mount) (N)	287,842.00	28 Oct 78
Computer, Fire Control MK1A (N)	(a)	
Director, Fire Control, MK51-2 (N)	(a)	
Fire Control Gun System, MK-37 (N)	24,800.00	6 Dec 84
Fire Control System, Missile MK-74 MOD 4 (N)	(a)	
Fire Control gun System, MK-56 (N)	15,400.00	6 Dec 84
Fire Control gun System, MK-68 (N)	60,000.00	6 Dec 84
Fire Control, System, ROLAND AN/GSG-11 (A)	324,828.00	24 Sep 80
Fire Control System, MK-86 (N)	(a)	
Fire Direction System, AN/GSG-10		

*Table 700-b continued*

TACFIRE (A)	740,331.00	
Goggles, Night Vision, AN/PVS-5 (A)	157.49	31 Jan 80
Guided Bomb Unit, GBU-10/12 w/o fuze (AF)	203.00	15 Jun 87
Guided Bomb Unit, GBU-10/12 w/FMU-81 Fuze (AF)	243.00	15 Jun 87
Guided Bomb Unit, GBU-10/12 w/FMU-139A A/B fuze (AF)	217.00	15 Jun 87
Guided Bomb Unit, GBU-15 (AF)	12,528.00	
Guided Bomb Unit, GBU-16 (N)	(a)	
Laser Target Designator, AN/AVQ-26, PAVE TACK (AF)	643,071.00	11 Jun 87
MFCs MK-92 (N)	(a)	
Manpack System, Single Channel UHF, AN/PSC-1 and AN/PSC-7 (A)	(a)	
Manpack, LOREN, AN/PSN-6 (A)	(a)	
Marine Integrated Fire and Air Support System (MIFASS) (N)	(a)	
Missile Minder, AN/TSQ-73 (A)	715,687.00	
Mission Payload Subsystem (MPS), Daylight (A)	(a)	
MPS, Forward Looking InfraRed (FLIR) (A)	(a)	
Modular Tactical Communications Center (MTCC) (A)	(a)	
* PATRIOT Antenna Mast Set (A)	131,906.00	18 Nov 82
* PATRIOT Electrical Power Plant (EPPII) (A)	339,464.00	18 Nov 82
* Position Location Reporting System, AN/TSQ-129 Master Station (A)	1,179,261.00	30 Nov 88
* RT-1343/TSQ-129 Basic User Unit (A)	41,298.00	30 Nov 88
Radar, AN/APG-63, (AF)	410,407.00	
Radar, AN/APG-65 (F-18)	29,471.00	30 Mar 87
Radar, AN/APG-66 (F-16A/B) (AF)	30,400.00	12 Apr 84
Radar, AN/APG-68 (F/16C/D) (AF)	101,120.00	12 Apr 84
Radar, AN/APS-145 (N)	1,078,582.00	25 Feb 87
Radar, Antenna, AN/APS-138 (AN/APS-145) (N)	162,047.00	25 Feb 87
Radar, AN/AWG-9 (PHOENIX) (AF)	338,403.00	
Radar, AN/MPQ-53, (PATRIOT) (A)	2,383,426.00	18 Nov 82
Radar, AN/SPS-46 (N)	(a)	
Radar, AN/SPS-40B (N)	216,746.00	7 May 82
Radar, AN/SPS-48E (N)	(a)	
* Radar, AN/SPS-49(V)5/(V)7 (N)	304,719.00	15 Mar 84
Radar, AN/TPQ-36 (A)	252,968.00	25 Jul 79
Radar, Low Altitude Surveillance Radar (LASR) (derivative of AN/TPQ-36 Radar) (A)	73,361.00	1 Oct 84
Radar, AN/TPQ37 (A)	920,149.00	19 May 81
Radar, AN/TPS-43 w/basic antenna (AF)	27,462.00	5 Feb 86
Radar, AN/TPS-63 (USMC Baseline) (N)	45,557.00	7 May 87

Table 700-b continued

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Radar, AN/TPS-63 (derivative configuration) (N)	31,890.00	7 May 87
Radar, Fire Control, MK-25 (N)	(a)	
SHF System, Multichannel, AN/TSC-85 and AN/TSC-93 (A)	(a)	
SATCOM GND System, AN/TSC-86 (A)	(a)	
Tactical Air Operations Center, TAOC-85 (N)	(a)	
Tactical Operations System (TOS) AN/UYQ-19 and AN/UYQ-36 (A)	121.128.00	
Target Acquisition Designation Sight (TADS) (A)	202,591.00	30 Dec 83
Target Acquisition System (TAS), MK 23 Mods 0-8 (N)	(a)	
Terminal, Light for AN/TSC-86 (A)	(a)	
Terminal, Medium, AN/GSC-39(V) DSCS (A)	(a)	
Terminal, Single Subscriber (SST) (A)	(a)	

CATEGORY XIII - AUXILIARY MILITARY EQUIPMENT

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

NOTES:

\* Indicates added, changed, revised, or new information.

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

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

Table 700-b continued

**TABLE 702-5**  
**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		

*Handwritten notes:*  
 - An arrow points from the notes to the 'Western Hemisphere' section.  
 - Text: "add for change only" (crossed out)  
 - Text: "change to add" (crossed out)  
 - Text: "must to proof" (crossed out)  
 - There are several scribbles and initials at the bottom of the notes.

TABLE 702-5. Foreign Countries and International Organizations Authorized Direct Arrangements for Dependable Undertaking.

**80102 FMS CUSTOMER REQUESTS FOR SPECIFIC SOURCE.**

A. **DOD Policy.** DOD policy provides that procurements made for FMS will comply with U.S. government acquisition regulations and procedures. When procurement is required to meet an FMS requirement for defense articles and/or services, to the maximum extent possible, the competitive procurement process will be utilized. Authority for sole source procurement can be considered when the purchasing country makes a specific written request and provides sufficient rationale for obviating the benefits of the competitive process.

B. **Sole Source Designation.** As described in DOD FAR Supplement 25.7307, the FMS purchaser may request that a defense article or defense service be obtained from a particular source. In such cases, FAR 6.302.4 provides authority for the U.S. government to contract on a sole source basis. The purchaser request should be contained in a letter of request for an LOA or an amendment to an existing LOA. The request for sole source must also provide the basis and justification for the sole source and may be for a prime and/or sub-contractor source. Sole source procurement designations under accepted FMS LOAs will be submitted by the DOD component security assistance director to the applicable contracting activity in order to exercise the FAR authority.

1. **Foreign Purchaser Request.** Foreign purchaser sole source requests may be honored (See DOD FAR Supplement 25.7307) only when the sole source designation is based upon the objective needs of the FMS purchaser as stated by the purchaser and DOD component security assistance director approval is obtained. Accordingly, a letter requesting a specific item(s) and/or service(s) from a specifically identified firm or other supplier must be addressed by an authorized official of the purchasing government to the chief of the security assistance organization (SAO) in country, or by the Defense Attache or comparable official of the purchasing government in the United States to the DOD component security assistance director whose component has procurement cognizance for the required item/service. If from an overseas activity of the purchasing government, this written request should be submitted via the SAO in country. The letter must provide the basis and justification for a sole source request. To the maximum extent possible submission through the SAO is preferred. The request shall not be honored in any case of patently arbitrary, capricious or discriminatory exclusion of other sources. The number or frequency of sole source requests should be kept to the absolute minimum; however, there may be situations where for programmatic reasons sole source procurements is necessary and justifiable. Situations where sole source procurement may be justifiable could include, but are not limited to, the following situations:

*make them  
circle them  
include part  
guidance  
means  
maintain/w  
w. wall  
2/9/89*

a. When one of the numerous suppliers can deliver faster and the situation is urgent enough to forego the benefits of the competitive process.

b. When the procurement of a non-standard item which is out of the DOD buying pattern has been approved because of a country request and a specific source has been identified by the country, i.e., obsolete items no longer supportable by the DOD. This could occur in countries with predominantly MAP merger funded programs since MAP merger funds can be utilized only for FMS programs; therefore, such a purchasing country may not have the capability of buying on a direct basis.

c. When the country has an established history of procurement for articles or services from a particular prime source and to change would adversely affect an ongoing program. For example, this would include an ongoing maintenance program wherein a particular prime contractor is providing technical assistance or other services under established agreements.

d. When the designated source has won the foreign purchaser's own source selection competition and the purchaser advises of its desires. Specific evidence as to the competitive process should be included in the justification.

TABLE 802-1

FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS AUTHORIZED RECEIPT OF DLA EXCESS PROPERTY LISTINGS

COUNTRIES

Africa

Botswana  
Djibouti  
Kenya

Liberia  
Sudan  
Zaire

Europe

Austria  
Belgium  
Denmark  
France  
Germany (Federal Republic of)  
Greece  
Iceland  
Ireland  
Italy  
Luxembourg

Malta  
Netherlands  
Norway  
Portugal  
Spain  
Sweden  
Switzerland  
Turkey  
United Kingdom  
Yugoslavia

Far East

Australia  
Burma  
Brunei  
Indonesia  
Japan  
Korea

Malaysia  
New Zealand  
Philippines  
Singapore  
Taiwan  
Thailand

Near East and South Asia

Bahrain  
Bangladesh  
Egypt  
India  
Israel  
Jordan  
Kuwait  
Lebanon  
Morocco  
Nepal  
Oman

Pakistan  
Qatar  
Saudi Arabia  
Sri Lanka (Ceylon)  
Tunisia  
United Arab Emirates, The  
Yemen Arab Rep.

Western Hemisphere

Argentina  
Bahamas  
Barbados  
Bolivia  
Brazil  
Canada  
Colombia  
Costa Rica  
Dominica  
Dominican Rep.  
Ecuador  
Guatemala  
Haiti

Honduras  
Jamaica  
Mexico  
Panama  
Paraguay  
Peru  
St Lucia  
St Vincent  
Trinidad and Tobago  
Uruguay  
Venezuela

*include in chg 1*  
←

International Organizations

NATO (North Atlantic Treaty Organization and its agencies)

TABLE 802-1. Foreign Countries and International Organizations Authorized Receipt of DLA Excess Property Listings.

PENTAGON  
OPERATIONS DIRECTORATE

ROUTINE  
R 022228Z NOV 88  
FM SECDEF WASHINGTON DC//USDP//  
TO AIG 8797

ZYUW RUEKJCS3408 3072228

UNCLAS

FROM OPS-D I-015612/88

SUBJECT: REVISION TO THE SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM) INTERIM CHANGE NO 88-1

1. THE PURPOSE OF THIS REVISION TO THE SAMM IS TO ADD BOLIVIA TO THE LIST OF FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS AUTHORIZED RECEIPT OF DLA EXCESS PROPERTY LISTINGS.

2. ACCORDINGLY, THE SAMM (REVISED 1 OCT 1988) IS REVISED AS FOLLOWS:

- CHAPTER 8, TABLE 802-1 (PAGE 802-25)

- ADD BOLIVIA (BETWEEN BARBADOS AND BRAZIL) TO THE LIST OF ELIGIBLE COUNTRIES UNDER THE SUBHEADING "WESTERN HEMISPHERE"

3. THE ABOVE WILL BE INCORPORATED INTO THE NEXT FORMAL CHANGE TO THE SAMM. BT

*Background only,  
changed in Table 802-1 -  
02*

\*\*\*\*\* MESSAGE PREPARATION HINT \*\*\*\*\*

\*\*\*\*\* PLEASE DO NOT USE HYPHENS (DASHES) AT THE BEGINNING OF TEXT LINES ON THE DD FORM 173 \*\*\*\*\*

DISTRIBUTION  
ACTION PRI(4)  
INFO FMTAG/DLA VIA PRI(4) FILE CY(1)

(A)

9

\*AIR FORCE MESSAGE\*

MCN=88307/36223

YOR=88307/22322

TAD=88307/22322

CDSN=MAP144

PAGE 1 OF 1  
022228Z NOV 88

UNCLASSIFIED



TO DA Samuelson 785-2994 <sup>29</sup>  
3 pages  
From Wayne Wells  
AV 227-8105

4 January 1989

MEMORANDUM FOR RECORD

SUBJECT: SMM Change, Use of 1513-2 for Sole Source Designation

DSAA memo I-017475/88, 9 Nov 88, notified USAF that an LOA modification may be used in lieu of amendment under specific circumstances and that the new policy would be published in the SMM.

On this basis, change 1 to DOD 5105.38-M should substitute the following for Para 80102.C.2:

"2. LOA Amendment or Modification. The designation of sole source procurement for an LOA which has already been accepted by the purchaser would be an exception to the policy outlined above. If the situation does occur, addition of the supplemental condition should normally be added by an Amendment, DD Form 1513-1. The IA may determine that use of a DD Form 1513-2 is justified when the sole source request is made by the official who requested the LOA, his replacement, or an official known to have equivalent or greater authority than the official who signed the LOA."

Approved  
SMM  
change  
w

psc2

no change - 30  
Background



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

NOV 1988

In reply refer to:  
I-017475/88

cy ca diu  
11-10-88

MEMORANDUM FOR DIRECTOR, INTERNATIONAL PROGRAMS/PRI  
DEPARTMENT OF THE AIR FORCE

SUBJECT: Sole Source Documentation Procurement in  
Security Assistance

Reference: Your Memo of 3 Nov 1988, Same Subject

We concur with your proposal to append sole source requests to LOA's by use of a DD 1513-2, provided that:

- The sole source request is signed by the same official (or his replacement) who requested the LOA, or
- The sole source request is signed by an official known to have equivalent or greater authority than the official who signed the LOA.

The purpose of the current SMM guidance, which stipulates the use of a DD 1513-1 in these circumstances, is to assure that the sole source request is made by an official with the authority to do so. We believe that you would agree that sole source requests should be made by levels of competent authority within the purchasing nations, since this limits the potential for corruption. Consequently, if you determine a particular request is not from competent authority (as described above), you should use the DD 1513-1 in that instance.

We will amend the SMM to reflect this policy.

GLENN A. RUDD  
DEPUTY DIRECTOR



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON, D.C. 20330

no change - 3:  
Background  
IO 17475/88

8 NOV 1989

MEMORANDUM FOR DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

SUBJECT: Sole Source Documentation Procurement In Security Assistance

Request your assistance and review of an Air Force initiative concerning documentation for sole source procurement. The Air Force Logistics Command (AFLC) has prepared justification to support streamlining current procedures by authorizing a sole source request to be appended to an LOA with a -2 vice -1. The AFLC Judge Advocate and the Air Force General Counsel have rendered opinions that the requirements of 10 USC 2304 and the FAR (subpart 6.3) are met by this interpretation.

The issue has been unfavorably reviewed twice within DSAA. Approval of this initiative will gain implementing agencies six months and will result in better service for our customers.

I would like to explain our request. Please let me know when I may come see you.

DONALD L. KAUFMAN  
Brigadier General, USAF  
Director of Int'l Programs, DCS/PR

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*change to agree  
with number in  
as needed -*

*Table 902-3A - Grant Agreement*

90208 DISBURSEMENT OF FMS LOAN FUNDS.

A. 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 specific loan when disbursement of loan funds is required.

B. Expiration of Disbursement (FFB Loan Commitment) Period. Section 1.1 of FFB and DOD loan agreements (see Tables 902-1 and 902-3) 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.

C. Requests for Disbursement of Loan Funds. All requests for disbursement of FMS loan funds must be submitted to 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 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 90209.A. of this section.

D. 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.

E. 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 thousand or more may be requested at any time.   
 \$500,000

F. Restriction on Use of FMS Loan Funds for Costs of Transporting FMS Credit-Financed Cargoes.

1. 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 percent 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 903 of this chapter. In no instance may FMS loan funds be used to pay <sup>the</sup> cost of transportation provided by a vessel of non-U.S. registry.)

2. FMS loan funds may be used to pay air transportation costs only if U.S. flag aircraft are used.

90209 DIRECT COMMERCIAL PURCHASES

A. 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



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

28 February 1989

GUIDELINES FOR FMS FINANCING OF DIRECT COMMERCIAL CONTRACTS

In 1984 the U.S. Department of Defense (DoD) established guidelines concerning the processing and review of commercial contracts for direct purchase of U.S. defense articles and services from U.S. firms to be funded with loans issued under the Arms Export Control Act. These current guidelines supersede the guideline revision dated 19 February 1987.

The financing of direct commercial contracts is under continual scrutiny, to include a review of DSAA procedures by the GAO, review by the Department of Justice, and consideration by the Congress. In an effort to continually improve the quality of this program while minimizing DoD vulnerability to waste, fraud, and abuse, revised guidelines and procedures have been determined to be necessary.

Currently there are specific policies and procedures in existence in the Federal Acquisition Regulation (FAR) and the Security Assistance Management Manual (SAMM) which apply to FMS (government-to-government) loan financed, grant financed, and Military Assistance Program (MAP) financed programs. The following guidelines establish similar policies and procedures for the use of loans (and "Grants" for FY 1989) for financing of direct commercial contracts between U.S. industry and foreign countries.

FMS 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. defense contractors on a direct commercial basis, similar to the financing of FMS government-to-government agreements. However, as indicated in the financing agreement to which the U.S. Government and the foreign governments are parties, the U.S. Government is under no obligation to approve any specific commercial contract for FMS financing. The following guidelines apply to the DSAA review for FMS financing of direct commercial contracts:

Insert at

90209.A.1.

a. Purchases must be from U.S. incorporated firms licensed to do business in the U.S.

b. The items purchased must be manufactured in the U.S. and be composed of U.S. manufactured and assembled 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.

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(1) Non-U.S. content which is an integral part of end products manufactured in the U.S. may be eligible for FMS 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 item from the same non-U.S. sources under existing multi~~x~~ or bi-lateral agreements, ~~Defense Industrial Cooperation (DIC)~~ agreements, or because the item is not available from a U.S. source.

(2) Contracts should specify any non-U.S. origin items, components, or services. If not identified in the contract, the contractor is required to identify to DSAA any non-U.S. content and the corresponding value contained in the contract. Assembly is required to be performed in the U.S.

c. 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 financing.

d. FMS 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.

(1) No FMS financing will be authorized or disbursed to pay for mandatory direct offsets, or the related costs of offset management. Mandatory direct offsets are procurements of a non-U.S. made component required by the purchasing country as a condition of sale, for incorporation or installation in a U.S. produced end item being sold.

(2) While FMS funds will not be authorized for foreign produced content resulting from mandatory direct offset, such funding can be authorized for the U.S. content portion of the item produced.

e. Purchase agreements should be made directly with the prime manufacturer of the defense article or service if possible and the contractor is expected to add value to the product being sold.

(1) If the items or services are available from production in the U.S., purchases of materiel should be made to the maximum extent feasible from the prime manufacturer of assemblies or items, the 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.

X

(2)B. A prime contractor must demonstrate to the DSAA (by means of a DoD pre-award survey or other means) its capability - - including, <sup>for example,</sup> ~~e.g.,~~ expertise, experience, ~~plant,~~ <sup>plant,</sup> and financial soundness - - to perform by itself a substantial portion of the work. Prior successful completion of recent direct commercial contracts financed with FMS funds or DoD contracts for the same or essentially similar items shall normally satisfy this requirement.

(3)C. Funding with FMS financing will not be considered for a procurement agent, broker, import-export firm or other intermediary unless justified on factors relative to specific country needs and the country's abilities <sup>to</sup> ~~to~~ conduct commercial contracting. A request for exception ~~would~~ be considered if sufficient justification is provided by the purchasing government as to why the purchase is sought from a firm other than the manufacturer.

(4)D. A list of suppliers and subcontractors for the proposed contract, showing names, addresses, and the materiel and services to be procured by the ~~intermediary~~ <sup>prime contractor</sup> ~~the~~ prime contractor ~~must~~ be provided as part of the purchasing government's justification. Prime contractors are required to identify names and addresses of all projected suppliers and subcontractors applicable to this contract. In such a case it is assumed that the purchasing government will be aware of the extent of additional cost or markup by the ~~intermediary~~ <sup>prime contractor</sup> and such data can be provided upon request.

f. Acquisition programs that include contingent agent fees up to \$50,000 may be approved for financing. DSAA will disapprove FMS financing for acquisition programs, the price of which includes sales commissions or contingent fees which exceed \$50,000. Contract splitting within an acquisition program is not authorized as a means to exceed the maximum allowable agents fee. It is not <sup>DSAA's</sup> ~~the intent of the DSAA~~ to determine the amount of ~~commissions or fees~~ which suppliers may pay to a contingent agent for services performed to secure a contract or sales agreement, but rather it is intended to place a dollar limitation upon the amount of <sup>the</sup> FMS funds which a country may use to pay such costs. Such ~~commissions~~ decrease the buying power of FMS funds, thereby reducing the advantages which the country can achieve from the FMS financing. 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.

g. U.S. firms which are selling or have sold the same items to ~~the Department of Defense (DoD)~~ are generally recognized as



X

*and performance*  
 having adequate production capabilities, ~~and having previously performed on their contracts in a satisfactory manner.~~ It is recognized that many small business or firms that have not previously sold to ~~The DOD~~ may be the best qualified to provide articles or services unique to country needs. To verify contractors' statements and determine their capability to perform under the contract terms, a DOD pre-award survey may be required as a condition to FMS financing. Such pre-award surveys normally are not required for firms with previous DOD contracting experience.

h 8. Contractors and country representatives should plan for the time required by DOD to ~~perform the processing necessary to~~ determine the extent of FMS financing authorization. The processing time for contracts that are fully in compliance with these guidelines is approximately 60 days. 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 an additional 90 days for U.S. Government~~ representatives to conduct a survey of the contractor ~~since~~ <sup>such</sup> a review and pre-award survey may be required in certain circumstances by DSAA as a condition for FMS financing of the contract.

i 9. FMS funds will not be approved for financing of direct commercial letters of credit which assure payment to the supplier upon presentation by the supplier of invoices and/or delivery documents. If the contract requires performance bonds or other ~~forms of~~ letters of guarantee, the use of a U.S. bank or financial institution is required for this purpose.

j 10. FMS funds will not be approved for financing of non-U.S. transportation carriers.

(i) A. For ocean transportation of FMS financed shipments the contractor/country ~~will use or cause to be used~~ <sup>may</sup> privately owned U.S. flag commercial vessels. For contractor originated ocean shipments, the contractor will, within 20 days of loading, submit one legible copy of the rated on-board ocean bill of lading for each shipment to: Chief, Division of National Cargo, Office of Market Development, Maritime Administration, U.S. Department of Transportation, 400-7th Street, S.W., Washington, DC 20590. The bill of lading will identify: Contract number; name of vessel; flag of registry; date and port of loading; port of final discharge; description, weight, <sup>and</sup> value of cargo; and total ocean freight revenue. Any waivers (general, security, or non-availability) will be in accordance with the country's agreement

X

with DSAA. The waivers are described in the agreements and may apply to either specific shipments or for a specific period of financing. Contractors will include these requirements in subcontracts or purchase orders applicable to this contract.

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

K 11. FMS 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.

Q 12. Any purchase agreement that provides for a refund, penalty, liquidated damages, bonding provisions, or any other form of financial reimbursement to the purchasing country must be structured to ensure that such payment is made by the contractor or designated agent (including the contractor's commercial bank) directly and without undue delay, from the payor to the ~~U.S. Government~~ U.S. ~~Government~~.

(1)X. Bonding and guarantee documents, such as Performance Bonds, Letters of Guarantee, Letters of Credit, and any other such instrument that is established by the contractor or his agent pursuant to the Purchase Agreement, must be received at ~~the~~ DSAA and made part of the Purchase Agreement file as a prerequisite to disbursement of FMS funds to the contractor. Bonding and guarantee documents lacking adequate provisions to ensure prompt payment to the ~~U.S. Government~~ U.S. ~~Government~~ will not be accepted but will be returned for revision, and the pertinent Purchase Agreement will be held in abeyance until this requirement is satisfied.

(2)B. Reimbursement payments must be remitted to the addresses noted below. These payments, when received by ~~the~~ DSAA, will be credited to the purchasing country's FMS trust fund account and become available for application by the country to any FMS or commercial case approved for FMS financing. Any financial reimbursement relating to the Purchase Agreement which is equal to or less than the FMS funds paid by ~~the~~ DSAA on the Purchase Agreement will become available for application by the country to any FMS or commercial case approved for FMS financing. In the event that the amount of reimbursement exceeds the amount of FMS funds paid by ~~the~~ DSAA on that Purchase Agreement, the excess

X

amount of that reimbursement will be credited to the country's FMS trust fund account and become available to the country for application as "cash" to FMS cases.

(3)C. Remittances should be processed as follows:

Payments by check must be accompanied by a letter which identifies the purchasing country and the DSAA case identifier. The check must be made payable to the " United States Treasury" and mailed to:

Defense Security Assistance Agency  
1400 Wilson Boulevard  
Suite 535  
Arlington, VA 22209-2325

Payments by wire transfer should be transferred as follows:

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

n 13. Contracts should include all essential contract elements. Complete copies of all provisions of contracts are required for DOD review for FMS 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 funded contracts. (Table 902-6)

n 14. The ~~CONTRACTOR'S CERTIFICATION AND AGREEMENT WITH DEFENSE SECURITY ASSISTANCE AGENCY~~ (Enclosure 2) 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 date of the current agreement form is February 1989.~~ (Table 902-7)

0 15. Generally, FMS ~~Cooperative Logistics Supply Support Arrangements~~ CLSSAs are established to provide standard spare parts for items of U.S. origin. These FMS agreements contemplate timely delivery of spare parts at a fair price. However, countries sometimes find it necessary to open commercial Basic

X

Order Agreements (BOAs) to provide for certain time sensitive ~~items~~ or ~~for~~ non-standard items. ~~Commercial contracts for BOAs~~ OK  
 may be approved for FMS financing, subject to purchaser agreement that:

(1) ~~A~~. Standard items are first requisitioned via CLSSAs.

(2) ~~B~~. The commercial BOA may only be used for acquisition of standard items if the CLSSA is unable to satisfy specific country delivery requirements.

(3) ~~C~~. Listings of requirements are provided with BOA contracts, whenever possible.

¶ 16. Contractors may not offer DOD DCAS quality assurance services as a part of a direct commercial contract.

(1) ~~A~~. For some contracts or purchase orders, ~~The~~ DSAA may require that a DOD/DCAS 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 financing of the contract.

(2) ~~B~~. Although the cost of such quality assurance services may be included in the contract and paid to ~~The Security Assistance Accounting Center (SAAC),~~ by the contractor on behalf of the purchaser, the purchaser country will be required to arrange for these services through an FMS agreement with ~~The~~ DCAS.

¶ 17. The contracts or purchase orders must clearly identify the amount of any applicable downpayment and follow-on payments.

(1) ~~A~~. A down payment or initial payment may not exceed the amount of cost incurred by the contractor up to the date of submission of the downpayment invoice. This payment is defined as the contractor's out-of-pocket payments made prior to contract implementation, ~~plus payments due in the first 90 days of the contract,~~ plus termination liability, less profit, as certified by the contractor.

(TO BE INCURRED DURING THE FIRST 90 DAYS)

X

(2) ~~B~~. Follow-on payments may be scheduled <sup>up</sup> on ~~the~~ accomplishment of specific milestones detailed in the contract, such as deliveries or contractor costs incurred as of the date of the invoice plus costs to be incurred (which include termination liability) through the next 90 days. A proportional share of profit may also be recovered in follow-on payments, based upon milestones achieved or partial deliveries.

(3) ~~C~~. Full contract payment cannot be scheduled prior to the date/schedule of contract deliveries or completion of contract actions.

(4) ~~D~~. The purchaser country should validate invoices and submit them to DSAA for payment within 60 days of receipt from the contractor. Purchaser countries may not assess charges to U.S. contractors for processing contracts or invoices for payment. FMS financing will be withdrawn if such charges are determined to have been assessed or if the purchasing country representatives have solicited U.S. contractors to provide free materiel, services, advertising, or ~~other~~ similar forms of benefits as a condition of award of a contract or processing of invoices.

P. 18. Pricing comparisons are being performed on a selective basis as part of the contract review process. Current DOD procurement prices will be used as a source of comparison prices to assure a valid comparison. However, if DoD has excess stocks available at a lower price, or if the purchaser has invested in early procurement through a FMS CLSSA case for the same type of item, we will so notify the contractor and the purchaser. When prices are discovered which appear to be excessive in comparison with ~~to~~ new acquisition of comparable items for DOD or domestic purchase, the contractor will be advised. <sup>The DoD</sup> Our objective is to maximize the benefits of limited FMS funds; however, ~~we~~ recognized that certain circumstances, especially delivery schedules, may justify paying higher prices. Unjustified excessive prices may be cause for disapproval of FMS financing.

S. 19. It is important that the purchaser provide prior notification to DSAA of acquisition plans. Plans should be submitted for each requirement for which the purchaser anticipates making a direct commercial purchase with FMS 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.

(1)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 notification is not provided to ~~the~~ DSAA prior to submission of contracts, it may result in the contract review being delayed or in contracts being returned without review.

(2)B. Additionally, it is highly recommended that whenever possible, several U.S. manufacturers be contacted by the purchaser for solicitation of bids. ~~to meet their specific needs.~~ When the purchaser has made a selection and a direct commercial contract is submitted to DSAA for FMS 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 competed 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.

~~4.20.~~ If the contractor otherwise contracts with <sup>DOD</sup> ~~the U.S.~~ Department of Defense, the contractor must comply with approved cost accounting standards. FMS financing may be disallowed for contracts which result in additional costs being transferred to ~~the DOD.~~ ~~The Defense Contract Audit Agency (DCAA)~~ has expressed concerns about the formation by U.S. prime contractors of separate corporate segments to conduct foreign sales. In some cases, when significant intracompany contracting is involved, the resulting allocations of costs are inconsistent with cost accounting standards and would unjustifiably result in the allocation of additional costs to DOD contracts. If ~~U.S.~~ DOD prime contractors establish separate companies or other corporate segments for the purpose of conducting foreign sales and request FMS credit financing for sales by such segments, DSAA will request DCAA review of the transaction. FMS credit financing will be approved only upon confirmation by ~~the~~ DCAA that the arrangement is consistent with cost accounting standards and that there would be no unjustifiable additional cost on DOD contracts with the prime contractor.

<sup>DSAA</sup>  
4.21. ~~The Defense Security Assistance Agency~~ is not staffed in a manner which would enable it to conduct independent debarment or suspension proceedings. Therefore, with respect to approval of

20

financing for U.S. contractors, DSAA relies heavily on the experiences of other <sup>U.S.</sup> ~~U.S.~~ Government agencies which are empowered to debar/suspend contractors for cause.

(1) A. Contracts will not be approved for U.S. suppliers which are included in: The <sup>GSA</sup> ~~U.S. General Services Administration~~ List of Parties Excluded From Federal Procurement or Nonprocurement Programs, the U.S. Commerce List of Denial Orders Currently Affecting Export Privileges or similar determinations in which ~~the~~ <sup>DoS</sup> ~~U.S. Department of State~~ has made certain contractors ineligible to export material under the ~~International Traffic in Arms~~ <sup>ITAR</sup> 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 or suspension. A copy of the letter will be furnished to the contractor involved.

(2) B. 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 the relevant organization or individual from the debarment/suspension list. Such action should be taken directly with the Agency which has debarment responsibility.

✓ 22. If the contract includes a requirement for insurance, the use of a U.S. insurance firm is required.

✓ 23. If the contract includes an arbitration clause, the location of the arbitration must be identified as in either the ~~U.S. United States~~ or a mutually agreed third country and not in the purchaser country.

~~✓ A flow chart depicting the DSAA commercial contract review and approval process is attached at Enclosure 4. Title 002 0.~~

X. Contracts and supporting documentation should be submitted by the purchasing country to:

Defense Security Assistance Agency  
~~PRCPB~~ <sup>COMPROL</sup>, ACCOUNTING + FINANCE DIVISION  
 1400 Wilson Boulevard, Suite 535  
 Arlington, Virginia 22209-2325

~~71~~

u. Inquiries concerning these policies and procedures or the contract review process should be directed to:

Defense Security Assistance Agency  
Operations Management Division (DSAA/OPS-E)  
The Pentagon, Rm 4B740  
Washington, D.C. 20301-2800.

~~Enclosure  
As stated~~



f. 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 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.

g. U.S. firms which are selling or have sold the same items to the DOD are generally recognized as having adequate production capabilities and having previously performed on their contracts in a satisfactory manner. It is recognized that many small businesses or firms that have not previously sold to the DOD may be the best qualified to provide articles or services unique to country needs. To verify contractors' statements and determine their capability to perform under the contract terms, a DOD preaward survey may be required as a condition to FMS loan financing. Such preaward surveys may not be required for firms with previous DOD contracting experience.

h. When the prospective purchase is from a contractor that does not regularly sell to the USG, the purchaser should set a commencement date for the contract that allows at least 90 days for USG 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.

i. 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.

j. 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.

k. 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.

Any purchase agreement that provides for a refund, penalty, liquidated damages, bonding provisions, or any other form of financial reimbursement to the purchasing country must be structured to ensure that such payment is made by the contractor or designated agent (including the contractor's commercial bank) directly and without undue delay, from the payor to the U.S. Government. Bonding and guarantee documents, such as Performance Bonds, Letters of Guarantee, Letters of Credit, and any other such instrument that is established by the contractor or his agent pursuant to the Purchase Agreement, must be received at the DSAA and made part of the Purchase Agreement file as a prerequisite to disbursement of FMS loan funds to the contractor. Bonding and guarantee documents lacking adequate provisions to ensure prompt payment to the USG will not be accepted but will be returned for revision, and the pertinent Purchase Agreement will be held in abeyance until this requirement is satisfied.

(3) Listings of requirements are provided with BOA contracts, whenever possible.

p. 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 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 DLA, through the 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.

q. Cargoes financed with FMS loan funds are required to be shipped on U.S. flag vessels unless 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.

r. 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 during the first 90 days, less profit, as certified by the contractor. Follow-on payments will be based upon the accomplishment of specific milestones detailed in the contract based on deliveries or contractor costs incurred. Payment requests may be submitted quarterly or less frequently. Follow-on payments 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) through the next 90 days. A proportional share of profit may also be recovered in follow-on payments, based upon milestones achieved or partial deliveries. The contracts or purchase orders must identify the amount of the down payment and the follow-on payments.

s. 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 USG and the foreign government are parties, the USG is under no obligation to approve any specific commercial contract for FMS financing.

t. Pricing comparisons are being performed on a selective basis as part of the contract review process. Current DOD procurement prices will be used as a source of comparison prices to assure a valid comparison. However, if DOD has excess stocks available at a lower price, or if the purchaser has invested in early procurement through an FMS CLSSA case for the same type of item, we will so notify the contractor and the purchaser. When prices are discovered which appear to be excessive in comparison to new acquisition of comparable items for DOD or domestic purchase, the contractor will be advised. Our objective is to maximize the benefits of limited FMS funds; however, we recognize that certain circumstances, especially delivery schedules, may justify paying higher prices. Unjustifiably excessive prices may be cause for disapproval of FMS loan financing.

u. It is extremely important to emphasize the requirement that purchasers provide prior notification to DSAA of their acquisition plans. The form at Table 902-8 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

Questions concerning these policies and procedures should be directed to:  
 DSAA Operations Management Division  
 (DSAA/OPS-E)  
 The Pentagon  
 Washington, D.C. 20301-2800

*change (2/2/78)*  
  
*no change (2/2/78)*

**B. Documents and Statements.** Requests for payment of FMS loan funds to U.S. commercial suppliers must be accompanied by certain documents/statements as set forth in the Annexes and Attachments to each FMS loan agreement. These supporting documents must be provided to the DSAA by the borrower, and not by the commercial supplier.

**90210 OFFSHORE PROCUREMENT.**

**A. Statutory Requirement.** Section 42(c) of the AECA provides that "capital made available under this Act 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."

**B. 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. DODD 2125.1 outlines OSP procedures when non-merged MAP funds are involved (See Paragraph 110001.A.5).

**90211 REPAYMENTS OF FMS LOANS.**

**A. 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.

**B. Extensions.** Repayments falling due on a Saturday, Sunday, holiday, or other day on which the 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.

**C. 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.

**D. Repayments Overdue One Year or More.** Overdue repayments which continue in arrears for more than one year are subject to the sanctions of the "Brooke Amendment" which is an integral part of each recent foreign assistance 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.

← TABLE 902-3  
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 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 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 identifier assigned by the DSAA to, and the amount of financing authorized for, the approved Purchase Agreement.

Table 902-3. ~~Loan Agreement~~  
~~DSAA Document~~

1.4 (a) Each advance hereunder 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 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 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.

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 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

Table 902-3. ~~II~~ (continued)

(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 and at least until ten years has elapsed from the date first above written:

(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

~~1~~  
Tab 902-3 (continued)

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;

(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 8.3 (a) hereof;

(e) The Borrower shall make all of its records and files relating to its use or other disposition of the Loan Proceeds and to any Purchase Agreement approved for financing with such Loan Proceeds available upon request for inspection by the Department of Defense of the Lender or by the Department of Justice of the Lender;

(f) The Borrower shall make its officials and its employees as well as its nationals who are neither officials nor employees available, to the fullest extent allowed by the laws of the Borrower, for interview by the Department of Defense of the Lender or by the Department of Justice of the Lender in connection with any investigation of crime under the laws of the Lender arising out of the use or other disposition of any of the Loan Proceeds or arising out of any Purchase Agreement approved for financing with such Loan Proceeds; and,

(g) The Borrower shall notify in writing each commercial supplier with which it has a Purchase Agreement approved for financing with the Loan Proceeds promptly upon its receipt of notification by DSAA of such approval that United States Government funds are being and will be used to finance such Purchase Agreement.

## SECTION 6.      DEFAULTS.

6.1 A condition of default shall exist upon the occurrence of any of the following events of default:

~~5~~  
Table 902-3 (continued)



(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 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 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 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 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.

~~TS~~  
Table 902-3 (continued)

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 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

*Table 902-3 (continued)*

(c) In the case of the Lender to:

Director, Defense Security Assistance Agency  
Pentagon, Washington, D.C. 20301-2800

or to such other addresses as may be specified in writing.

8.4 Notwithstanding Section 1.3 hereof, the Loan Proceeds shall also be available for refinancing any principal debt of the Borrower outstanding as of December 22, 1987, not in arrears under Loans made or guaranteed pursuant to section 23 or section 24(a) of the United States Arms Export Control Act. Advances requested to be made for such purpose shall be made upon delivery to the DSAA of a letter request from the Borrower not less than fifteen business days before the disbursement date.

8.5 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.

8.6 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.

8.7 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, II, III, and IV attached hereto are, by this reference, made a part of this Agreement.

8.8 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.

8.9 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 \_\_\_\_\_

~~92~~  
Tab 902-3. (continued)

LOAN AGREEMENT

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 shall be advanced by the DSAA 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)

~~Table~~  
Table 902-3. (continued)

PRINCIPAL REPAYMENT SCHEDULE

The first	(amount)	shall be repaid on	(date)
The next		shall be repaid on	
" "	"	" " " "	"
" "	"	" " " "	"
" "	"	" " " "	"
" "	"	" " " "	"
" "	"	" " " "	"
The last	"	shall be repaid on	"
Total			

~~11~~  
Table 902-3. (continued)



ANNEX III

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:

021030004 (Note 1)  
(Note 2) (Note 3) Payment Amount (in U.S. dollars)  
LEAVE BLANK LINE HERE - for Federal Reserve Bank use only  
TREASURY NYC/CTR/BNF=/AC-00005037 OBI=(Begin third party text -  
may use up to 219 characters with this optimum format;  
this text should include the precise loan installment(s)  
to which the remitted amount should be credited.)

- Notes:
- 1 Type-Subtype-CD Provided by sending bank.
  - 2 Sender-DFI-No. Provided by sending bank.
  - 3 Sender-REF-No. Optional information provided by sending bank.

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.



ANNEX IV

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 the 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 the DSAA containing the names and signatures of newly designated officials whenever changes occur.

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.

### 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.

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 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:

<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>
--	--	-----------------------------	---

Sincerely,

## 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 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)

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. 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" (CIF) terms 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 to the Purchaser, 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 purchaser is paying the export transportation cost with other than U.S. Government funds (i.e., the Contractor is not paying for the export transportation cost) the Contractor will submit a certification with the invoice as follows:

The (Contractor) 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.

c. All Contractor's invoices must be submitted with the following certification:

The (Contractor) acknowledges U.S. Government funds are being used by the Government of \_\_\_\_\_ to finance this purchase and certifies that the invoice(s) submitted with respect thereto are free from any material false statement or misrepresentation and do not omit any

Table 902-3.  
(Continued)

2c. 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.~~ Table 902-7.

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.

note to DISAM: no change,  
same as present Exhibit C  
review page numbering only -

~~SECRET~~ 72  
~~SECRET~~

EXHIBIT C

MARINE TRANSPORTATION WAIVER PROCEDURES

1. The following procedures and conditions shall be adhered to concerning marine transportation of defense articles, the purchase of which is to be financed under this agreement. All defense articles, which are transported by ocean vessel, shall be transported in privately owned vessels of United States registry unless a waiver of this requirement is obtained from the Director, Defense Security Assistance Agency, Department of Defense. Requests for waiver are categorized as general, non-availability or security as outlined below.

A. General Waivers

Consideration will be given to a waiver application to authorize vessels flying the flag of the country to whom this agreement applies to participate in the transportation of cargo generated under this agreement provided the recipient country does not discriminate against United States flag vessels in the carriage of the exports or imports of the recipient nation. Approval may be granted for recipient country's vessels to carry up to, but not in excess of 50 percent of the cargo under this agreement. Ocean freight revenue is the main criterion for determining flag participation but cargo valuation shall also be taken into consideration. Accordingly, throughout the life of this agreement, U.S. flag vessels shall not receive less than 50 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, DC 20301, with a copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, DC 20590.

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Table 502-3. (continued)



NEW TABL  
NEW  
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← TABLE 902-3A  
GRANT AGREEMENT

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

WHEREAS, the Grant Recipient 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 Grant Recipient has requested a grant from the Government of the United States of America (hereinafter sometimes referred to as the "Grantor") to finance payments required to be made by the Grant Recipient under the Purchase Agreements; and

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

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 Grant Agreement ("Agreement"), the Grantor agrees to make advances to the Grant Recipient from time to time in an aggregate principal amount not to exceed \_\_\_\_\_ dollars (U.S. \$ \_\_\_\_\_), the obligation of the Grantor under this section being hereinafter called the "Grant Proceeds."

1.2 The Grant Proceeds shall be available only to finance the purchase of Defense Items by the Grant Recipient 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 Grant Recipient to enter into a Purchase Agreement in implementation of this Grant Agreement shall be separately communicated by the DSAA in writing to the Grant Recipient substantially in the form of the Attachment to Exhibit A. The authorization shall specify the case identifier assigned by the DSAA to, and the amount of financing authorized for, the approved Purchase Agreement.

— 1 —

Table 902-3A. Grant Agreement

1.3 (a) Each advance hereunder shall be made upon the delivery to the DSAA of a letter request from the Grant Recipient. 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 Grant Recipient shall be authorized in accordance with Requests for Advances, which shall be prepared by the Grant Recipient in the form of Annex II hereof and forwarded to the Grantor for each advance.

## SECTION 2. REPRESENTATIONS AND WARRANTIES.

The Grantor has entered into this Agreement and will make the grant provided for herein on the basis of the following representations and warranties of the Grant Recipient:

(a) The Grant Recipient has full power, authority and legal right to enter into this Agreement on the terms and conditions contained herein, and to execute, deliver and perform this Agreement;

(b) The execution, delivery and performance of this Agreement will not violate any provisions of, and have been duly and validly authorized under, the laws of the Grant Recipient, and all actions necessary to authorize the advances hereunder and the execution, delivery and performance of this Agreement have been duly taken; and

(c) This Agreement has been, duly executed and delivered by persons duly authorized, and this Agreement constitutes the valid, legal and binding obligation of the Grant Recipient, enforceable in accordance with its terms.

## SECTION 3. CONDITIONS OF GRANT.

3.1 The obligation of the Grantor 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, evidence of the authority of each person who (i) signed this Agreement on behalf of the Grant Recipient, and (ii) will sign on behalf of the Grant Recipient, 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 I.

3.2 The obligation of the Grantor to make any advance hereunder is subject to the further conditions precedent that:

- (a) No event of default within the meaning of Section 5 hereof shall have occurred;
- (b) The DSAA shall have received a letter request executed by the duly authorized representative of the Grant Recipient and prepared in accordance with the procedures for disbursement of Grant Proceeds; and
- (c) All legal matters incident to this Agreement shall be satisfactory to the General Counsel of the DSAA, or his successor.

SECTION 4. COVENANTS.

The Grant Recipient covenants and agrees that from the date of this Agreement and at least until ten years has elapsed from the date first above written:

(a) It will pay all taxes, now or hereafter in effect, imposed with respect to this Agreement by any government other than the Government of the United States of America and will save and hold harmless the Grantor from all losses or liabilities resulting from any delay or omission to pay such taxes.

(b) Any legal action or proceeding against it by the Grantor with respect to this Agreement 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 Grant Recipient, as the Grantor may elect, and by execution and delivery of this Agreement, the Grant Recipient 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 Grant Recipient 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 7.2 (a) hereof.

(c) The Grant Recipient shall make all of its records and files relating to its use or other disposition of the Grant Proceeds and to any Purchase Agreement approved for financing with such Grant Proceeds available upon request for inspection by the Department of Defense of the Grantor or by the Department of Justice of the Grantor.

(d) The Grant Recipient shall make its officials and its employees as well as its nationals who are neither officials nor employees available, to the full extent allowed by the laws of the Grant Recipient, for interview by the Department of Defense of the Grantor or by the Department of Justice of the Grantor in connection with any investigation of crime under the laws of the Grantor arising out of the use or other disposition of any of the Grant Proceeds or arising out of any Purchase Agreement approved for financing with such Grant Proceeds.

-3-

Table 002-3A. (continued)

(e) The Grant Recipient shall notify in writing each commercial supplier with which it has a Purchase Agreement approved for financing with the Grant Proceeds promptly upon its receipt of notification by DSAA of such approval that United States Government funds are being and will be used to finance such Purchase Agreement.

SECTION 5. DEFAULTS.

5.1 A condition of default shall exist upon the occurrence of any of the following events of default:

(a) If a default shall have occurred on any loan made to or guaranteed for the Grant Recipient by the DSAA or the Government of the United States of America or any agency thereof;

(b) If any representation or warranty made by the Grant Recipient herein or in any certification of the Grant Recipient required herein proves to be at any time incorrect in any material respect;

(c) If (i) the Grant Recipient defaults in the performance of any of the provisions in Section 6 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 Grant Recipient; or

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

5.2 Upon each and any such event, the Grantor may declare immediately due and payable the unpaid principal and accrued interest on any note or other indebtedness of the Grant Recipient held by the Grantor 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 Grant Recipient, and if such event occurs before the full amount of the Grant Proceeds has been disbursed or before any loan commitment of the Grantor to the Grant Recipient has been fulfilled, the Grantor may terminate or suspend such disbursements and commitments. The Grant Recipient shall pay all costs and expenses, including attorney fees incurred in the collection of amounts due hereunder after default.

SECTION 6. TRANSPORTATION.

6.1 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 Grant Recipient 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

4  
Table 902-3A. (continued)

(b) for Purchase Agreements hereafter entered into, on the date the Purchase Agreement is consummated.

6.2 The Grant Recipient 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.

6.3 Advances hereunder may be used to pay ocean or air freight costs for transportation of only those Defense Items financed by this grant and only if such items are carried on vessels or aircraft of United States registry.

SECTION 7. MISCELLANEOUS.

7.1 No omission or delay on the part of the Grantor 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 Grantor.

7.2 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 Grant Recipient 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 Grantor to:

Director, Defense Security Assistance Agency  
Pentagon, Washington, D.C. 20301-2800

or to such other addresses as may be specified in writing.

7.3 Notwithstanding Section 1.2 hereof, the Grant Proceeds shall also be available for refinancing any principal debt of the Grant Recipient outstanding as of December 22, 1987, not in arrears under Loans made or guaranteed pursuant to section 23 or section 24(a) of the United States Arms Export Control Act. Advances requested to be made for such purpose shall be made upon delivery to the DSAA of a letter request from the Grant Recipient not less than fifteen business days before the disbursement date.

7.4 (a) This Agreement 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.

(b) In the event of a dispute regarding a Purchase Agreement between the Grant Recipient and a Military Department or Defense Agency of DoD that is approved for grant financing under this or other Grant Agreements, the Grantor reserves the right to make an advance hereunder, notwithstanding Section 1.3 hereof, if the Grant Recipient fails to deliver to DSAA a letter request for disbursement in the form set forth in Annex II or fails to comply with the documentation requirements set forth as Exhibit B, within fifteen business days after the date the disbursement was to have been made.

(c) In the event of a dispute regarding a Purchase Agreement between the Grant Recipient and a Commercial Supplier that is approved for grant financing under this or other Grant Agreements, no advance hereunder can be made until the Grant Recipient complies with the provisions of Section 1.3 hereof, notwithstanding any dispute settlement provisions or procedures included in such a Purchase Agreement or dispute resolution.

7.5 This Agreement shall be binding upon and inure to the benefit of the Grant Recipient and the Grantor and their respective successors and assigns, except that the Grant Recipient 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 making of the advances hereunder.

7.6 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.

7.7 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.

~~6~~  
Table 202-3A. (continued)

7.8 In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired. This Agreement may be amended only with the mutual written consent of the Grantor and the Grant Recipient.

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 \_\_\_\_\_

~~7~~  
Table 902-3A. (continued)

ANNEX I

DESIGNATION OF AUTHORITY

1. The Grant Recipient 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 grant 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 the grant agreement in the amount of \_\_\_\_\_ between the Government of the United States and this Government:

a. GRANT AGREEMENT:

\_\_\_\_\_  
(Person's Name(s) and/or Title(s) of Office(s))

b. REQUESTS FOR DISBURSEMENT AND SUCH OTHER DOCUMENTS AS MAY BE REQUIRED UNDER THIS GRANT 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 Grant Recipient to delegate to selected officials authority to sign documents as stated in the name of its Government. The Grant Recipient shall submit a designation of authority letter to the DSAA containing the names and signatures of newly designated officials whenever changes occur.

(continued)  
Table 902-3A. ~~Grant Agreement~~





## EXHIBIT A

PROCEDURES FOR OBTAINING  
DSAA APPROVAL FOR GRANT  
FINANCING OF PURCHASE AGREEMENTS1. General

The Defense Security Assistance Agency (DSAA) is responsible for approving grant financing of all Purchase Agreements that the Grant Recipient wishes to finance with proceeds from the grant issued by the DSAA under the provisions of the Arms Export Control Act. The use of grant proceeds shall be approved for the financing of purchases by the Grant Recipient 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 Grant Recipient'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 Grant Recipient desires to fund an FMS case from this grant, it must so inform the Military Department prior to the issuance of the LOA. In turn, the Military Department will reflect the desired grant financing on the LOA and submit it to the DSAA Comptroller for approval and counter-signature.

b. When the Grant Recipient wishes to use grant funds to pay amounts due under an FMS case which has already been established as a "cash" or "dependable undertaking" case, the Grant Recipient must ask the pertinent Military Department to convert all or part of that case from cash to grant 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 grant, the DSAA Comptroller will reserve funds from the uncommitted grant 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 grant funding. The portion of the grant so reserved will then be available only for such payments. Payments, either for deliveries of materiel or progress payments, from advances requested by the Grant Recipient, will be made by the DSAA Comptroller against the amount reserved for that purpose.

3. Purchases From Commercial Firms

a. Grant funds under the Arms Export Control Act 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 Grant Recipient whether it will approve such financing, the Grant Recipient must provide a copy of the contract or proforma purchase order to the DSAA Comptroller for its review, preferably before the Grant Recipient obligates itself to a purchase which it desires to be financed with grant funds. Before the DSAA can give its final approval of grant 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 which is subject to change by the DSAA at any time hereafter. The Grant Recipient should allow at least 90 days for the DSAA's review of the contract for approval of grant financing. Each grant financing approval shall be separately communicated by the DSAA in writing to the Grant Recipient by use of the "Grant Financing Approval" illustrated as an attachment to this exhibit.

b. Grant 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 grant 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 Grant Recipient 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 Grant Recipient a Grant 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 grant financing, the DSAA Comptroller will reserve grant funds in the amount requested. The grant funds so reserved will then be available only for payments on that case, unless the Grant Recipient 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 grant financing and certifications required as prerequisites to the DSAA approving grant financing for the purchase agreement, and indicating the DSAA approval of financing of the purchase agreement.

Attachment to  
Exhibit A

GRANT FINANCING APPROVAL

Dear Sir:

Pursuant to the provisions of Section 1.2 of the Grant Agreement between your Government and the U.S. Government, and in response to your recent request for grant 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:

<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>
--	--	-----------------------------	---

Sincerely,

EXHIBIT B

DSAA REQUIREMENTS FOR DOCUMENTATION TO SUPPORT REQUESTS FOR ADVANCES

- 1. This Exhibit describes the documents which the Grant Recipient must furnish to the DSAA Comptroller in support of requests for advances.
- 2. Whenever the Grant Recipient desires a disbursement of grant funds, its authorized representative(s), as designated pursuant to provisions of the Grant 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 Grant Recipient 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 1.3 of our Grant 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 grant.

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 grant 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 6 of the Grant 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 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)

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

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" (CIF) terms 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 to the Purchaser, 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 purchaser is paying the export transportation cost with other than U.S. Government funds (i.e., the Contractor is not paying for the export transportation cost) the Contractor will submit a certification with the invoice as follows:

The (Contractor) 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.

c. All Contractor's invoices must be submitted with the following certification:

The (Contractor) acknowledges U.S. Government funds are being used by the Government of \_\_\_\_\_ to finance this purchase and certifies that the invoice(s) submitted with respect thereto are free from any material false

*Table 502-3A,  
(continued)*

d. If the Grant Recipient is paying the export transportation cost with other than funds granted under the Arms Export Control Act or 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 therefore no cost is included in the sales price or otherwise included in the invoiced amount for which payment is requested.

(signed)  
(Commercial Supplier)

e. Before the DSAA authorizes the use of grant funds to finance any purchase from a Commercial Supplier, the Grant Recipient 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~~ Table 902-7.

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

? SAME AS SECTION 902

EXHIBIT C

MARINE TRANSPORTATION WAIVER PROCEDURES. See Exhibit C, Table 902-3.

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, DC 20301, with a copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, DC 20590.

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Table 902-3A. (continued)



# TABLE 902-6.

## 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.

Table 902-6. Essential Contract Elements

~~EXHIBIT~~ B TABLE 902-7.

CONTRACTORS CERTIFICATION AND AGREEMENT WITH  
DEFENSE SECURITY ASSISTANCE AGENCY

~~Version Effective~~  
February 1989

Contractor's Name: \_\_\_\_\_  
Contractor's Address: \_\_\_\_\_

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

Contract Number: \_\_\_\_\_ Contract Date: \_\_\_\_\_

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

1. Agrees that an authorized representative of the Department of Defense or other authorized representative of the Government of the United States shall, for a period of three years following receipt of the final payment made by DSAA on this Purchase Agreement, have access to and the right to examine any of the Contractor's directly pertinent books, documents, papers, or other records involving transactions related to this contract. The Contractor agrees to include in first-tier contracts under this contract, a clause to the effect that authorized representatives of the Government of the United States shall have access to and the right to examine, for a period of three years following the final payment to the Contractor by DSAA, any of the subcontractor's directly pertinent books, documents, papers, or other records involving transactions related to the subcontract. "Subcontract," for the purposes of this certification and agreement, is defined as all first-tier agreements and purchase

Table 902-7. Contractors Certification and Agreement

orders except: (1) those orders less than \$10,000 in value, (2) those orders in implementation of a Purchase Agreement awarded by the foreign government to the Contractor on a competitive lowest responsive bid basis, (3) those orders for common hardware items purchased at widely circulated catalog prices, or (4) those orders issued prior to and effective prior to date of the Purchase Agreement identified above.

2. Agrees to include in the written terms and conditions of each such subcontract a *prominently displayed statement* that United States Government funds will be used to finance such subcontract, and that acceptance of the subcontract order will constitute acknowledgement of such notification of U.S. Government financing.

3. Certifies and agrees that no bribes, rebates, gifts, kickbacks or gratuities have been or will be offered to or given to (directly or indirectly) contrary to United States law, or have been or will be arranged contrary to United States law with, officers, officials, or employees of the purchaser by the Contractor, its employees or agents which are intended to secure the Purchase Agreement or favorable treatment under the Purchase Agreement or for any other purpose relating to the Purchase Agreement.

4. Agrees to include in the written terms and conditions of each such subcontract applicable to this contract a *prominently displayed statement* that acceptance and implementation of the subcontract constitutes a declaration and agreement by the principal executive officers of the subcontractor that no bribes, rebates, gifts, kickbacks, or gratuities have been or will be offered to, or given to (directly or indirectly) contrary to United States law, or have been or will be arranged contrary to United States law with, officers, officials or employees of the purchaser by the subcontractor, its employees or agents which are intended to secure the Purchase Agreement or the subcontract or favorable treatment under such agreements or for any other purpose relating to the Purchase Agreement or the subcontract.

5. 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 or agreement provided by this Contractor to obtain such financing, without any liability accruing to the U.S. Government.

6. Certifies that, unless identified below, the materiel or components to be provided under the Purchase Agreement are of U.S. manufacture. Agrees that, if DSAA approves financing of the

dollar value of non-U.S. origin components or services stated in this certification, or a specified dollar value of non-U.S. origin content, this value will not be exceeded. Certifies that the dollar value of 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 is indicated below. The value of raw materials and common hardware items which are procured by a manufacturer from both U.S. and foreign sources and which are not ordinarily segregated by origin, and which are incorporated on an interchangeable basis into the manufacturer's products, need not be identified.

\$ \_\_\_\_\_ (Total dollar value of non-U.S. origin components and services in the Purchase Agreement)

7. Certifies that the Purchase Agreement price includes only the following commissions or other contingent fees which shall have been or shall be paid only to bona fide employees or bona fide agencies which neither exerts nor proposes to exert improper influence to solicit or obtain this Purchase Agreement as defined in the Federal Acquisition Regulation (FAR) 3.401:

Recipient(s) of commissions or other contingent agents fees

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_  
\_\_\_\_\_

AGGREGATE AMOUNT PAID AND TO BE PAID: \$ \_\_\_\_\_

Certifies that if "NONE" is indicated above the Contractor has not employed or retained any agent to solicit or obtain the Purchase Agreement on a contingent basis who has been or is to be paid from funds received by the Contractor from the U.S. Government under the Purchase Agreement.

8. 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 those described in paragraphs six (6) or seven (7) above, utilized in the performance of the Purchase Agreement from non-U.S. contractors or individuals that are not resident in the United States, unless the financing of such services is expressly authorized by the DSAA.

9. 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 the payment requested does not exceed Contractor costs incurred at the time of submission of invoice. These costs may not exceed the total expenditures incurred prior to implementation of the Purchase Agreement and ~~costs to be incurred during the first 90 days of the Purchase Agreement~~, plus termination liability, less profit. Agrees to include in the written terms and conditions of each subcontract a *prominently displayed statement* that acceptance and implementation of the subcontract constitutes agreement by the subcontractor to identify the full amount of any payment received under the subcontract in its accounting records and to provide a clear audit trail of the use of these funds.

TO BE INCURRED DURING THE FIRST 90 DAY

10. 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 registry. Agrees that amounts billed for such transportation shall be only the cost for shipping only the defense articles provided under the terms of the Purchase Agreement.

USA

OK →

11. Certifies that the cost of transportation, lodging, meals and other personal support costs incurred by or on 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~~ funds received from the U.S. Government under the Purchase Agreement either directly or indirectly.

12. 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). \_\_\_\_\_

Further, recognizes that the U.S. Government makes no commitment to finance any additional subsequent agreements related to this Purchase Agreement.

13. 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, as follows:

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" (CIF) terms 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 to the Purchaser, 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 purchaser is paying the export transportation cost with other than U.S. Government funds (i.e., the Contractor is not paying for the export transportation cost) the Contractor will submit a certification with the invoice as follows:

The \_\_\_\_\_ (Contractor) \_\_\_\_\_ 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.

c. All Contractor's invoices must be submitted with the following certification:

The \_\_\_\_\_ (Contractor) \_\_\_\_\_ acknowledges U.S. Government funds are being used by the Government of \_\_\_\_\_ to finance this purchase and certifies that the invoice(s) submitted with respect thereto are free from any material false statement or misrepresentation and do not omit any material facts.

14. Agrees that any penalty payment, refund, or other reimbursement due to the purchaser pursuant to this Purchase Agreement will be paid to the U.S. Government for credit to the FMS trust fund account of the purchaser. Agrees to ensure that

the DSAA receives a copy of the bonding or guarantee documents, such as Performance Bonds or Letters of Guarantee applicable to this Purchase Agreement.

15. Certifies that neither the Contractor nor any of its employees are suspended or debarred from conducting business with any agency of the U.S. Government, and that export privileges are not suspended or revoked. Also agrees that no such suspended or debarred firms will be used as a source of supplies or as a subcontractor for this Purchase Agreement.

16. In addition to the agreement in paragraph 1 above, for purposes of facilitating official U.S. Government inquiries to determine whether criminal offenses may have been committed regarding the use, disbursement or other disposition of funds made available under the U.S. Arms Export Control Act, involved in this Purchase Agreement, agrees:

(a) to identify and to consent to the disclosure of the following accounts to (and at the request of) the U.S. Department of Defense or the U.S. Department of Justice or U.S. Federal grand juries:

- (1) accounts wherever located in the name of such Contractor; and
- (2) accounts located outside the United States in the name of the principal executive officers of such Contractor (and any nominees) who have been personally and substantially involved in this Purchase Agreement.

(b) for these purposes to include in the written terms and conditions of each subcontract (as defined in paragraph 1 above) applicable to this Purchase Agreement a statement that acceptance and implementation of the subcontract constitutes agreement by the subcontractor to identify and to consent to the disclosure of the following accounts to (and at the request of) the U.S. Department of Defense or the U.S. Department of Justice or U.S. Federal grand juries:

- (1) accounts wherever located in the name of such subcontractor or supplier; and
- (2) accounts located outside the United States in the name of the principal executive officers of such subcontractor or supplier (and any nominees) who have been personally and substantially involved in this subcontract under the Purchase Agreement.

The term "consent to the disclosure" for purposes of subparagraphs (a) and (b) of this paragraph includes an agreement to

provide consent documents authorizing the disclosure of such information upon request.

17. By signature below, the named individuals hereby separately certify: (1) that he or she has actual authority to sign on behalf of the Contractor and to bind the Contractor with regard to all agreements and certifications contained hereon; (2) that this certification and agreement is being signed and submitted for the purpose of receiving payment under terms of the above listed Purchase Agreement to be financed by U.S. Government funds; and (3) that the information provided in this Certification and Agreement is complete and correct to the best of each signatory's knowledge and belief after each has taken appropriate steps to verify the accuracy thereof. The person(s) signing the Purchase Agreement may not also sign this Certification and Agreement. In the event that the Contractor is a partnership, two general partners are required to sign this Certification and Agreement.

VICE PRESIDENT (OR MORE SENIOR OFFICIAL) HAVING SUPERVISORY RESPONSIBILITIES OVER THE MAKING OF THIS PURCHASE AGREEMENT

TREASURER, COMPTROLLER, OR OTHER SENIOR FISCAL OFFICIAL

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Typed name)

\_\_\_\_\_  
(Typed name)

\_\_\_\_\_  
(Title)

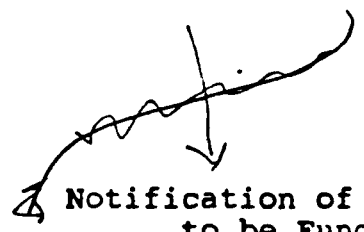
\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Date)



TABLE 902-8.



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 Items or Services:

(2) Quantity:

(3) Estimated Purchase Agreement Value: \$ \_\_\_\_\_

(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)

Table 902-8. Notification of Requirements  
for Direct Acquisition

NEW**T. Excessive High Cost Training.**

(1) In principle, IMET funds should not be used for excessive high cost training. High cost training is defined as any education or any single course of training with a tuition cost of \$30,000 or higher. However, selected high cost training will be considered on a case-by-case basis by DSAA when justified, depending upon the training requested, the state of development of the host country, and within an overall balanced program. (See also paragraph 100102.B. above concerning degree training).

(2) Education and training previously priced at less than the \$30,000 high cost threshold which is approved and programmed at the training workshops but subsequently experiencing a price increase of not more than 10% does not require a waiver to the high cost restriction.

Ref a

OLD

100102.R.

requirement. This limitation does not apply to OTs or general/flag rank related courses conducted by the Defense Resources Management Education Center or those courses conducted by the U.S. Army School of the Americas (USARSA).

R. Deployment of DOD Personnel or Teams. All training which requires U.S. personnel to travel to another country to conduct the training must be approved by DSAA prior to programming the training or making any offer or commitment to the foreign government(s) involved. See paragraph 100404 for specific criteria regarding MTTs. This includes USN refresher training conducted outside the U.S. and its territorial waters.

S. DISAM Training. IMET funds will not be used to finance DISAM MTTs. IMET funded foreign attendance at DISAM is authorized under two conditions: (1) when no part of the overseas travel is paid by IMET; (2) if all or part of the overseas travel is paid by IMET, each funded student must be scheduled to attend other related courses to ensure at least eight weeks of training duration in CONUS. (See paragraph 100102.P. above). Under either condition, the individuals selected to attend DISAM should occupy security assistance positions within the defense establishment of the host country.

T. Excessive High Cost Training. In principle, IMET funds should not be used for excessive high cost training. High cost training is defined as any education or any single course of training with a tuition cost of \$25,000 or higher. However, selected high cost training will be considered on a case-by-case basis by DSAA when justified, depending upon the training requested, the state of development of the host country, and within an overall balanced program. (See also paragraph 100102.B. above concerning degree training).

U. Correspondence Courses. Correspondence courses are not eligible for IMET funding.

TO BE  
CHANGED

Substantive  
para

DEFENSE SECURITY ASSISTANCE AGENCY

24 March 1989

Memo For DR. GAFFNEY

THROUGH: COL BEASLEY

SUBJECT: SAMP Change/Excessive High Cost Training

OK by me  
Would failor agree?

Reference: (a) My memo for Gen Brown, subj: CENTCOM FY90-91 Workshop, 10 Mar 89 (ATTACHED)

(b) SAMP CH 10, p 1001-4, par T (ATTACHED)

1. In ref (a), I recommended a change to ref (b) to define high cost training as training costing \$30,000 per course vice the current figure of \$25,000. The rationale is also highlighted in ref (a).

2. With your approval, I shall submit the change to the SAMP as noted in ref (b). The other info noted in the change is also a fallout of the CENTCOM conference.

Background only

S.C. MANOLAS  
X72543

9 APR  
MEMO FOR MR WELLS  
DSAA OPS-E

MADE: PER THE ABOVE, PLEASE MAKE CHANGES TO THE SAMP AS NOTED BY ATENS, A & S TO THIS WORD.

APR 19 '89 07:52

This Replaces Jan 83 DD Form 2285, Table 1003-1  
 (10) ~~Replaces Jan 83 DD Form 2285, Table 1003-1~~

<b>INVITATIONAL TRAVEL ORDER (ITO) FOREIGN MILITARY TRAINEES (FMT)</b>	1. ITC NO.	2. COUNTRY	3. DATE (Day, month, year)
--	------------	------------	-------------------------------

The U.S. Government hereby issues this ITO for the FMT herein named to attend the course(s) of instruction herein listed, subject to the terms and conditions contained herein and as may be amended by competent authority. This ITO will be used and is valid only for FMT entering U.S. training under the Foreign Assistance Act of 1961, as amended, or the Arms Export Control Act.

**4. ISSUING SECURITY ASSISTANCE OFFICE (SAO)**

a. NAME OF ORGANIZATION	b. MAILING ADDRESS
-------------------------	--------------------

**5. FUNDING (X one and complete statement)**

<input type="checkbox"/> a. IMET ORDER	<input type="checkbox"/> b. FMS CASE IDENTIFIER
--	---

**6. FMT INFORMATION**

a. NAME (Surname (ALL CAPS), first, middle)		b. SEX (X one)	
		<input type="checkbox"/> (1) Male	<input type="checkbox"/> (2) Female
c. RANK	d. U.S. EQUIVALENT RANK / PAY GRADE	e. COUNTRY SERVICE	f. COUNTRY SERVICE NO.
g. DATE OF BIRTH (Day, month, year)	h. PLACE OF BIRTH (Day, month, year)		

**7. INVITATION**

THE SECRETARY OF (LIST U.S. MILDEP) \_\_\_\_\_ INVITES THE FMT LISTED IN ITEM 6, THIS ORDER, TO PROCEED ON OR ABOUT (List date - day, month, year) \_\_\_\_\_ FROM (List debarkation point - home country) \_\_\_\_\_ (List first training installation) \_\_\_\_\_ FOR PURPOSE OF COMMENCING TRAINING LISTED IN ITEM 8 BELOW.

**8. AUTHORIZED TRAINING (List in sequence of attendance)**

a	(1) RCN	(2) WCN	(3) MASL IIN	(4) MASL Description	(5) MASL Service ID No.	
	(6) Training Installation			(7) Location	(8) Report Date (Day, month, year)	(9) End Date (Day, month, year)
b	(1) RCN	(2) WCN	(3) MASL IIN	(4) MASL Description	(5) MASL Service ID No.	
	(6) Training Installation			(7) Location	(8) Report Date (Day, month, year)	(9) End Date (Day, month, year)
c	(1) RCN	(2) WCN	(3) MASL IIN	(4) MASL Description	(5) MASL Service ID No.	
	(6) Training Installation			(7) Location	(8) Report Date (Day, month, year)	(9) End Date (Day, month, year)
d	(1) RCN	(2) WCN	(3) MASL IIN	(4) MASL Description	(5) MASL Service ID No.	
	(6) Training Installation			(7) Location	(8) Report Date (Day, month, year)	(9) End Date (Day, month, year)
e	(1) RCN	(2) WCN	(3) MASL IIN	(4) MASL Description	(5) MASL Service ID No.	
	(6) Training Installation			(7) Location	(8) Report Date (Day, month, year)	(9) End Date (Day, month, year)
f	(1) RCN	(2) WCN	(3) MASL IIN	(4) MASL Description	(5) MASL Service ID No.	
	(6) Training Installation			(7) Location	(8) Report Date (Day, month, year)	(9) End Date (Day, month, year)
g	(1) RCN	(2) WCN	(3) MASL IIN	(4) MASL Description	(5) MASL Service ID No.	
	(6) Training Installation			(7) Location	(8) Report Date (Day, month, year)	(9) End Date (Day, month, year)

**NO ADDITIONAL TRAINING TO THAT SPECIFIED ABOVE WILL BE PROVIDED ON THE BASIS OF THIS ORDER.**

**9. LANGUAGE PREREQUISITES (X a., b., or c. and complete as applicable)**

a. FMT COMPLETED DLI ENGLISH LANGUAGE PROFICIENCY EXAMINATION AS FOLLOWS.

(1) Exam No:	(2) Date Completed (Day, month, year)
(3) English-Comprehension Level (ECL) Score (FMT will take the CONUS course entry ECL test at the first training installation.)	

b. WAIVER OF IN-COUNTRY SCREENING ECL GRANTED BY AUTHORITY OF (Documentation) (FMT will take the CONUS course entry ECL test at the first training installation.)

c. FMT IS EXEMPT FROM ALL ECL TESTING BY AUTHORITY OF (Documentation)

**10. SECURITY (X one and complete as applicable)**

a. U.S. SECURITY SCREENING HAS BEEN ACCOMPLISHED. ALL TRAINING WILL BE CONDUCTED ON AN UNCLASSIFIED BASIS.

b. U.S. SECURITY REQUIREMENTS HAVE BEEN COMPLIED WITH. THE HOME GOVERNMENT HAS GRANTED THE FMT A SECURITY CLEARANCE. THIS OF ITSELF DOES NOT PERMIT THE DISCLOSURE OF CLASSIFIED U.S. INFORMATION. SUCH DISCLOSURE MUST BE SPECIFICALLY AUTHORIZED BY AN OFFICIAL DELEGATED AUTHORITY AND U.S. FOREIGN DISCLOSURE REGULATIONS OR DIRECTIVES.

(1) Home Country	(2) Equivalent U.S. Classification Level
------------------	--

**11. IMET FUND CITE (Use only when the U.S. Government pays IMET living allowance and/or travel)**

THE FINANCE OFFICER EFFECTING DISBURSEMENT OF FUNDS UNDER THIS AUTHORITY WILL FORWARD ONE COPY OF THE EXECUTED VOUCHER TO THE ACCOUNTING STATION CITED IN THE APPROPRIATION AND OTHER ACTIVITIES AS REQUIRED BY APPROPRIATE U.S. MILDER REGULATIONS

**12. IMPLEMENTING AUTHORITY**

a. U.S. MILDER DOCUMENT	b. DATE (Day, month, year)
-------------------------	----------------------------

**13. SPECIAL CONDITIONS (if applicable)**

**14. DISTRIBUTION**

**15. TERMS**

a. Prior to departure from home country, the FMT listed herein will be required to be medically examined and found physically acceptable in accordance with the health provisions of the Immigration and Nationality Act (8 U.S.C. 1182(a)(1)-(7)); Foreign Quarantine Regulations of Public Health Service, Department of Health, Education and Welfare, 42 CFR, Part 71; McCarran Act Sec. 212A, 1-7, Public Law 414, 82d Cong.; applicable U.S. MILDEP regulations; and other U.S. laws or DOD directives and regulations which may be enacted from time to time

b. The home country will insure that the FMT has sufficient funds in United States dollar instruments to meet all expenses while enroute to, and for the first 30 days of training pending receipt of applicable pay and allowances by the FMT.

c. FMT will be responsible for custodial fees and personal debts.

d. The FMT will bring adequate uniforms and work clothing for field duty or technical work. 115 fatigue uniform and foot wear will be purchased by the FMT in the event that the country work uniforms are inadequate. When flying training is involved, required special flight clothing and individual equipment will accompany the FMT, or provisions will be made by the home country or the FMT to obtain the use of all necessary equipment prior to start of training. The FMT will also possess adequate civilian clothing for off-duty wear.

e. The Government of the United States is responsible for FMT travel which is part of the training program and for which costs are part of the course tuition.

f. The FMT will comply with all applicable U.S. MILDEP regulations.

g. The United States may cancel training and return to country FMTs who violate U.S. law or MILDEP regulations or who are found otherwise unsatisfactory. The FMT's government will be alerted to such action in accordance with U.S. MILDEP regulations.

h. The Government of the United States disclaims any liability or financial responsibility for injuries received by the FMT listed herein while in transit to and from the training installation, while undergoing training or while in leave status, and any liability or financial responsibility for personal injury claim or property damage claims resulting from the FMT's action.

i. The FMT will participate in flights of U.S. military aircraft as required for scheduled course(s) or as specified in U.S. MILDEP regulations.

**16. CONDITIONS (X appropriate block(s) for each condition listed)**

**a. DEPENDENTS**

- (1) No dependents are authorized to accompany or join FMT. Dependents will not be issued ID cards or provided attendant privileges.
- (2) Dependents are authorized by the FMT's home country and the DOD Security Assistance Organization in-country to accompany FMT or join FMT while in training, but will not be transported nor subsisted at U.S. Government expense. IMET FMT is not authorized an increase in living allowance due to presence of dependents.
- (3) In accordance with Security Assistance Management Manual (SAMM), DoD 5105-38M, Chapter 10, IMET FMT is authorized the increased "Dependents Authorized" living allowance. Dependents will not be transported nor subsisted at U.S. Government expense.

**MEDICAL SERVICES**

**(1) FMTs**

- (a) NATO FMTs under IMET: charges for only inpatient care in the U.S. are chargeable to the IMETP.
- (b) IMET FMTs: charges for outpatient and inpatient care, immunizations, and medical examinations are chargeable to the IMETP.
- (c) NATO FMTs under FMS: charges for only inpatient care in the U.S. will be collected from (Select one)
 

i. FMS Case	ii. FMT	iii. Foreign Government
-------------	---------	-------------------------
- (d) FMS FMTs: charges for outpatient and inpatient care, immunizations, and medical examinations will be collected from (Select one)
 

i. FMS Case	ii. FMT	iii. Foreign Government
-------------	---------	-------------------------

**(2) Dependents**

- (a) Authorized accompanying dependents of NATO FMTs: charges for only inpatient care in the U.S. will be collected from (Select one)
 

i. FMT	ii. Foreign Government
--------	------------------------
- (b) Authorized accompanying dependents of IMET and FMS FMTs: charges for outpatient and inpatient care, immunizations, and medical examinations will be collected from (Select one)
 

i. FMT	ii. Foreign Government
--------	------------------------

**(3) Singular Conditions**

- (a) See item 13, Special Conditions

**c. LIVING ALLOWANCES**

- (1) Living allowance is responsibility of the government of (List home country)
- (2) IMET living allowance is authorized during period covered by this order, from day of departure from, to day of return arrival in, home country excluding periods covered by leave in accordance with SAMM Chapter 10 and is chargeable to the IMET Fund. Cite indicated in Item 11, this order.
- (3) FMT's living allowance is authorized from day of departure from to day of return arrival in (the country other than home country), excluding periods covered by leave, in accordance with SAMM, Chapter 10, and is chargeable to the IMET Fund. Cite indicated in Item 11, this order.

## 16. CONDITIONS (Continued)

## a. ALLOWANCES (Continued)

- (4) IMET living allowance is authorized from day of departure from the CONUS entry port to day of return arrival at the CONUS departure point, excluding periods covered by leave, in accordance with SAMM, Chapter 10, and is chargeable to the IMET Fund Cite indicated in Item 11, this order.
- (5) IMET living allowance is authorized while in training status only in accordance with SAMM, Chapter 10, and is chargeable to the IMET Fund Cite indicated in Item 11, this order.
- (6) See Item 13, Special Conditions.

## d. TRAVEL

- (1) Travel is responsibility of the government of (List home country).
- (2) Travel covered by this order, overseas and CONUS, is chargeable to the IMET Fund Cite indicated in Item 11, this order.
- (3) Travel to and return from (List country - other than home country) is the responsibility of the government of (List home country).  
Travel from (List country - other than home country) to CONUS and return is chargeable to the IMET Fund Cite indicated in Item 11, this order.
- (4) Travel to CONUS and return is responsibility of the government of (List home country).  
Travel within CONUS is chargeable to IMET Fund Cite indicated in Item 11, this order.
- (5) See Item 13, Special Conditions.

## e. LEAVE

- (1) Upon completion of training, FMT is not authorized leave, and will proceed immediately as directed to home country.
- (2) Upon completion of training, FMT is authorized (List number) days leave at no cost to the U.S. Government or IMETP. Upon completion of leave, FMT will proceed immediately to home country or as directed by competent authority.

## f. PARTICIPATION IN HAZARDOUS DUTY

- (1) FMT is authorized to participate in hazardous duty training.
- (2) FMT is parachute qualified and authorized to participate in jumps from U.S. aircraft.
- (3) Qualified flying FMTs are authorized to participate in flights as crew members. The government of (List home country) certifies that FMT is physically, professionally, and administratively qualified to participate in flights in his country's military aircraft as (List flight crew position).  
FMT meets medical clearance requirement as specified by the appropriate U.S. MILDEP flight qualification records accompanying FMT.
- (4) Not applicable.

## g. TRAVEL BY POV

- (1) FMT is authorized by his government to travel by POV between training installations.
- (2) FMT is not authorized by his government to travel by POV between training installations.

## h. BAGGAGE

- (1) No baggage will be transported at U.S. Government expense.  
Baggage allowances outlined below are total allowances; excess baggage being the difference between the baggage permitted by the transportation carrier and that stipulated below. Baggage sizes and dimensions will conform to carrier stipulations. These allowances apply for that portion of travel whose costs are paid from U.S. funds (See Para. d., above) and cost of any excess baggage is chargeable to the IMET Fund Cite indicated in Item 11, this order.
- (2) Training less than 40 weeks in total duration (other than flying): IMET FMT authorized 2 pieces, not to exceed 70 pounds (32 kilograms) each.
- (3) Flying training less than 40 weeks in total duration: IMET FMT authorized 3 pieces (total for personal baggage and any flying training equipment), not to exceed 70 pounds (32 kilograms) each.
- (4) All training 40 weeks or longer in total duration: IMET FMT authorized 4 pieces, not to exceed 70 pounds (32 kilograms) each.

## 17. COMMAND LINE

a. SIGNATURE OF U.S. AUTHORITY AUTHENTICATING ORDERS

b. TITLE

REVISED CHAPTER 13  
FINANCIAL PRINCIPLES AND PROCEDURES  
CROSS REFERENCE I

Chapter 13  
Location

Current SAMM  
Location

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130104 A 1/2  
130104 B  
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70201 - Revised

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70202 C  
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70212 A 4 b  
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*For outline moved to  
Chapter 13, DISAM will  
insert a "Revised for  
future use. Previous in-  
formation in this  
section moved to  
Chapter 13" page 1  
WZ  
4/20/89*



Chapter 13  
Location:

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Location

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70212 D 4//5/6  
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~~DOD-7290.3M Chap-5~~  
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New

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REVISED CHAPTER 13  
FINANCIAL PRINCIPLES AND PROCEDURES  
CROSS REFERENCE II

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6	E 1
6 E	130104 B 2
7 A & B	130401 F
7 C, D, E, & F	130104 B 3
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Will require minor  
modifications to include in 1000 rev.

# CHAPTER THIRTEEN

## FINANCIAL PRINCIPLES AND PROCEDURES

### SECTION 1300 - GENERAL

**130001 PURPOSE.** The purpose of this chapter is to provide a general description of the financial principles and procedures which apply to FMS transactions. It is designed to provide an overview of FMS financing and the responsibilities of DOD components. Detailed guidance on financial policies relating to pricing, budgeting, accounting, and billing is included in DOD 7290.3-M, ~~Foreign Military Sales Financial Management Manual~~. This chapter has a section corresponding to each of the nine chapters contained in ~~the Financial Management Manual~~. Thus, ~~it should be possible to relate the policy contained in that manual to the principles and procedures contained herein.~~

I A ~

C. 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 Analysts, Termination Liability Worksheets, etc.; and initiating and processing such amendments or modifications as may be appropriate. They 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~~ <sup>DA</sup> 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 the country.

130104 BASIC PRINCIPLES.

A. Recovery of Costs.

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

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

B. Cost Recoupment Waivers. Certain costs may be waived by statute. Paragraph 10103 of the *Foreign Military Sales Financial Management Manual*, DOD 7290.3-M lists those that have been approved. Section 720 of the ~~DOD 7290.3-M~~ <sup>30M</sup> provides guidance on submitting requests for recoupment waivers.

1. Waiver of Nonrecurring Costs. *Requests for*

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

(b) For ~~the~~ countries and organizations other than those specified in the preceding sentence, there will be a presumption against granting a waiver unless additional or

## DOD 5105.38-M (DRAFT)

basis, agreements for reciprocal waivers will normally not be made for specific programmatic requirements.

d. A listing of approved reciprocal waiver agreements is provided at Figure 1301-1.

### C. Terms of Sale and Type of Assistance Codes

#### 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<sub>x</sub> 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~~<sup>IP</sup> will cite Type of Assistance codes, as specified in paragraph d<sub>x</sub> below, in the "Availability and Remarks" block (18) of the LOA for each line item in the case.

2. 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.~~<sup>USG</sup> Government collects cash in advance of delivery of defense articles and rendering of defense

3. 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 "5(\*)" and the TA code for FMSO II should be "TAV" with both designations being shown in the "Availability and Remarks" block of the LOA. A summary of Terms of Sale and Type of Assistance Codes is at Table 1301-2

D. Financial Administration of the FMS Credit Program. 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 loan agreements. Specific details on FMS credit management are included in Chapter 9.

E. ~~X~~ Multiple Sources of Financing.

a. Reasons for Use.

~~(1) 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, ~~the purchaser may choose to supplement available MAP/credit with budgeted national funds. If additional credit/MAP funds become available to the purchaser, it may then request DSAA approval to amend the LOA to convert the cash portion to credit/MAP to the extent that such financing is available.~~

~~(2) Inadequate Cash.~~ A purchasing nation may <sup>also</sup> 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 SAAE.~~ <sup>and</sup> In such an instance, the purchaser may request ~~the~~ DSAA approval to use credit/MAP funds, if available, to finance the remaining payments.

TABLE 1301-2

## 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	J	S, E, R*	Anytime	Cash with Acceptance	100% of total estimated cost
2. Article(s) sold only partially from stock, Secs. 21(b)/29	J	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	J	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	J	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	J	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	S	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 1301-2. Summary of Terms of Sale and Type of Assistance Codes.

1301-8



1301-10

TABLE 1301-2. (Continued)

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 2000.0	U	P	N/A	Cash with Acceptance, \$ _____ balance as billed.	5/17th of estimated cost plus 100% of Administrative charges
14. FMSO II, DoDI 2000.0	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 _____ (_____ Time Items)	As shown in the Financial Annex
16. Sec. 503(A)(3), FAA	U	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 DoI will draw required payments from the FRG's US Treasury Deposit Account as specified in the monthly statement of fund requirements in accordance with DoI 2110.37	

\*\*\* Requires approval of the President.

<b>SECTION 1302 -- BUDGET AUTHORITY</b>
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130201 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~~ <sup>LA</sup> specific values of ~~obligational authority~~. The ~~DOD agency~~ must then account for, control, and report ~~of~~ 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, Chapter 2.~~

130202 SECURITY ASSISTANCE BUDGETS

A. Purpose. The administrative implementation of ~~Security Assistance~~ <sup>SA</sup> programs are financed by funding from either the ~~Foreign Military Sales (FMS)~~ Administrative Budget or the ~~Military Assistance Program (MAP)~~ Administrative and Overhead Support Budget. Exceptions to this funding policy are those FMS related costs which are charged directly to FMS cases and the costs of military personnel involved in administering the ~~International Military Education and Training (IMET)~~ Program and the MAP program at all organizations other than overseas ~~MAAGs, Missions, and MilGroups,~~ collectively referred to also as ~~Security Assistance Organizations (SAOs)~~. The following is a description of the budgets, the budget process, and guidance to assist participating organizations in preparing FMS administrative, MAP administrative and overhead support, and ~~MAAG~~ budgets. Budget formats and instructions for completion will be supplied in each annual budget call. ~~DSAA budget calls consist of memorandums calling for submission of budgets and guidance on preparation and submission of the budgets along with additional information such as inflation factors, flying hour costs, etc.~~

B. Financial Resources

1. FMS Administrative Budget. The FMS Administrative Budget is financed by collections from FMS customers derived from the application of an administrative surcharge. Surcharge collections are made by the ~~Security Assistance Accounting Center (SAAC)~~ <sup>SAAC</sup> as they are earned and are then available for allocation to finance FMS administrative requirements.

2. MAP Administrative, Overhead Support, and SAO.

a. MAP Administrative Budget. MAP and IMET program administrative and overhead support costs are financed from a combination of annual appropriations in the MAP account, and reimbursements from the sale of MAP-owned defense articles (MAP inventory of disposable property returned from recipient countries) which are credited to the current year MAP account as they occur. ~~In FY 1982, the MAP funds appropriated by Congress, were made available for obligation purposes for two years. If two year appropriations continue to be enacted, such prior year unobligated balances will also be available for financing new programs or continued financing of prior year programs.~~ MAP funds are appropriated to the President of the United States. The President, by Executive Order #12163, allocates ~~those~~ <sup>those</sup> funds and delegates the authority and responsibility for their administration to the ~~Secretary of Defense~~ <sup>SECRETARY OF DEFENSE</sup>. Therefore, while the MAP appropriation is not ~~a~~ part of the DOD budget, the program and its budgeting, funding, and financial administration are generally subject to the same controls and regulations as are ~~it~~

<sup>SA</sup> ~~Security Assistance policy; e.g. Department of State, JCS, Under Secretary of Defense for Policy, Assistant Secretary of Defense, International Security Affairs, etc.~~ <sup>on</sup> <sup>USDP</sup>

(2) Financial Management. Financial management of ~~the~~ FMS administrative surcharge funds is the responsibility of the Comptroller, DSAA. ~~The Security Assistance Accounting Center (SAAC)~~ provides centralized accounting support assisting in FMS program implementation through the collection of surcharge revenues and the allocation of FMS administrative funds in accordance with ~~the~~ DSAA approved annual funding programs.

b. FMS Administrative Budget Preparation and Approval Process.

(1) Program Objective Memorandum (POM) Guidance. In January of each year the Comptroller, DSAA provides a five year projection of FMS sales activity and administrative fund budget planning levels to each of the ~~military departments~~ <sup>MILDEPA</sup> and DOD agencies administering the FMS program. Issuance of these multi-year estimates is in cycle with the issuance of Defense Programming Guidance. The planning levels are developed to assist the ~~Military Departments~~ <sup>MILDEPA</sup> and DOD agencies in determining FMS administrative requirements for use in formulating their ~~Program Objective Memorandum (POM)~~.

(2) Budget Call/Budget Submissions. In conjunction with the POM guidance, ~~the~~ DSAA issues an FMS administrative budget call to those ~~Military Departments~~ <sup>MILDEPA</sup> and DOD agencies responsible for the administration of the FMS program. ~~In accordance with the Normal DOD budget process the submission of budget estimates containing multi-year data and justification information is required.~~ <sup>the FMS of the DOD budget process</sup> For example, the budget call issued in January 1983 requested the following data for each organization receiving FMS administrative funds:

- FY 1982 - Actual obligations
- FY 1983 - Estimated actual obligations
- FY 1984 - Revised funding estimates with justification
- FY 1985 - Initial funding estimates with justification

<sup>MILDEPA</sup> (3) Preparation of Budget. Upon receipt of the budget call the ~~Military Departments~~ <sup>MILDEPA</sup> and DOD agencies will prepare and submit their budget requests to the Comptroller, DSAA in the formats and in accordance with the instructions contained in the call. The DSAA reviews each submission and establishes approved FMS administrative funding levels for inclusion in the President's budget as well as an Annual Funding Program (AFP) for the upcoming fiscal year. The following subjects are highlighted ~~as worthy of special attention~~ in the development and execution of FMS administrative budgets.

(a) Facilities Projects. Projects involving construction of new facilities or expansion of existing facilities, that would normally require Congressional approval in the military construction budget process, will not be included in FMS administrative budgets. FMS administrative funds may be used for routine facility maintenance and repair costs in those instances where the costs can be justified as base operating support costs in accordance with the criteria outlined in the annual call. Facility rehabilitation projects at dedicated ~~security assistance~~ <sup>SA</sup> activities may also be financed with FMS administrative funds. Such projects must meet DOD criteria for approval as O&M Minor Construction (project cost not to exceed \$200,000) and must be specifically identified and justified in the budget request. (Note: Prior approval of ~~the~~ DSAA is required before funds may be obligated for such projects.)

(b) Automated Data Processing (ADP) Projects. In general, FMS administrative funds may be used to finance system development, investment, and operating/maintenance costs for existing or new FMS management information systems at dedicated FMS activities. At non-dedicated activities, ADP costs chargeable to FMS administrative

documents showing that the expenses were actually incurred. In many instances, organizations had billed and collected funds without any supporting documentation indicating that the costs had been incurred. Organizations with FMS administrative budgets must assure that reimbursements earned and billed to the administrative funds are based on documented expenses accruing from actual FMS related administrative work.

(g) FMS Acceleration of Civilian and Military Personnel Costs. The development of estimated civilian and military personnel costs for the FMS Administrative Budget requires the application of FMS payroll acceleration rates to the average annual civilian pay cost and to the military annual standard composite rate to provide for full recovery of the U.S. Government's costs as shown below. Regarding the above listed pay acceleration factors, 20.9% of the 27.9% civilian retirement acceleration should be budgeted for return to the U.S. Treasury Miscellaneous Receipts Account. The agency contribution of 7% for civilian retirement and all other acceleration such as insurance, other benefits, and Medicare are budgeted for reimbursement to the appropriate MILDEP financing appropriations.

FMS PAYROLL ACCELERATION RATES (effective FY 1986)

	<u>Civilian</u>	<u>Officer</u>	<u>Enlisted</u>
Retirement	27.90%	-----	-----
Insurance (Health & Life)	4.70%	-----	-----
Other Benefits (Unemployment, Severance Pay, Workman's Compensation)	1.80%	6.00%	18.00%
Medicare	1.35	-----	-----
Total Acceleration	35.75%	6.00%	18.00%

(h) Exempted Programs. A small number of international organizations have been exempted from the application of FMS administrative charges. The administrative costs related to these cases are properly funded from service appropriations pursuant to the AECA, Section 43(a) and should not be charged to FMS administrative funds. The exempted programs are identified in the annual budget call.

(4) Issuance and Use of Funds. At the direction of the Comptroller, DSAA, the SAAC issues quarterly funding allotments to each of the organizations for which an AFP has been established. The MILDEPs are generally permitted to reprogram their FMS administrative funds between object classes to handle requirements which have changed from those originally approved by DSAA. Recipients of FMS administrative funds are required to provide regular accounting reports on the use of the funds and to return end of year unobligated balances to SAAC within a reasonable amount of time after year end certification.

2. MAP Administrative and Overhead Support and SAO Budget Systems/Procedures.

a. General. Military Assistance Program. MAP administrative and overhead and SAO support cost budgets include salaries and allowances, travel, rents, utilities, communications, printing, contractual services, equipment (including passenger and non-passenger vehicles), permanent change of station travel of civilian personnel, transportation of things, and temporary additional duty for the purpose of planning, development, and management of MAP and IMET activities, by the MILDEPs and MAP, IMET and FMS activities by the SAOs, etc. These procedures apply to all costs in the following MAP budget projects:

- L-10 Transportation Costs
- L-20 Packing, Crating, Handling, Port Loading and Unloading Costs
- L-40 Storage and Maintenance of MAP Stockpiles

c. <sup>MAP</sup> ~~Military Assistance Program/SAO Budget Cycle.~~

(1) MAP/SAO Budget Calls. DSAA issues two budget calls each year requiring submission of budget estimates and supporting justification materials for the MAP overhead and support activities and SAO budgets. These are the President's Budget Call and the Mid-year Review Budget Call.

(a) President's Budget Call. This budget call, ~~is~~ issued in mid-April, <sup>calling</sup> for submission of budget estimates and supporting information on or about 1 July. Submissions in response to this call include the estimated actual costs for the prior year, revised estimated requirements for the current year (the fiscal year which will commence 1 October) and estimates for the budget year for inclusion in the President's Budget. For example, the submissions for the FY 1985 President's budget would include estimated actual costs for FY 1983, revised estimates for FY 1984 as well as the initial FY 1985 estimates. DSAA conducts its review of this submission during July and August to establish approved MAP and SAO budget estimates for inclusion in the initial submission of the President's budget estimates to ~~the Office of~~ <sup>OMB</sup> Management and Budget in September.

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← ?

(b) Mid-Year Review Budget Call. This budget call is issued in mid-January calling for submission of estimates and supporting materials on or about 20 April. The submission includes prior year actual costs and revised current year operating cost estimates. The purpose of the submission is to provide a basis for revising the current approved operating budget to account for necessary fact of life changes. The midyear budget submission should not include new projects or programs unless they are of an urgent nature and fully justified. DSAA conducts its review of the mid-year budgets during April and May and issues revised annual funding programs and matching funding allocations during June.

d. Development and Submission of Budget Estimates.

(1) Budget estimates submitted for the President's Budget Review will be completed in accordance with instructions in that call.

(2) Budget estimates submitted for the mid-year review will be modified in accordance with instructions in that call.

(3) <sup>ucoma</sup> ~~Unified Commands~~ and all other MAP funded activities will submit to the appropriate MILDEP MAP administration and support requirements for each SAO, Command Headquarters, and other MAP funded activity on ~~Formats~~ provided in the call. Submissions of subordinate activities should be reviewed by the ~~Unified Commands~~ <sup>ucoma</sup> and adjusted as necessary. Adjustments, if any, will be reflected on all applicable formats. The ~~Unified Command~~ <sup>ucom</sup> will also prepare consolidated formats for all activities under its jurisdiction.

(4) <sup>MILDEPA</sup> The ~~Military Departments~~ (Administrative Agencies) will:

(a) Review or develop and consolidate departmental and command MAP administrative and support requirements.

<sup>ucoma</sup> (b) Review and adjust, as necessary, the requirements submitted by ~~Unified Commands~~ and other subordinate activities. Adjustments, if any, will be reflected on ~~all~~ applicable formats.

(c) Ensure that ~~all~~ budgets are appropriately summarized identifying ~~all~~ organizations under the command. Budgets will be assembled in the sequence shown in the call. Submit ~~all~~ budgets to the Comptroller, DSAA.

TABLE 1302-1

## MAP/SAO BUDGET REPORTS, INSTRUCTIONS, AND SAMPLE FORMAT

A. The Quarterly Military Manpower Report for MAAGs, Missions, MilGroups, RCS: 1218, will be prepared by each SAO, consolidated and submitted by the ~~Unified Command~~ <sup>COM</sup> in the following sample format:

1. Sample Format

	COL 1	COL 2	COL 3	COL 4	COL 5
	<u>SERVICE</u>	<u>RANK</u>	<u>NUMBER OF MEMBERS ON BOARD</u>	<u>NUMBER OF MAN MONTHS ON BOARD DURING QTR</u>	<u>NUMBER OF MONTHS IN USG PAID OR AIK HOUSING</u>
A.	Army	0-6	2	4	3
		0-4	2	6	3
	Subtotal	XXXX	4	10	6
B.	Navy	0-5	1	3	3
		0-2	3	9	-
		E-7	2	6	-
	Subtotal	XXXX	6	18	3
C.	Air Force	0-6	3	9	9 (3)
		0-5	3	8	3
		E-6	5	15	-
	Subtotal	XXXX	11	32	12 (3)
D.	Marine Corps	0-5	1	3	-
		0-4	1	2	-
	Subtotal	XXXX	2	5	-
E.	Coast Guard	0-5	1	3	-
	Subtotal	XXXX	1	3	-
F.	Total	XXXX	24	68	21 (3)

( ) Equals number of months in AIK housing.

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TABLE 1302-1. MAP/SAO Budget Reports, Instructions, and Sample Format.

TABLE 1302-2

DEFENSE SECURITY ASSISTANCE AGENCY  
Washington, D.C. 20301

Date:  
Request No:

REQUEST FOR REVENUE TRAFFIC AIRLIFT

From: \_\_\_\_\_

TO: Chief SAO \_\_\_\_\_

Revenue traffic airlift services as described are requested for the following activity: \_\_\_\_\_  
\_\_\_\_\_

Purpose, date, estimated flying times, and route of non-security assistance flight mission: \_\_\_\_\_  
\_\_\_\_\_

Billing address: \_\_\_\_\_  
\_\_\_\_\_

Fund Citation to be shown on billing: \_\_\_\_\_  
\_\_\_\_\_

CERTIFICATION BY REQUESTING OFFICIAL: Pursuant to the requirements of paragraph 6-1.b. of DOD Regulation 4515.13R, I certify that commercial transportation is neither available, readily obtainable, nor satisfactorily capable of meeting the requirements. I certify that the requesting office will accept liability for the reimbursement billing for airlift service provided in response to this request.

\_\_\_\_\_  
(Name & Title of Requesting Official)

\_\_\_\_\_  
Signature

For Use by Chief SAO

\_\_\_\_\_  
(Name & Title of Approving Official)

\_\_\_\_\_  
Signature

Form DSAA 78-001

B. Types of Audits/Inspections

1. GAO Audits. The GAO is empowered by law and DOD authority to conduct independent audits of DOD agencies and functions. The audits consist of comprehensive examinations of an agency's organization, activities, and results of operations. The audit results are set forth in reports containing findings, conclusions, and recommendations that provide a valuable means of identifying problems that require corrective action. Reports of the audit are made available to the DOD agencies and offices concerned, the ~~Secretary of Defense, the Office of Management and Budget, and the Congress.~~ <sup>SELDEF</sup> <sup>OMB</sup>

2. DOD Internal Audits. The ~~Military Department~~ <sup>MILDEF</sup> Audit Agencies are responsible for providing audit coverage of activities in the ~~United States~~ that perform functions under MAP, IMET~~X~~, and FMS programs. The DOD~~IG~~ is responsible for providing audit coverage of activities overseas that perform such functions. Reports of audits are addressed to the audited activity, to the ~~Secretary of Defense, and to the DSAA.~~ <sup>SELDEF</sup>

C. Notification of Audits and Inspections. Normally, the GAO and DOD~~IG~~ provide advance notice of proposed audits/inspections, their scope, and the time of audit. Upon receipt of notification of audits~~inspections~~ relating to MAP, IMET~~X~~, or FMS activities, ~~the DSAA~~ will advise the ~~Unified Command and SAO.~~ <sup>approach UCOM</sup>

D. Policy Concerning Releasability of DOD Records Relating to MAP and FMS.

1. Releasability to GAO. It is DOD policy to cooperate with the GAO ~~by~~ responding quickly to its requests for information, and to allow the GAO ~~complete~~ access to all pertinent records, with the following exemptions:

- a. Materiel relating to foreign intelligence or counterintelligence activities or materiel ~~specifically~~ exempt from disclosure to the Comptroller General by statute.
- b. Documents originated by non-DOD agencies are released only with consent of the originating agency.
- c. Reports of Military Inspectors General and Criminal Investigations Organizations are released only on approval of the appropriate departmental secretary.
- d. Budget program data for fiscal years not yet presented to the Congress (including planning documents) are not releasable.

e. Specific authority of ~~Under Secretary of Defense (Policy)~~ <sup>USDP</sup> is required for access to:

- (1) Confidential correspondence exchanged between heads of ~~State~~,
- (2) Presidential ~~Memoranda~~,
- (3) Performance evaluation reports,
- (4) Internal Executive Branch working papers and memoranda,
- (5) Documents revealing sensitive information about the conduct of U.S. negotiations with foreign countries, ~~and~~



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views to the GAO regarding the draft report, with written comments being prepared and transmitted as soon thereafter as possible.

2. The <sup>U COM</sup> ~~Unified Command~~ will forward a message report with the following information along with its comments to the Assistant for Audits and Inspection, Plans Directorate, DSAA, within 25 days from the date of the draft report.

3. Upon receipt of the draft report, the audited agency will:

a. Verify the accuracy and validity of each pertinent finding, conclusion, and recommendation,

b. Take suitable corrective action,

c. Submit to the <sup>U COM</sup> ~~Unified Command~~ within 15 days a statement with respect to each finding, conclusion, and recommendation, giving:

(1) Additional facts,

(2) Concurrence or non-concurrence,

(3) Corrective action taken and anticipated completion date.

#### H. Action on GAO Final Reports

1. The GAO transmits final reports to ~~the~~ Congress and <sup>to OMB</sup> ~~the~~ Office of Management and Budget with information copies to the ~~Secretary of Defense~~, <sup>SECDEF</sup> the ~~Unified Command~~, <sup>U COM</sup> and the SAO.

2. Action required on final reports is similar to that required for draft reports. Comments should not be repetitive but merely update the statement on the draft report. If DOD was not given an opportunity to respond to the draft reports, audit agencies should take action as outlined above for draft reports. Legal provision and OMB Circular No. A-50 allow a 60 day response period for final reports, which must not be exceeded. When the reply must be ~~unavoidably~~ delayed, an interim response shall be provided by the established suspense date. The interim response shall address as many findings, conclusions, and recommendations contained in the report as possible, and state when a final response will be made.

#### I. Action on DODIG Reports

1. The DOD<sup>IG</sup> normally provides a draft report upon completion of the audit to obtain management's comments for inclusion in the final report. The response is usually required within 60 days from the draft report date. The <sup>U COM</sup> ~~Unified Command~~ will forward a reply incorporating the following information and its comments to ~~the~~ Plans Directorate, DSAA, within 40 days from the date of the report transmittal letter.

2. Upon receipt of the draft report, the audited agency will:

a. Verify the accuracy and validity of each finding, conclusion, and recommendation,

b. Take appropriate corrective action,

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*confirm* 2. IAs may be requested to complete a case worksheet furnished by DSAA for ~~selected~~ cases. The following is an example 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 <sup>and</sup> 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 <sup>IA's</sup> implementing agency's total financial obligations related to the case during the periods cited on the form; ~~eg.~~ <sup>for example</sup> 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; ~~eg.~~ <sup>for example</sup> an estimate of the disbursements (reimbursable and direct cite) that SAAC will make from the trust fund for deliveries and contractual progress payments.

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, Para. 70103.H.3.b.(2).]~~ <sup>will be together in SAMM</sup>

f. Estimated Supply Completion Date. The date <sup>e</sup> that all articles will have been delivered and all services performed. Provide date in YYMM format; ~~eg.~~ <sup>for example</sup> Mar 87 would be 8703.

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

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.~~ <sup>redundant</sup>

~~eg.~~ <sup>such as</sup> i. Remarks. Any exceptional circumstances concerning the financial status of the case; ~~eg.~~ <sup>amendment or modification</sup> payment schedule front-loaded at customer request; ~~1 or 2~~ pending to increase/decrease case value or revise payment schedule; <sup>on</sup> closure delayed because case in litigation, <sup>is</sup>

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

### 130304 C-12 MANAGEMENT

A. Command Relationships. The DSAA, DIA, and the USAF MOU, dated 23 September 1983, provides C-12 aircraft to DSAA to assist in implementing the worldwide SA mission. In consultation with the appropriate UCOM, DSAA assigned these C-12s overseas to SAOs on a priority basis. UCOMs provide additional guidance to SAOs on C-12 program management.

B. Mission. The primary mission of the eleven DSAA dedicated C-12 aircraft is to support SAO security assistance program management. Other missions may be flown when they do not have an adverse impact on the SA mission and when they are reimbursed.

d. For DSAA dedicated C-12s, the SAO Chief will retain responsibility for the proper use of the C-12 regardless of the agency using or funding the use of the C-12. For DIA dedicated C-12 aircraft, jointly used by the SAO, the SAO Chief will retain responsibility for proper C-12 use for SAO missions.

2. Passenger Approval/Eligibility/Reimbursement.

a. Passenger eligibility for all DOD aircraft is set out in DOD 4515.13-R. In brief, normal categories of military travel are permitted to include temporary duty and space-available travel of military members and dependents, provided that such travel does not interfere with the primary SA mission. Special categories of passengers may be eligible for C-12 travel if approved by the appropriate authority as set out in DOD 4515.13-R. NOTE: DSAA dedicated C-12 missions may not be scheduled solely for rest and recuperation purposes.

b. The SAO Chief is responsible to determine if movement of travellers will interfere with the SA mission and is therefore the final authority for passenger movement. This includes authorization of SA travel as well as determination that "Other" travel will not interfere with the SA mission. The SAO may also approve space-available travel. In addition, the SAO Chief has special authority as outlined in DOD 4515.13-R, Paragraph 14.7, for specified American Embassy personnel, distinguished foreign nationals, key foreign military, and wives of certain officials under certain conditions.

(1) Spouses of DOD personnel, other than authorized by Paragraph 14.7, must have ITOs. Due to unique funding of DSAA C-12 operations, these procedures may differ from other DOD aircraft transportation requirements. In any case, the spouse travel must clearly be in the national interest and there must be an unquestionable official requirement in which the spouse is actually to participate.

<sup>ASD</sup> (2) ~~Congressional Delegations (CODELs)~~ warrant special consideration. The ~~Assistant Secretary of Defense~~ for Legislative Affairs (ASD/LA) has approval authority for non-sponsored, non-reimbursable flights in support of CODELs. In addition, sponsored, non-reimbursable CODEL flights outside of the U.S. must be submitted to SECDEF (DOD 4515.12). In the process of determining the availability of DSAA dedicated C-12 aircraft to support a CODEL mission, DSAA will verify to ASD/LA that the aircraft does not have a higher priority SA requirement. Normally, DSAA will request the appropriate UCOM to obtain C-12 availability from the SAO. Once a decision has been made to use the DSAA dedicated C-12, the MILDEP which has been assigned by ASD/LA to support the CODEL should immediately provide the SAO, UCOM, and DSAA/Plans, TO&MD with a fund cite to support the missions, as well as list of names of official members of the CODEL, identified by the Chairman of the Committee which is sponsoring the CODEL, to ensure that all concerned clearly understand who the authorized passengers are. Pursuant to 31 U.S.C 1108(g) and the rules promulgated thereunder, <sup>such as</sup> ~~see~~ DOD 4515.12, 12 December 1964, official members of CODELs may be authorized passengers on DSAA dedicated C-12 aircraft. On short notice requests, SAOs should telephone DSAA/Plans, TO&M (AV 224-7976) to resolve questions on CODEL travel. SAOs will keep the UCOM and DSAA/Plans, TO&M Division informed. ~~This guidance also applies to Congressional Staff Delegations (STAFFDELS) who request DSAA dedicated C-12 support.~~

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B. 2.1

c. The reimbursement requirement for passenger travel is also addressed in DOD 4515.13-R. If the passenger is on official duty in support of SAO management functions, he/she is authorized travel and no reimbursement is required. In addition, approval authority for space-available, non-reimbursable travel for designated individuals is granted to SAO Chiefs by DOD 4515.13-R, Paragraph 14.7. Embassy requests for permission to transport non-DOD individuals (outside the authority of Paragraph 14.7) shall be in accordance with the Department of State Foreign Affairs Manual Volume 6, Section 185 (6 FAM 185), 18 December 1987, as

## 2. Unified Command Responsibilities:

a. UCOMs are charged with administrative oversight of DSAA dedicated C-12 aircraft in their area of accreditation consistent with applicable guidelines and directives to ensure safe and efficient use of these resources.

b. UCOM will keep the Director, DSAA informed of problems or issues resulting from reviews of SAO monthly reports, or other sources, to include corrective action(s) underway.

c. The UCOM will explain to DSAA/Comptroller, Budget not later than 30 days after any flight of DSAA dedicated C-12 aircraft of "other" missions without proposed reimbursement from other than UCOM operations and maintenance funds.

d. The UCOM will assist SAOs in obtaining fund cites for "Other" missions, as necessary, prior to the mission.

e. The UCOM will maintain copies of all MOUs between SAOs and other organizations for joint or shared use of DSAA dedicated C-12 aircraft.

## 3. DSAA Responsibilities:

### a. DSAA/Comptroller-Budget Division:

- (1) Obtain funding and establish approved flying hour budgets for SAOs.
- (2) Administer reimbursement to the USAF for the total cost of the SAO flying hour program to include the maintenance contract costs, engine overhaul, and fuel.
- (3) Process DSAA Forms 78-001 submitted by SAOs.
- (4) Establish annual flying hour program reporting requirements.
- (5) Provide annual flying hour requirements to the C-12 System Manager at Sacramento Air Logistics Center.

### b. DSAA/Plans-Training, Organization, and Manpower Division:

- (1) Provide policy and program guidance on management of DSAA dedicated C-12 aircraft.
- (2) DSAA office of primary responsibility for Internal Management Control (IMC) reporting on C-12 aircraft to higher authority.
- (3) DSAA office of primary responsibility on the DIA/DSAA/USAF C-12 MOU.
- (4) DSAA point of contact for CODEL travel.
- (5) DSAA POC for 2852 ABG/DSAA Support Agreement.

SECTION 1304 - CASH MANAGEMENT
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130401 FINANCIAL ANNEX TO THE DD FORM 1513

A. Purpose. To improve the quality of payment schedules attached to LOAs, Paragraph 130401B, 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 Table 1304-2.

B. 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, ~~NC nonrecurring cost~~ recoupment charges, asset use, and any other applicable contingency or add-on costs.

C. Preparation of Payment Schedules.

1. 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.

2. 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.~~ <sup>may be revised</sup> 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:

a. 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 (~~on~~, 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.

b. 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. OK

c. 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 following the quarterly payment dates cited in paragraph a. 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.

d. 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.

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

f. Purchaser-Initiated Requisitions. For cases involving purchaser-initiated requisitions, ~~open end or~~ <sup>open end or</sup> 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.

g. Personal Services. For cases involving personal services, develop a monthly phasing based upon the scheduled dates and elements of cost of the services being provided.

h. 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% ~~percent~~ when the case exceeds \$25,000.

i. Royalties or Pro-Rata <sup>NC</sup> 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.

j. 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 half ~~50%~~ of the administrative fee reflected in block 23 of the DD Form 1513 will normally be required with acceptance of the LOA.

D. Computation of Initial Deposit. Except for FMSO I, the <sup>IA</sup> ~~implementing agency~~ will compute the initial deposit as follows: <sup>expensive</sup> The initial deposit must be sufficient to cover the <sup>potential</sup> charges to be incurred (e.g., <sup>for example</sup> contractor progress payments, contractor holdbacks, potential termination charges, deliveries from DOD inventories) ~~and~~ 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~~ <sup>IA</sup> 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~~ <sup>estimated</sup> 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~~ <sup>estimated</sup> to be incurred during the period 1 July - 30 September. In this case, the initial deposit should cover all ~~estimated~~ <sup>estimated</sup> payments due from date of

c. ~~Detail guidance for determining initial deposits and preparation of payment schedules is given in DOD 7290.3-M, Chapter 4.~~ Table 1304-1 summarizes the above dates as viewed by the SAAC as the responsible authority for assuring the adequacy of cash deposits from FMS purchasers.

E. Accuracy of Pricing and Payment Schedules.

1. 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.

2. 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.

3. Prohibition on Front-Loading of Payment Schedules. LOA payment schedules should reflect the case manager's best estimate of financial requirements. Requests from FMS purchasers to front-load FMS case payment schedules must be coordinated with DSAA Operations and Comptroller prior to submission of the LOA for countersignature. A copy of the purchaser's request must be included in the coordination package. In addition, the amount of acceleration involved with the proposed schedule and the type(s) of financing involved should be identified.

F. Revisions to Payment Schedule.

1. <sup>IAD</sup> ~~Implementing agencies~~ will revise LOA payment schedules as outlined in paragraph (2) below. A new payment schedule should be furnished whenever a substantive change in payment requirements is evident. SAAC will bill in accordance with payment schedules so long as payment schedules are realistically in line with financial requirements.

2. <sup>IAD</sup> ~~Implementing agencies~~ will establish formal procedures for the review and revision of FMS case payment schedules as follows:

(a) The payment schedule should be evaluated each time a DD Form 1513-1 or 1513-2 is issued that affects case or line values.

(b) Payment schedules for cases with performance extending beyond two years should be reviewed as indicated below:

<u>Total Case Value</u>	<u>Review Frequency</u>
\$100 million or less	Annually
\$100-\$500 million	Semiannually
\$500 million or above	Quarterly

(c) If the review discloses that actual disbursements and payables vary from estimated disbursements by more than ~~10%~~ <sup>ten percent, IAD</sup>, ~~implementing agencies~~ should give priority to revising applicable payment schedules.

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. Payments ~~often are received cumulatively which are~~ in excess of the value of a particular case. ~~These funds~~ may be transferred into Trust Fund "Holding Accounts," similar to pseudo-cases, under the following conditions:

1. Cash. With ~~the~~ purchaser approval, surplus ~~cash~~ (national funds) may be transferred to a cash holding account upon case closure, cancellation, or case value reduction. Monies on deposit in cash holding accounts are available to the purchaser for application to other FMS cases. ~~However,~~ Upon purchaser request cash overpayments will be refunded provided there are no collection delinquencies on other FMS cases for that purchaser.

2. FMS Credits. Upon reduction or cancellation of FMS credit-financed cases, ~~the~~ SAAC will automatically transfer the excess credit funds from the case to the appropriate credit holding account. Prior to each billing cycle, SAAC will move excess funds in credit holding accounts to other FMS credit-financed cases, not to exceed the total of credits committed to each case. In selecting the cases to which excess credits will be transferred, SAAC will apply the funds, by in-country service, first to credit cases with overdue payments, and then to credit cases with payments due in the next billing cycle. If there are no remaining candidate cases, funds will remain in the credit holding account. Prior to transferring credits to or from cases at case closure, SAAC will make a written request to DSAA/CMMD, so that credit commitment records may be adjusted to reflect the final case value.

3. MAP Merger. Upon reduction or cancellation of MAP merger-financed cases, ~~the~~ SAAC will automatically transfer the excess MAP funds ~~from the cases to~~ the MAP holding account. Prior to transferring MAP funds to or from cases at case closure, SAAC will make a written request to DSAA/CMMD so that MAP commitment records may be adjusted to reflect the final case value.

D. Payment Office. All payments, whether cash or credit, must be made to <sup>SAAC</sup> ~~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. ~~The~~ <sup>Implementing agencies</sup> 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~~ <sup>an MOA</sup> 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~~ <sup>LOA</sup> ~~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~~ <sup>document</sup>.



DOD 5105.38-M (DRAFT)

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~~ <sup>contractor</sup> 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~~ <sup>contractor</sup> should modify it (DD Form 1513-2) with notification to both the FMS purchaser and ~~the~~ SAAC.

or - 1

DOD 5105.38-M (DRAFT)

DSAA-COMPT-A&FD, Pentagon, Room 4B659, Washington, D.C. 20301, with a letter requesting DSAA approval. Letter formats and specific instructions for processing loan advance requests 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:		

TABLE 1304-1. (Continued)

**SECTION 1305 - BUDGET EXECUTION**

**130501 REPORTS.** Information copies of reports required by Chapter 5, DOD 7290.3-M will be submitted to DSAA by SAAC.

**130502 CASE RECONCILIATION.**

A. General. Case reconciliation is not a single action. Rather, it is a series of actions which commence with the implementation of an FMS case and continue through closure. It is DOD policy that case records maintained by ~~implementing agencies~~ <sup>SAAC</sup> are in agreement with the ~~Security Assistance Accounting Center~~ records and that all proper charges and credits are recorded by responsible activities. SAAC country managers are responsible for assuring country level trust fund accounts are in balance. They will, ~~periodically, but~~ no less than annually, accomplish a country reconciliation using a country level trial balance. Country managers will work with case managers ~~responsible for the cases for the countries for which they are responsible~~ to assure that case records reconcile to country trust fund general ledger accounts.

B. Facilitating Case Reconciliation. There are several actions which ~~case managers and other~~ <sup>those</sup> responsible for case execution must take to ensure continuing reconciliation, leading to final closure, ~~is possible.~~ The first action is the careful preparation of all documentation ensuring that it is in ~~full~~ compliance with the provisions of this manual and ~~those of the Foreign Military Sales Financial Management Manual,~~ DOD 7290.3-M.

1. Case File Development/Maintenance. It is essential that documentation supporting case execution be completed and retained in a manner that makes it available to case managers and those responsible for reconciliation. See Section 1306 for a discussion of case files. Execution of a typical FMS case may span several years. Normal DOD file retention requirements may appear to make retention difficult. Case managers must be familiar with file requirements to ensure retired files can be accessed and specifically that source documents, invoices, GBLs, and other proof of shipments, and other applicable documents which support the use of funds and provide the audit trail necessary to ensure both USG and customer funds are accounted for, are accessible. Cases with large volumes of transactions may have the source documents eventually transferred to microfiche. Care must be exercised in reduction and storage of these files to prevent loss of data.

2. Recording Case Data with Objective Evidence. Throughout the life cycle of a case, ~~case managers and those responsible for case execution must be careful to ensure all transactions, financial and logistical are recorded in writing.~~ Particular care must be exercised ~~in the use of computer systems to avoid "data dumps."~~ Those responsible for computer systems ~~must ensure that if data is lost that it can be reconstructed from a backup file.~~ Cost statements and large accounting spread sheets, whether they are kept manually or in a computer, must be backed with applicable source documents. In those rare instances ~~wherein~~ <sup>when</sup> financial transactions are recorded and supporting documentation is not available, certified memoranda ~~must~~ by those responsible must be ~~made and~~ placed in the file.

3. Maintaining Accurate <sup>and</sup> Current Records. FMS accounting records represent the cash position of purchasing nations. Overages and shortages in these accounts reflect unfavorably on the fiduciary responsibility assumed by the USG in accepting FMS cases for execution. The implications of any inaccuracies in the accounts are misuse of funds and liabilities to DOD appropriations. Consequently, those responsible for the accounting and bookkeeping must make every effort to maintain the accuracy of their accounts and to adhere to the requirements of internal control.

2. There are abnormal balances in SAAC's central accounting system general ledger accounts and the case level trial balance.

3. Formal litigation ~~cannot be~~ outstanding on the case. That is, a final written decision is pending and has not been released by a contracting officer on a claim (which cannot be mutually settled) by or against a contractor (reference: *Federal Acquisition Regulation*, paragraph 33.221).

4. Even though all local <sup>IA</sup> ~~Implementing Agency~~ and central SAAC case level records have been reconciled, there are known differences that cannot be brought into agreement (e.g. such as unliquidated obligations on open DOD contracts, reports of performance cannot be found to support disbursements) ~~etc.~~ without additional billing actions or accounting adjustments.

5. Unliquidated obligations represent unquantified final overhead costs (such as profit <sup>of</sup> G&A) ~~etc.~~ which have not been billed or paid on fully delivered open DOD contracts.

6. The <sup>IA</sup> ~~Implementing Agency~~ can identify and recommend the accounting adjustments and/or additional billing actions required to bring local ~~Implementing Agency~~ and SAAC <sup>IA</sup> central case level records into agreement.

C. Categories of FMS Cases Selected for Board Review. After <sup>IAO</sup> ~~Implementing Agencies~~ selected cases qualify for submission to the Board, under the criteria parameters, each case will be identified in one of the following categories.

1. Category 1. Cases have been fully delivered for longer than <sup>12</sup> ~~twelve~~ months and the only known charges not billed to FMS Customers are not yet finalized amounts on open DOD contracts. These undefinitized unbilled amounts should not exceed the unliquidated value remaining obligated on contract.

2. Category 2. <sup>IAO</sup> ~~Implementing Agencies~~ can confirm that case level records have been reconciled, but reasonable effort to bring case level detailed accounting records into balance have been exhausted and it is uneconomical to expend further resources to resolve the imbalance in case level records.

3. Category 3. <sup>IAO</sup> ~~Implementing Agencies~~ can confirm that case level records have been reconciled, but the necessary local case level detailed accounting records are incomplete or cannot be located to document the imbalance in local case level records.

4. Category 4. Extraordinary circumstances preventing case closure under current ~~DOD policy~~ can be documented by the <sup>IA</sup> ~~Implementing Agency~~. Examples of this may be instances when FMS customer refuse to pay final billing amounts for cases that have been fully delivered for any extended period, countries no longer have an active FMS program with the USG, ~~etc.~~

5. Category 5. Cases in this category qualify in category 2 or 3 but also having <sup>P</sup> ~~unbilled~~ amounts represented by unliquidated obligations on open DOD contracts (Category 1).

D. Submission of Selected FMS Cases for Board Review. Cases which qualify under the criteria outlined above and are selected by <sup>IAO</sup> ~~Implementing Agencies~~ for Board Review may be submitted as generated to the Board's Secretariate through a central point designated by each <sup>IA</sup> ~~Implementing Agency~~. Submission of cases is not solicited by the Board. ~~Implementing Agencies~~ <sup>IAO</sup> are responsible for identifying and submitting cases to the Board to obtain approval to execute accounting adjustments and additional billing actions which will allow case closure under current DOD case closure policy.

~~Comptroller~~ and the designated board member from the <sup>MILDEP</sup> Military Department with cases before the Board. If an <sup>IA</sup> Implementing Agency other than a <sup>MILDEP</sup> Military Department submits cases to the Board, ~~then~~ the submitting Agency will be represented by a properly authorized individual from that Agency and the <sup>MILDEP</sup> Military Department which reports the case to the SAAC for billing. A unanimous vote by Board members is required to approve ~~the~~ recommended actions.

1. The Board is empowered to release Determinations authorizing the <sup>IA</sup> Implementing Agency to make case level accounting adjustments and initiate additional reporting actions to the SAAC by ~~terms of~~ the Deputy Secretary of Defense Charter <sup>of 20 February 1987</sup> approved on February 20, 1987.

2. The Board's Secretariate maintains a record of all Determinations released by the Board and distributes the Board's notice of decisions to appropriate DOD <sup>IA</sup> Implementing Agencies. Each case reviewed by the Board will be assigned sequential control numbers (FYNNN = 88001) which also serve as the reference of authority for executing accounting and billing actions approved by the Board. The board will generally make one of the following determinations:

- a. Approve <sup>at</sup> the recommend actions.
- b. Approve ~~the~~ recommendations with modifications.
- c. Return the submission for additional information.
- d. Deny the recommendations.

3. The Board may request other activities <sup>to</sup> such as, the DSAA General Counsel or SAAC, ~~etc.~~ attend meetings, and offer specific advice.

4. When the Board cannot reach unanimous agreement on a course of action which would allow a case before the Board to be brought into balance for closure, the case may be referred to the Office of the Deputy Secretary of Defense with alternatives for decision.

F. Executing Accounting Adjustments and Additional Billing Actions Approved by the Board. The basis for initiating case level accounting adjustments and additional reporting actions by <sup>IA</sup> Implementing Agencies based on Board Determinations should be supported by Board Control Numbers. Additional charges on cases which have been routinely closed under current DOD policy and not by Board authority should continue to be routinely processed in accordance with DOD 7290.3-M.

1. RCS: DD-COMP(M) 1517 performance reporting, accounting entries and adjustments, and other case closure actions initiated by <sup>IA</sup> Implementing Agencies and the SAAC as a result of Board approval on other than Category 1 cases are to be prepared and processed in accordance with DOD 7290.3-M.

2. Billing and accounting actions approved by the Board for Category 1 cases.

a. The amount approved in this category of cases to be reported to the SAAC as the final amount to be charged on the case will normally be the amount of the unliquidated obligations remaining on the DOD contract (or FMS line on a DOD contract) applicable to the case being closed.

b. <sup>IAA</sup> Implementing Agencies will report these approved charges ~~on the case being closed to~~ the SAAC using standard DD Form 1517 performance reports.

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**TABLE 1305-1**  
**CASE CLOSURE WORKSHEET**

Managing Activity: \_\_\_\_\_

FMS Case: \_\_ - \_\_ - \_\_

Date --/--/--

1. Case Manager:
2. Date Case Implemented:
3. Date Supply Complete:
4. Reason case cannot be closed (Check one):
  - Category 1: Open contract.
  - Category 2: Further reconciliation uneconomical.
  - Category 3: Incomplete/missing records.
  - Category 4: Extraordinary circumstances.
  - Category 5: Combination of Categories 1 and 2 or 3.
5. Open contracts Information:
  - Contractor:
  - Contract Number:
  - Contract Line:
  - Unliquidated obligation amount:
  - Estimated Contractor closeout date:
6. Estimated closure date without board approval::
7. Recommended accounting and billing actions which if approved by the Board will allows the case to be closed:

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TABLE 1305-1 Case Closure Worksheet

Section 1307 - PRICING OF FMS TRANSACTIONS

130701 GENERAL

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

B. 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 in DOD 7290.3-M.

C. Single Selling Price. It is DOD policy to provide a single unit price for articles offered under FMS. It is not normal FMS practice to provide a detailed description of the components of cost included in estimated prices for line items on LOAs. There may be instances where the provisions of such information is desirable to clarify the service to be provided. For example, when project management offices are established in the CONUS, to insure proper management of major FMS projects, it sometimes is necessary to provide detailed cost data to provide the purchaser with information which demonstrates that such costs are necessary. Furnish any cost breakouts beyond a single unit price required the DSAA approval.

D. Direct/Indirect Costs. The cost of supplies, materiel, equipment and services is properly chargeable to a FMS case if it can be demonstrated that the provision of such items/services was made solely for the purpose of implementing and administering the FMS case involved. Within FMS, most costs are generally identified as either direct costs or indirect costs in various DOD publications. The DD Form 1513, United States Department of Defense Offer and Acceptance, lists unit cost, total costs, and selected additional charges but does not specifically identify direct or indirect costs which may be a part of the line item unit costs or the additional charges.

1. Direct Costs. A direct cost is any cost that can be identified specifically with a particular final cost objective. For example, within FMS certain costs such as materiel and labor may be directly identified to the production of a FMS article or provision of a FMS service. Specific examples of materiel and labor to build or repair a principal (major) item and associated costs to train users how to operate and maintain the item, Also, nonrecurring and actual transportation costs from the Transportation Cost Look-up Table, to transport a specific item would also be a direct cost.

2. Indirect Costs. An indirect cost is any cost not directly identified with a single, final cost objective. Indirect costs are often accumulated in logical cost groupings, such as administration and transportation and applied as a percentage allocation to direct costs. For example, within FMS certain costs such as administration, contract administration, asset use, and the percentage transportation surcharges would normally be considered indirect costs.

E. Use of Estimated Prices. To assure that all costs are covered, in the DOD pricing quotations on defense articles and defense services will be cited as estimated prices, with final adjustments to be established after delivery of items from production or the rendering of services. The DD Form 1513 will indicate that prices for articles and services from procurement are estimated prices. Those instances in which firm places may be quoted on an LOA are discussed in Paragraph 70203 of DOD 7290.3-M.

C. Associated Costs. Costs incurred for communications, utilities, automatic data processing, office supplies and equipment, and rental charges normally are recouped as an administrative/Logistic support expense. When a case or program management line has been established, however, these types of costs shall be charged directly to that line as appropriate. Care must be exercised to insure that only such costs are charged to management lines which directly result from the case or program management effort.

D. Travel. Travel, including appropriate TDY costs, will be charged to the same source which funds the traveler's salary, regardless of whether the travel is identifiable to a single FMS case. For example, the travel costs of an individual whose salary is funded by administrative/Logistic support funds, must be charged to those funds even though the travel can be identified to a specific case. Similarly, the travel costs of personnel whose salaries are funded by case or program management lines or by hardware or services lines will be charged to those lines. Care must be exercised to insure that, in the first instance, the traveler's salary is properly charged to the correct source based on the function being performed. For example, an Admin/LSC funded individual performing a routine admin function should not be charged to the case but to the Admin/LSC budget. The salary of an Admin/LSC funded traveler performing an over and above case or program management function should be charged to the appropriate management line. Travelers whose salary is charged to Operations and Maintenance (O&M) or other DOD funds during the period of TDY may not travel on FMS funds. The use of the independent travel line (generic code L7A) should be discontinued unless approved by DSAA as an exception.

E. Other Considerations.

1. FMS cases which include a <sup>five</sup> percent non-standard administrative fee normally will not include case or program management lines. If an <sup>IAA</sup> implementing agency determines that there are exceptional circumstances which warrant a case or program management line in addition to the higher administrative fee, a detailed justification on that need must accompany the case when it is submitted for countersignature.

2. <sup>IAA</sup> Implementing agencies will report actual case or program management line costs incurred to the SAAC as "Services Performed." Personnel costs will be priced in accordance with instructions in DOD 7290.3-M, Section 701. Agencies will also maintain auditable records of costs billed to management lines to assist in avoiding duplicate charges to other case lines or to FMS administrative/logistic support funds.

130703 ARTICLES FROM STOCK.

A. Authority. Section 21 of the AECA authorizes the sale of defense articles from stock to eligible foreign countries or international organizations. ~~Pricing of defense articles from DOD stocks will be handled according to DOD 7290.3-M, Section 702.~~ Specific guidance on when the selling price of an article from stock is determined is in <sup>Paragraph 70202 of DOD 7290.3-M.</sup>

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



## DOD 5105.38-M (DRAFT)

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

c. As indicated in DOD 7290.3-M, engineering costs are chargeable directly to an FMS case only if they are recurring in nature, and are related to a current production run in which FMS materiel is being produced. ~~Nonrecurring costs~~ are recoverable via policies and procedures included in DODD 2140.2. <sup>NC</sup>

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

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

130705 AUTHORIZED CHARGES. See Table 1307-1 for a ~~complete~~ list of ~~authorized~~ charges used in FMS pricing.

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

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

2. Transportation. Transportation charges include inland (second destination) and ocean transportation costs representing shipments by land, sea, air, inland and coastal waterways, vessel or air, and including parcel post via surface or air.

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

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

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

B. Administrative Charges.

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

2. Case Cancellation by <sup>USG</sup>U.S. Government. Cancellation charges will be assessed on cases cancelled for the convenience of the ~~U.S. Government~~ <sup>USG</sup> only on an exception basis when approved by DSAA.

3. Case Cancellation by FMS Purchaser. In the event an FMS Purchaser cancels an implemented FMS case at any time after partial delivery has been made but prior to the full delivery of all ordered articles or services, the following guidance will be used to determine the amount of the cancellation charge to be recommended to DSAA.

a. LOAs under ~~\$25 million~~ <sup>\$25,000,000</sup> cancelled at the Purchaser's request.

(1) Standard Defined Order Cases. For ~~standard~~ <sup>which provide standard support</sup> defined order FMS cases, the cancellation charge is the greater of three percent (two percent if LOA offer date is before 1 October 1977) of the ~~actual~~ <sup>delivered</sup> articles/services value or one and one-half percent (one percent if LOA offer date is before 1 Oct, 1977) of the estimated articles/services ordered value on the LOA at closure.

(2) Non-Standard Defined Order Cases. For FMS cases which provide non-standard support, the cancellation charge will be the greater of five percent of the actual delivered articles/services value or two and one-half percent of the total estimated articles/services ordered value on the LOA at closure.

(3) Cooperative Logistics Supply Support Agreements and Blanket Order Cases. For blanket order FMS cases and CLSSA FMSO II cases, the cancellation charge is three percent (two percent if LOA was implemented before 1 Oct 1977), assessed on the actual delivered articles/services value at closure. The standard administrative charge of five percent is assessed on the value of the on-hand inventory portion of CLSSA FMSO I cases.

b. Cases of <sup>\$25,000,000</sup>\$25 Million or Greater Cancelled at the FMS Purchaser's Request. DSAA will determine the cancellation charge amount to be assessed based on statements submitted by ~~Implementing Agencies~~ <sup>which support and document LOA preparation and DOD contractual costs incurred in administering a cancelled LOA.</sup>

~~4. Case Program Management Line~~ Im 1307-2 Form 4 + table 1307-16

4.54. LOA Notes Regarding Cancellation Charges. A note should be placed in LOAs to provide the amount of the administrative charge which may be assessed should the LOA be cancelled.

4.55. Assessment of Administrative Charges at Closure on Cases Cancelled at FMS Purchaser's Request.

a. SAAC may assess an administrative charge equal to one-half of the applicable administrative charge on a cancelled case's estimated articles/services ordered value if that amount is greater than the administrative charge on the actual delivered articles/services value and the ~~Implementing Agency~~ <sup>Implementing Agency</sup> indicates DSAA approval on the closure certificate. DSAA countersignature of DD Form 1513-2 does not constitute DSAA approval.

*Disposal of Inventory 5/10/13*  
*1307-2 Form 4 w/ table 1307-16*

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

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

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

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

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

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Mr. wells  
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DJCS INFORMATION  
SERVICE CENTER

PRIORITY ZYUW RUEAJCS676E 2851410  
P 111410Z OCT 88  
FM SECDEF WASHINGTON DC//USDP//  
TO DA WASHINGTON DC//DALO-SAC// NAVOTISA WASHINGTON DC  
HQ USAF WASHINGTON DC//PR/PR1/PRIM/PRIS//  
CHUSMTM RIYADH SA//CC// AFAC LOWRY AFB CO//SAAC//  
INFO CDRUSASAC ALEXANDRIA VA  
USCINCCENT MACDILL AFB FL//CCJ4//  
AFLC ILC WRIGHT PATERSON AFB OH JCS WASHINGTON DC//J5//

UNCLAS

FROM: DSAA/COMPT-FMSCD, I-15658/88  
SUBJECT: CASE AND PROGRAM MANAGEMENT LINES  
MESSAGE IN TWO PARTS  
PART I FOR ALL

1. IN RECENT MONTHS THERE HAVE BEEN NUMEROUS INQUIRIES REGARDING THE APPLICATION OF THE FMS ADMINISTRATIVE SURCHARGE TO CASE MANAGEMENT AND PROGRAM MANAGEMENT LINES. FOLLOWING A THOROUGH REVIEW, IT HAS BEEN DETERMINED THAT THE SUBJECT MANAGEMENT LINES ARE EXCLUDED FROM APPLICATION OF THE ADMIN SURCHARGE. THIS DECISION WAS BASED ON THE FOLLOWING:

A. THAT CASE OR PROGRAM MANAGEMENT LINES ARE NOT ORDERED BY FMS PURCHASERS BUT ARE A CONDITION OF SALE (I.E., THAT WITHOUT WHICH A CASE CANNOT BE SUCCESSFULLY IMPLEMENTED).

B. THAT SUCH LINES ARE IMPLEMENTED IN FMS CASES ON A UNIFORM BASIS FOR ALL PURCHASERS AND DO NOT INCLUDE THE SAME TYPE OF EFFORTS FUNDED BY THE FMS ADMINISTRATIVE SURCHARGE.

C. THAT DSAA INITIATE A STUDY GROUP TO DEFINE PRECISELY THE TYPE OF EFFORT WHICH MUST BE FUNDED BY THESE LINES. THIS EFFORT HAS BEEN INITIATED.

2. IN ORDER TO PROPERLY DIFFERENTIATE BETWEEN THE COST OF GOODS AND SERVICES SOLD TO WHICH THE FMS ADMINISTRATIVE SURCHARGE LEGALLY MUST BE APPLIED AND SERVICES WHICH ARE A CONDITION OF SALE (CASE AND PROGRAM MANAGEMENT), THE FOLLOWING MODIFICATIONS TO DD FORMS 1513 (LOAS), 1513-1 AND 1513-2 ARE REQUIRED FOR ALL CASES RECEIVED BY DSAA FOR COUNTERSIGNATURE WHICH CONTAIN EITHER CASE OR PROGRAM MANAGEMENT LINES:

A. A NARRATIVE SUB ENTRY MUST BE INCLUDED IN COLUMN 13 ENTITLED "SUBTOTAL COST OF ORDERED ARTICLES AND SERVICES" WITH THE CORRESPONDING SUBTOTAL DOLLAR VALUE IN COLUMN 17.

B. THE CASE MANAGEMENT AND/OR PROGRAM MANAGEMENT LINES AND VALUE IS TO BE ENTERED IN COLUMNS 13 AND 17 FOLLOWING THE SUBTOTAL.

C. LINE 21 WILL BE TOTAL OF THE FOREGOING ENTRIES.

D. THE FMS ADMINISTRATIVE SURCHARGE SHALL BE APPLIED BY SAAC TO THE SUBTOTAL ENTRY (COL 17) VALUE WITHOUT EXCEPTION. IF THE SURCHARGE HAS BEEN WAIVED AND NOT INCLUDED IN THE LOA, THE DRAFTING IMPLEMENTING AGENCY IS RESPONSIBLE FOR FUNDING AND PAYING THE SURCHARGE IN ACCORDANCE WITH PARAGRAPH 70505, DOD 7290.3-M, THE FOREIGN MILITARY SALES FINANCIAL MANAGEMENT MANUAL.

3. THE FOREGOING IS EFFECTIVE IMMEDIATELY AND FMS CASES SUBMITTED FOR COUNTERSIGNATURE CONTAINING CASE MANAGEMENT OR PROGRAM MANAGEMENT LINES NOT PRESENTED AS OUTLINED ABOVE WILL BE RETURNED FOR APPROPRIATE REFORMATTING AND RECOMPUTATION. CHANGES WILL BE MADE TO APPROPRIATE DOD MANUALS.

4. OASD/COMP CONCURS.

PART TWO FOR CH USMTM

5. APPRECIATE YOUR COMMENTS (USMTM 051500Z APR 88) REGARDING THIS ISSUE. REQUEST YOU APPRISE APPROPRIATE SAG OFFICIALS OF FOREGOING DECISION AND THE UNDERLYING BASES. BT

*3 now man emp  
this applies in mail (no 7  
11 oct 88)*

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ACTION USDP(1) (D,U,6,7,8,F)  
INFO CJCS(5) DJS:(1) SJS(1) NIDS(1) J4(9) J5(2)  
QUAL CONTROL(1) SECDEF(8) USDA:IP&T(3) USDP:ISA(1)  
USDP:WE SA(3) USDP:DSAA(4) USDP:CIS(1) USDP:TCS(1)  
USDP:OUTREAC(1) USDP:MUN(1) USDP:DTSA(1) USDP:WSP(1)  
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+DCA FIELD ACTIVITY WASHINGTON DC

MCN=88285/03432

TOR=88285/1404Z

TAD=88285/1420Z

CDSN=MAU938

PAGE 1 OF 1  
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DEFENSE SECURITY ASSISTANCE AGENCY  
SECURITY ASSISTANCE OPERATIONS DIRECTORATE  
WASHINGTON, D.C. 20301-2800

FACSIMILE TRANSMISSION

TO: Mr. C. Luckenbill  
(NAME)

154319 (PHONE NUMBER) DISAM (OFFICE SYMBOL)

9-1-513-255-4319  
(TELECOPIER PHONE NUMBER)

TOTAL NUMBER OF PAGES INCLUDING COVER SHEET: 2

DATE/TIME SENT: 28 February 1989

REMARKS, INSTRUCTIONS, COMMENTS:

*John Williams do work w/ FMS CD to  
incorporate this -*

FROM: Mr. Wayne Wells  
(NAME)

697-8108 (PHONE NUMBER) DSAA/OPS-E (OFFICE SYMBOL)

TELECOPIER NUMBER -- (202) 697-1656 (COMMERCIAL ONLY)

VERIFICATION# AV 227-6221 COMMERCIAL (202) 697-6222/6221

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Mr. well  
166

DUCS INFORMATION  
SERVICE CENTER

PRIORITY ZYUW RUEAJCSE76E 2851410  
P 111410Z OCT 88  
FM SECDEF WASHINGTON DC//USDP//  
TO DA WASHINGTON DC//DALG-SAC// NAVOTTSW WASHINGTON DC  
HQ USAF WASHINGTON DC//PR/PRI/PRIM/PRIS//  
CHUSMTM RIYADH SA//CC// AFATC LOWRY AFB CO//SAAC//  
INFO CDRUSASAC ALEXANDRIA VA  
USCINCENT MACDILL AFB FL//CCJA//  
AFLE ILC WRIGHT PATERSON AFB OH JCS WASHINGTON DC//J5//

UNCLAS

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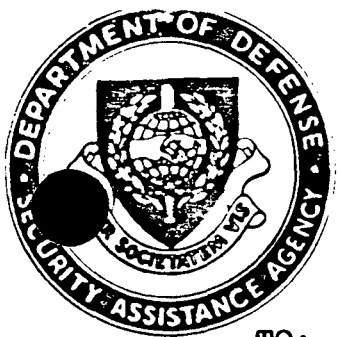
*3 Nov msg says this applies in manual as of 11 Oct 88 -*

47

ACTION: USDP(1) (D.U.6,7,8,F)  
INFO: CJCS(5) DJS:(1) SJS(1) NIDS(1) J4(9) J5(2)  
QUAL CONTROL(1) SECDEF(8) USDA:IP&T(3) USDP:ISA(1)  
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in corporate + bus -*

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VERIFICATION# AV 227-6221 COMMERCIAL (202) 697-6222/6221

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## DOD 5105.38-M (DRAFT)

7.6. <sup>IA</sup> ~~Implementing Agency~~ request<sup>s</sup> for DSAA approval to allow SAAC to assess cancellation charges should be routed to the DSAA Comptroller and documented as follows:

a. Copy of Purchaser's request for case cancellation or a written explanation why the case was cancelled.

b. DOD's over and above costs if items on the cancelled case <sup>have</sup> ~~had~~ been placed on contract <sup>by</sup> the ~~Implementing Agency, IA~~

c. Statement that cost incurred in implementing and cancelling the case will/will not be recouped by the administrative charge assessed on the actual delivered value.

d. Name and telephone number <sup>of</sup> individual to whom <sup>in</sup>quiries may be directed.

7. An administrative cancellation charge does not apply to implemented cases closed with zero dollar delivered value. ~~The SAAC~~ <sup>SAAC</sup> is authorized to close these cases without assessing an administrative charge.

8. Cancellation of FMS Cases. In the event that the FMS Purchaser cancels an entire FMS case prior to the delivery of all articles and services, a case cancellation fee may be assessed. One half of the administrative fee will be included in the "initial deposit" to cover this requirements unless otherwise agreed upon by the DSAA, Comptroller.

### C. Logistics Support Charges.

1. Background. DOD 7290.3M directs that <sup>an LSC</sup> ~~a Logistics Support Charge~~ be added to FMS case lines for spare parts, supplies, and maintenance of customer owned equipment to recoup an appropriate share of the cost incurred in the logistics support area. See DOD 7290.3M Section 717 for a complete discussion of how the charge is to be applied.

2. DD Form 1513 Presentation. <sup>LSC</sup> The ~~Logistics Support Charge~~ is to be included in the single selling price presented to FMS purchasers in the ~~Letter of Offer~~ <sup>LOA</sup> for those lines coded with the applicable generic codes listed in DOD 7290.3M.

3. Reporting. <sup>present</sup> The ~~Security Assistance Accounting Center (SAAC)~~ will apply the applicable percentage (3.1% for FYs 1987 and 1988) to the extended value amounts reported by the IAs in the DD Comp(M) 1517 billing reports. However, in accordance with Paragraph 71704C of the DOD 7290.3M, the IAs will determine from SAAC the amount of LSC to include in the IA's Case Closure Certificate to be submitted to SAAC.

### D. Nonrecurring Cost ~~and~~ Recoupment Charges.

1. Background. Section 21 of the AECA requires that, ~~in selling defense articles to foreign governments and international organizations, an appropriate charge be made for a proportionate amount of any nonrecurring cost of research, development, test and evaluation (RD&E), and production of major defense equipment (MDE).~~ <sup>of</sup> Implementation guidance on establishment of charges, collections, and waivers is contained in DOD Directive 2140.2, dated ~~July 27, 1987.~~ <sup>27 July 1987.</sup>

2. DOD Component Responsibility. ~~As a matter of DOD policy, The military~~ components are responsible for determining recoupment charges for all items of defense equipment. DOD components must use actual, not program, cost data and may use estimates where the development of more precise data is not possible; however, in the latter case, it must be



in place an operative system for assessment, monitoring, collection, and reporting of these recoupments in order to insure that all appropriate payments are in fact made to the DOD. This system will provide for the following actions to be taken:

(a) Applicable Items. The development of complete lists of non-MDE and MDE items under the cognizance of the MILDEP which require assessment of a ~~nonrecurring cost~~ <sup>NC</sup> recoupment charge in accordance with DoDD 2140.2 and a reference to the contracts in which the recoupment clause applicable to the items is ~~or was~~ contained.

(b) Cross-Reference of Export License Requests. The cross-referencing of all export license requests processed by the MILDEP against these lists to determine whether the commercial sale is required to have a ~~nonrecurring cost~~ <sup>NC</sup> recoupment charge assessment.

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

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

E. Asset Use

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

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

b. Rental Charges for Use of DOD Assets. Sales of defense articles which were produced in government-owned facilities or with government-owned industrial plant and production equipment, for which a rental is assessed in accordance with the provisions of DOD FAR Supplement 45.4 and FAR 52.245-9, will be priced to include the appropriate rental charge. When there is a provision for rental charges for use of U.S. facilities, plant, production or

manufactured or assembled in government-owned and operated facilities will be included by the MILDEP in the unit cost of the item being produced. Asset use charges for FMS training are to be included in the tuition rates billed to purchasers. Asset use charges of DOD services are to be included as part of the cost of performing the service.

F. Quality Assurance and Inspection, Contract Audit Services, and Other Contract Administration Services.

1. Refer to DOD 7290.3-M, paragraph 70305 for guidance regarding recovery of ~~contract administration services~~ costs incurred in support of new procurement for FMS. <sup>CAS</sup>

2. Costs incurred by ~~the~~ DOD for <sup>QA</sup> quality assurance and inspection, <sup>and CAS</sup> contract audit services, and ~~other contract administration services~~ will be assessed for FMS programs as prescribed by DOD 7290.3-M.

G. Review of Accessorial and Administrative Rates. Rates for Accessorial and administrative costs are subject to review at least every two years. Requests for exceptions to the pricing policies prescribed herein, <sup>in the case of unresolvable</sup> disputes, or deviations from any price or service charge when it can be shown that such deviation is in the best interests of the USG shall be submitted through the Director, DSAA, to the ASD(C), ~~for resolution or approval~~. Such requests will contain the basis or justification and supporting data for the ~~exceptions~~. See additional guidance in DOD 7290.3-M, Section 721. <sup>exceptions.</sup>

TABLE 1307-1 Summary of Charges Used in FMS Pricing

Type	What it is typically for	Abbreviation	Generic Code	Typical Location on DD 1513	Applied by--for billing	DOD 7290.3-M Reference
9. Stockfund replacement surcharge (non-CLSSA)	To recover replacement costs on sales from stock			Included in line	IA	Para 70201B2
10. Procurement Funded secondary items (non-CLSSA) Replacement Surcharge	To recover replacement costs on sales of secondary items			Included in Line	IA	Para 70202C
11. Force Rearrangement Factor-- Sale of major item replaced with an improved item	To recover costs to IA of rearranging its forces, changes to spares, etc.			Included in Line	IA	Para 70202E2d
12. Staging	Cost of staging items prior to shipment		L40	Blk 25	SAA	Para 70403
13. Storage (IMS0)	Cost of storing on-hand inventory		L4A	Included in Line	IA	Para 70204 and 70801
14. Storage (other)	Cost included per Note #7 Explanatory Notes, DD 1513		L4B		IA	Para 70801
15. Special SDAF Surcharge	To maintain solvency of SDAF Account			Included in Line	SAAC	Para 71807
16. Royalty Fees	To recoup cost of USG technical assistance and know-how		R9D	Included in Line	SAAC	Sec. 715

1307-13

TABLE 1307-2  
CASE MANAGEMENT LINE  
Supporting Information

Case Identifier:

Case Value (total):

Brief Case Description:

Estimated Case Implementation Date:

Starting Calendar Mo. , 19

Ending Calendar Mo. , 19

Workyears (WYs)/\$ (in Thousands) Required:

	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year Etc.</u>
Civilian				
Military				
<b>Total</b>	_____	_____	_____	_____

In what organization(s) will WYs be performed?\*

When will WYs be required?

Starting Calendar Mo. , 19

Ending Calendar Mo. , 19

Rationale: (Explain what services are to be performed and why these charges should not be funded as normal administrative/logistic support expenses. Please include personnel title(s), grade(s), and general functional descriptions as well as identifying the specific funds which pay for their salaries, e.g., FMS admin/LSC, case management, O&M, etc.

Source of Manpower to Accommodate this Requirement: (i.e., new hire, conversion from O&M, or conversion from administrative funded WYs. Must equal total WYs shown above).

Related Travel Costs: (include number of personnel, destination, purpose and cost for each trip).

Related Material and Support Costs: Include identification of material and support costs, justification and proposed disposition of real property.

\*Specific suborganization level.

B. Billing for FMS Transactions.

1. Quarterly Billings. As of the end of each calendar quarter, SAAC renders a billing statement for each active FMS agreement in accordance with DOD 7290.3-M. The purpose of the bill is to provide the FMS purchaser a statement of account for costs incurred on his behalf and to request additional funds as projected in the payment schedule, ~~to pay future anticipated costs.~~

2. Elements of Billing. The first element of each billing is for costs incurred to date, and includes charges for materiel delivered and progress payments made to contractors. The FMS purchaser receives an FMS Delivery Listing that shows by document number the items reported to SAAC as delivered through the end of the month of the billing statement. The remaining portion of the value billed is for anticipated costs to be incurred. SAAC will normally extract this forecast of costs from the most recent payment schedule attached to the DD Form 1513, ~~furnished to the FMS purchaser.~~ However, in the event ~~unanticipated~~ <sup>unanticipated</sup> costs occur <sup>when</sup> varying substantially from the existing schedule, the MILDEP should immediately advise SAAC and the customer of the variance. As described earlier, the DOD component should issue revised payment schedules when appropriate.

3. Legal Effect of Billing. The quarterly FMS Billing Statement (DD Form 645) is the binding legal claim for payment by the DOD as referenced in ~~paragraph B.3.f. on Annex A of the DD Form 1513, LOA.~~ Both the DOD component and FMS purchaser ~~should~~ understand that the billing, not the payment schedule, contains the required amount to be paid.

4. Billing Questions Directed to SAAC. ~~All~~ Questions ~~or correspondence~~ concerning billings to FMS purchasers should be addressed to SAAC, Lowry AFB, Denver, Colorado 80279-5000.

130802 FINANCING REPORTS OF DISCREPANCY ~~(ROD)~~ WHEN THE ~~US~~ <sup>USG</sup> GOVERNMENT IS LIABLE.

A. Purpose. The purpose of this section is to establish funding policy in those instances where the USG is ~~legally~~ determined to be financially liable for the resolution of a ~~Report of Discrepancy (ROD)~~. Procedural guidance for the completion of ~~Standard Form 364, Report of Discrepancy~~, related to FMS shipments can be found in DOD 7290.3-M, and Joint Regulation ~~DLAR 4140.60, AR 12-12, AFR 67-7, NAVSUPINST 4920.9B and MCO 4140.1B.~~ Chapter 8, Section 802 and Table 802-3 contain additional information regarding ~~Reports of Discrepancy (RODA).~~

~~B. General. Legislative requirements dictate that the USG conduct the FMS program on a break-even (no cost, no profit) basis. This principle must be applied in determining whether USG or FMS administrative funds will absorb the cost of a particular ROD transaction determined to require USG corrective action.~~

*USG funds can't be used contractor, admin*

B. Specific.

1. Specific Types of Discrepancies. Table 802-3 provides guidance for specific types of discrepancies and indicates whether FMS administrative funds or USG appropriated funds will finance the cost of correcting the discrepancy where the USG is ~~legally~~ liable to do so.

2. Re-Requisitioning Items. When customer countries are required to re-requisition items which were not previously shipped, they are required to pay the existing price at the time of issue regardless of the fact that the item was initially released at a lower price.

**SECTION 1309 - DELINQUENT ACCOUNTS FOR FMS BILLINGS.**

**130901. PROVISIONS OF FINANCIAL ANNEX TO LOA.** The Financial Annex to the LOA provides an estimate of the timing and amounts ~~of payment~~ of the billings which SAAC produces for each FMS case. The customer is obligated to make payments against DD Form 645 billings, on time and in full. SAAC is obligated, ~~in compliance with the Arms Export Control Act,~~ to insure prompt recording of collections.

**130902. LATE PAYMENT CAUSES.** Most problems of collection are due to late payment, rather than to any tendency of FMS customers to default on payments. Past experience has shown that it takes from 45 to 75 days after mailing the billing statement to receive collection. Late payments also frequently result from the purchaser's misunderstanding of the terms of sale, the content of the billings, or the general problems of communication. Recognition by MILDEPs should be given to the problem of improving communications with the customer on financial matters.

**130903. SAAC RESPONSIBILITIES FOR COLLECTION.** Responsibility for collecting overdue debts to FMS cash sales is entirely that of SAAC until it has exhausted means of collection available to it. These means include:

A. **Formal and Informal Contacts.** Both formal and informal contacts with representatives of purchasers at appropriate levels.

B. **Collection Assistance.** Requests for collection assistance from the ~~Security Assistance Organization~~ <sup>SMA</sup> located in the purchaser's country.

C. **Requests for Collection Assistance.** Formal or informal requests for collection assistance from DSAA, as well as informal contacts with ~~State Department~~ <sup>DO S</sup> as required to determine additional collection actions to be taken.

**130905. FURTHER ACTION ON DELINQUENT ACCOUNTS.** When all internal means of collection have been exhausted, delinquent accounts will be referred to the Comptroller, DSAA for further examination. Comptroller, DSAA will then ~~either~~ <sup>DO S</sup> recommend further action to be taken by OSD or cause the debt to be referred officially to ~~the State Department~~ for diplomatic assistance. Data provided by SAAC to support the debt referral will include:

A. **Origin and History.** Origin and history of the debt including prior effort at collection.

B. **Validity of the Claim.** ~~Validity of the claim, i.e. a discussion to identify any elements of the agreement which may be in dispute between the purchaser and the U.S.~~

C. **Normal Military Channels.** A statement that ~~SAAC has exhausted its normal military channels~~ <sup>resolution through the</sup> with responsible foreign officials on behalf of the collection, ~~has failed.~~

D. **Adverse Impacts.** Assessment of any adverse impact on our foreign customer if the issue is raised at the diplomatic level.

**130905. SAAC HOLDS ACCOUNTING RECORDS AFTER TRANSFER OF ACTION TO STATE DEPARTMENT.** Delinquent Accounts Receivable will continue to be carried on the accounting records of SAAC even though primary collection responsibility may have been passed to ~~the Department of State.~~ <sup>DO S.</sup>

15 May 1989

## MEMORANDUM FOR RECORD

SUBJECT: SAMP Change, Replacement of Foreign Military Sales  
(FMS) Definition

Review of the present definition for "Foreign Military Sales (FMS)" Appendix B, Page B-9 of the SAMP (attached) indicates that the present definition is outdated and confuses commercial and government-to-government security assistance sales. On this basis, change 1 to DOD 5105.38-M should substitute the following for the present definition:

"Foreign Military Sales (FMS) - That portion of U.S. security assistance authorized by the Arms Export Control Act, as amended, and conducted on the basis of formal contracts or agreements between the United States Government and an authorized recipient government or international organization. FMS includes government-to-government sale of defense articles or defense services, from DOD stocks or through purchase under DOD-managed contracts, regardless of the source of financing."

Attachment  
As

psc2

Page 1 of 2  
Faxed to MA Luckenbill  
5/15/89, DISAM

W. Wille  
DSAN/OPS-E  
X7810F

considerable advances on the existing state of knowledge are likely to prove necessary for successful development. It indicates the means by which the recommended solution will be achieved, suggests a program for project definition, development and production with a preliminary estimate of the costs for these stages.

**Federal Financing Bank Financed Sale** - Sale of defense items or services financed by credit supplied by the Federal Financing Bank. The sale may be made by DOD or by U.S. industry directly to the foreign buyer. U.S. industry sales are subject to DOD approval.

**Field Training Services (FTS)** - Refers to either engineering and technical services or contract field services.

**Financing Type of** - The method by which the U.S. Government is authorized to sell defense articles and services under the Arms Export Control Act (e.g., cash with acceptance, dependable undertaking, credit). The type of financing is reflected through entry of the proper term(s) of sale on the DD Form 1513.

**Five-Year Defense Program (FYDP)** - The official program summarizing the Secretary of Defense's approved plans and programs for the Department of Defense.

**Foreign Affairs Administrative Support (FAAS)** - The purpose of the Foreign Affairs Administrative Support (FAAS) system is to provide, on a reimbursable basis at the Washington level, needed administrative services to U.S. government offices located overseas. The administrative support services are provided by FAAS personnel of the Department of State. Normally, such personnel perform a variety of services including: personnel, budget and fiscal, general services, communications, security and guard, and management services. The specific services required are the basis of an agreement between State and the requesting agency. Charges are based on the amount of service received, with each agency, including State paying its share. The FAAS program provides an equitable method to share the cost of providing "common type" administrative support to the SAO and other agencies at the post.

**Foreign Liaison Officer (FLO)** - An official representative, either military or civilian, of a foreign government or international organization stationed in the United States normally for the purpose of managing or monitoring security assistance programs.

**Foreign Military Sales (FMS)** - That portion of United States security assistance authorized by the Foreign Assistance Act of 1961, as amended, and the Arms Export Control Act, as amended. This assistance differs from the Military Assistance Program and the International Military Education and Training Program in that the recipient provides reimbursement for defense articles and services transferred (JCS Pub 1). FMS includes DOD cash sales from stocks (inventories, services, training); DOD guarantees covering financing by private or Federal Financing Bank sources for credit sales of defense articles and defense services; sales financed by appropriated direct credits; and sales funded by grants under the Military Assistance Program.

~~Foreign Military Sales Order No. I (FMSO No. I) - Provides for pipeline capitalization of a cooperative logistics support arrangement, which consists of stocks on hand and replenishment of stocks on order in which the participating country buys equity in the U.S. supply system for support of a specific weapons system. Even though stocks are not moved to a foreign country, delivery (equity) does in effect take place when the country pays for the case.~~

**Foreign Military Sales Order No. I (FMSO No. I)** - Provides for pipeline capitalization of a cooperative logistics support arrangement, which consists of stocks *on hand* and replenishment of stocks *on order* in which the participating country buys equity in the U.S. supply system for support of a specific weapons system. Even though stocks are not moved to a foreign country, delivery (equity) does in effect take place when the country pays for the case.

**Foreign Military Sales Order No. II (FMSO No. II)** - Provides for replenishment of withdrawals of consumption-type items (repair parts, primarily) from the DOD supply system to include charges for accessorial costs and a systems service charge.



DEFENSE SECURITY ASSISTANCE AGENCY

5/13

Memo For Mr Silber

Jerry,

Bob mentioned that we have problems with the FMS definition in the SAMM. After review, I drafted a possible revision next under.

If you furnish your input to this I may be able to get this into the SAMM change now being finalized at DISAM.

Thanks,  
Wayne Wells

Bob verbally approved 5/13/89.  
Faxed to DISAM.

Foreign military sales (FMS) - That portion of U.S. security assistance authorized by ~~the Foreign Assistance Act of 1961, as amended, and~~ the Arms Export Control Act, as amended, and conducted on the basis of formal contracts or agreements between the U.S. Government and an authorized recipient government or international organization. FMS includes ~~cash~~ <sup>and</sup> ~~foreign~~ <sup>government-to-government</sup> ~~military financing~~ <sup>in MAP (including EMEI)</sup> ~~sales of defense articles~~ <sup>(or)</sup> ~~and~~ <sup>defense services</sup> from DOD stocks or through purchase under DOD-managed contracts, regardless of the source of financing.

140105.E.6.a.

a. Identify the specific individual within the SAO who will be familiar with the agreement and who is responsible for monitoring the status of the agreement in country. This will include maintaining contact with the cognizant DOD component. Provisions will be made for continuity of the requirement after departure of the first individual identified.

b. Be responsive to all requests for information from the program manager or DSAA regarding any security assistance program MOU/MOA.

c. Provide to all involved organizations any information on problems with an MOU/MOA or information on potential or alleged non-compliance brought to the SAOs attention.

d. When required, to serve as the conduit for production status information from the country to the responsible DOD component.

F. Status Report of Coproduction Programs. The cognizant DOD Component will provide to DSAA a semi-annual update of the status of coproduction programs under its purview. DSAA Reports Control Symbol DSAA 1226 is established for this report. The following information is required on a semi-annual basis as of 30 June and 31 December (The reports will be submitted not later than 31 July and 31 January respectively):

1. Country/International Organization

2. Date of MOU/MOA

3. Expiration of MOU/MOA

4. Item(s) and Quantity(s) authorized for production in MOU/MOA

5. Status of foreign country's production; i.e., items in production, quantities produced during previous six months, quantity produced to date.

6. Third Country Sales authorized, if any, specifying country and quantity involved.

7. Identification/summary of any reports of MOU/MOA noncompliance received during the previous six months (if none, state none).

8. Source of information for data provided under Sections ~~5~~<sup>5</sup>, ~~6~~<sup>6</sup>, and ~~7~~<sup>7</sup> of the report, and a summary of monitoring actions taken during the previous six months.

9. Name, organization, and telephone number of the assigned project officer.

140106 COOPERATIVE PROJECTS UNDER THE AECA. SECTION 27.

A. General.

1. One of the components of the DOD relationship with its allies, within the arena of defense cooperation, involves NATO Cooperative Projects. These projects are authorized by Section 115 of the International Security and Development Cooperation Act of 1985 which amends Section 27 of the AECA and, by Section 1102 of the DOD Authorization Act of 1986 which adds a new Section 2407 to Title 10 of the USC.

*Integrate changes starting  
with para 2. below.  
Reaffirmed as minor  
current again bought 4/83  
W ~ 193*

## TRANSPORTATION COST LOOK-UP TABLE

1. ~~The purpose of this revision to the SAIM is to update the transportation cost look-up table and definitions used for delivery term codes 6, 8, and 9 in Appendix F of DOD 5105.38-M, Security Assistance Manual, to agree with the definitions contained in paragraph 80302.1.4A of DOD 7290-3M, Foreign Military Sales Financial Management Manual. When using the transportation cost look-up table, DTC 6 will not be used for MAC shipments, and DTC 9 will be restricted to MAC shipments only, (not SAAM flights).~~

*Info only  
(no SAAM  
change)*

2. Make the following change in Appendix F, paragraph B, pages F-1 and F-2:

Replace paragraph B.2.a, b, & c with the following:

"a. Code 6: FOB overseas port of discharge. U.S./DOD is responsible for transportation from CONUS point of origin to and including ocean transportation to the overseas port of discharge. Recipient country is responsible for vessel discharge, port handling and subsequent arrangements and costs. (Note: For simplification and ease of management, DTC 6 will not be used for MAC shipments.)

b. Code 8: FOB vessel--CONUS port of exit. U.S./DOD is responsible for transportation from CONUS point of origin to and including unloading, handling, and storage aboard vessel at port of exit. Recipient country is responsible for ocean transportation and subsequent arrangements and costs.

c. Code 9: FOB port of discharge (landed). U.S./DOD is responsible for transportation from CONUS point of origin to and including vessel discharge and port handling at overseas port of discharge. Recipient country is responsible for loading on inland overseas carrier equipment and for subsequent arrangements and costs. (Note: For simplification and ease of management, DTC 9 will normally be used for MAC shipments only, (not SAAM flight).)

Special transportation requirements, e.g., SAAM flights, will continue to be identified above the line on the DD 1513 and applicable actual charges billed to the customer."

3. Replace Table F-3, Transportation Cost Look-Up Table, page F-5, with the attached updated Table F-3.

TABLE F-3

TRANSPORTATION COST LOOK-UP TABLE

ARMY ANNEX

<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
<u>CHAPARRAL</u>				
1410-01-150-2863	MISSILE, GM INTERCEPT	\$ 286	\$ 124	\$ 1,083
1425-01-937-3859	SYS, MISSILE, GM INTERCEPT	11,784	4,064	58,172
1425-01-104-9827	AN/TSM-96A	10,230	5,506	39,227
1410-01-216-3775	MISSILE, GM, INTERCEPT AERIAL	286	124	1,083
1410-01-095-3248	MSL, GM, INTERCEPT AERIAL	286	124	1,083
1425-01-106-3089	MSL, GM, INTERCEPT AERIAL	10,698	4,064	58,172
1425-01-198-5892	MSL, GM, INTERCEPT AERIAL	11,784	4,064	58,172
1425-01-069-8877	FIRE UNIT, W/O FLIR, M48A1	11,784	4,064	58,172
1440-01-181-6002	FLIR	551	281	1,902
4935-00-168-9951	AN/TSM-96	6,533	3,968	23,546
<u>DRAGON</u>				
1427-00-163-8959	MISSILE	\$ 153	93	398
1430-00-078-8340	TRACKER	309	298	564
1430-01-046-9594	NIGHT TRACKER	361	316	914
<u>HAWK</u>				
1430-01-173-9990	MISSILE, MEI	\$ 1,947	\$ 884	\$ 9,201
1430-00-782-9816	HPI	11,141	4,192	30,738
1430-01-078-9643	HPI/PIP, PHASE II	10,521	3,572	30,118
1430-00-042-4910	BCC/PIP, PHASE I	6,601	3,228	26,032
1430-00-084-1130	IBCC, PHASE II	6,601	3,228	26,032
1430-00-078-8454	ROR	7,921	2,156	27,952
1430-00-880-3357	AN/TPQ-29	7,220	3,442	28,862
1430-01-042-4908	PAR/PIP, PHASE I	9,077	2,707	31,758
1430-01-178-8453	PAR	9,077	2,707	31,758
1430-01-042-4915	IPCP, PHASE I	10,860	3,332	39,438
1430-01-103-5270	ICC	11,446	3,918	40,024

430-01-084-1131	IPCP, PHASE II	11,446	3,918	40,439
1430-01-042-4918	ICC/PIP, PHASE I	11,835	4,307	40,439
1430-00-178-8459	ICC	11,835	4,307	40,439
1430-01-042-4907	ICWAR/PIP, PHASE I	8,014	2,416	38,548
1430-00-135-0267	ICWAR	8,014	2,416	28,386
1410-00-234-3266	MISSILE	1,947	884	9,201
4935-00-083-3128	SHOP EQUIP (NO. 8)	7,459	2,440	26,354
4935-01-085-5618	SHOP EQUIP (NO. 9)	7,459	2,440	26,354
4935-01-085-5679	SHOP EQUIP (T.A.G.)	1,449	990	6,372
4935-00-133-9770	SHOP EQUIP, AN/TSM-112 W/SM 35 BEAM	1,483	1,078	6,253
4935-00-782-1957	SHOP EQUIP AN/TSM-105	6,669	3,161	27,311
4935-01-042-4909	SHOP EQUIP AN/TSM-107 PIP	6,807	3,299	27,612
4935-00-880-4510	SHOP EQUIP AN/TSM-107	6,669	3,161	27,310
4935-01-051-8691	SHOP EQUIP AN/TSM-104	6,669	3,161	27,310
4935-01-067-3362	SHOP EQUIP GM AN/TSM-120	1,725	1,185	6,947
4935-00-604-7460	IAFU OMC GRD	569	299	2,343
5821-00-102-8668	TRANSMITTING SET	93	80	270
430-00-179-3990	BIG/AN/GSA-130	406	318	2,029
337-00-484-8551	ROCKET MOTOR, M112	717	502	3,729

HELICOPTER, UH-1

2840-01-093-7451	ENGINE	1,013	693	2,370
1615-00-183-0834	TRANSMISSION	975	693	1,788
2915-01-005-9197	FUEL CONTROL	116	101	215

MLRS

1055-01-192-0358	AVMRL (LESS CARRIER)	11,498	4,022	94,268
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PATRIOT

1430-01-087-6330	RADAR SET	25,220	7,075	106,284
1410-01-087-6343	GM INTERCEPT AERIAL	2,944	1,349	10,355
1430-01-087-6338	AN/MGQ-104	22,935	6,141	89,528
1440-01-087-9844	M901	22,935	6,141	82,343
1430-01-087-6337	AN/MSQ-116	22,808	6,400	87,768
1430-01-131-5427	AN/MRC-137	22,049	6,028	82,027
1430-01-131-5373	ANTENNA MAST GROUP TRK	21,606	5,971	93,264

1410-01-205-7066	GM INTERCEPT AERIAL	2,944	1,349	10,355
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REDEYE

1425-01-078-9259	M41 MSL ASSEMBLY	135	100	412
1425-01-078-9258	M41 MSL W/METL CONT.	135	100	410
6920-00-809-0399	GUIDED MSL TRAINING SET	311	288	784

STINGER

1427-01-024-9967	MSL ROUND	135	100	412
1425-01-024-9982	WPN ROUND	175	112	474
1427-01-219-7116	WPN ROUND, LESS GRIPLOCK	161	100	450
6920-01-024-6948	THT	294	263	873
1440-01-170-8618	GRIPSTOCK - CONTROL GROUP	18	15	54

THERMAL IMAGERY

5855-01-037-7340	NIGHT SIGHT, AN/TAS-6	261	252	600
5855-01-173-0808	NIGHT SIGHT, AN/UAS-12B	336	278	1,012
5855-01-083-9051	AN/UAS-11	371	290	1,456
5855-01-037-7341	AN/TAM-3	195	130	1,534
5855-01-154-3871	AN/TAM-3A	157	112	682

TOW

1410-01-007-2507	MISSILE	85	56	381
1410-01-007-2508	MISSILE	79	50	368
1410-01-087-1521	MISSILE	85	56	381
1410-01-137-9976	MISSILE, PRACTICE	79	50	368
1440-01-169-1764	LCHR	1,323	1,053	3,365
1440-01-104-9834	LCHR, TUBULAR, GM, TOW-2	1,323	1,053	3,365
1410-01-106-8514	I-TOW	85	56	381
4935-00-150-5905	CSS	2,266	1,552	10,588
4935-00-082-7023	ICSS	2,766	1,552	10,588
5855-01-083-9053	NIGHT SIGHT, AN/TAS 4A	339	308	1,016
5855-01-152-8781	NIGHT SIGHT, AN/UAS 12A	339	308	1,060
1410-01-135-2092	TOW-2 MSL	85	56	381
4935-01-070-3426	FIELD TEST SET	639	369	2,260

4935-01-142-9561	FIELD TEST SET, TOW-2	639	369	2,263
6130-01-018-9786	BATTERY CHARGER	105	74	465
4935-01-114-3919	CSS, TOW-2	2,766	1,552	10,588
4940-01-154-3957	IMP. CSS, TOW-2	2,766	1,552	10,588
6920-00-179-7320	M70 TRAINER, TOW	688	418	2,653
6920-00-145-6098	M70 TRAINER, TOW-2	688	418	2,653
1410-00-229-9948	MISSILE	89	57	383

NAVY ANNEX

HARM MISSILE

1410-01-168-8663	TACTICAL MISSILE	3,900	3,302	8,169
1410-01-166-9263	TRAINING MISSILE	3,900	3,324	8,169
1420-01-162-3292	GUIDANCE SECTION	3,439	3,179	3,727
1420-01-161-2090	CONTROL SECTION	3,439	3,179	4,304
1337-01-162-3422	WARHEAD SECTION	3,439	3,179	2,782
1337-01-162-3421	ROCKET MOTOR SECTION	3,439	3,179	4,661

HARPOON MISSILE

1410-01-181-8546	AGM-84D-1	3,859	3,291	7,458
1410-01-181-8548	AGM-84D-1	4,147	3,368	9,678
1410-01-139-1741	RGM-84D-3	5,486	3,720	10,034
1410-01-198-7063	RGM-84D-4	5,486	3,720	10,330
1410-01-181-8549	UGM-84D-1	5,143	3,462	10,062

MK 46 TORPEDO

1356-01-063-3274	TORPEDO	666	370	3,168
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SIDEWINDER MISSILE

1427-01-114-2054	GUIDANCE & CONTROL SECTION (GCS)	3,439	3,179	3,486
1420-01-101-8233	TARGET DETECTOR (AOTD)	3,439	3,179	3,418
1337-01-145-1963	ROCKET MOTOR (RM)	3,439	3,179	3,539
1336-01-017-4030	SAFETY-ARMING DEVICE (S&A)	3,439	3,179	3,376
1336-01-044-7430	WARHEAD	3,439	3,179	3,366



ARROW MISSILE

1410-00-149-3507	AIM-7M	3,925	3,307	3,486
1410-00-149-3508	AIM-7M	2,068	1,808	3,542

AIR FORCE ANNEXMAVERICK MISSILE

1410-01-101-8490JE	AGM-65A	4,381	3,918	6,251
1410-01-089-2505JE	AGM-65B	4,381	3,918	6,251
1410-00-125-6760JE	AGM-65B	4,381	3,918	6,251
1410-00-238-1486JE	AGM-65A	4,381	3,918	6,251
1336-00-138-2910JE	AGM-65B	4,381	3,918	6,251
1336-00-883-5361	WARHEAD	1,373	1,328	1,806
1336-00-883-2682	BOOSTER WARHEAD	1,321	1,317	1,333
1337-01-118-4657	ROCKET MOTOR	1,406	1,334	1,860

SIDEWINDER MISSILE

1410-01-135-2771AB	AIM-9L	232	161	1,366
1410-01-137-5971AB	AIM-9E-2	232	161	1,366
1410-01-137-5972AB	AIM-9P-3	232	161	1,366
1410-01-162-9395AB	AIM-9M	232	161	1,366

SPARROW MISSILE

1410-01-101-8237BL	AIM-7E-3	424	292	2,802
1410-01-135-6167BL	AIM-7E	424	292	2,802

\*If the priority changes and the actual delivery of materiel does not correspond with the Delivery Term Code (DTC) designated in the LOA, a Transportation Bill Code (TBC) indicating the actual method of shipment is to be entered on the DD Form 1517 (Position 59).



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

1 NOV 1988

In reply refer to:  
I-015365/88

*No change -  
Background  
189*

MEMORANDUM FOR ASSISTANT DEPUTY CHIEF OF STAFF FOR LOGISTICS  
(ADCSLOG) (SECURITY ASSISTANCE)

DIRECTOR OF TECHNOLOGY TRANSFER AND  
SECURITY ASSISTANCE (NAVOTTA)  
DEPARTMENT OF THE NAVY

DIRECTOR OF INTERNATIONAL PROGRAMS/PRI  
DEPARTMENT OF THE AIR FORCE

DIRECTOR, SECURITY ASSISTANCE ACCOUNTING CENTER  
LOWRY, AFB  
DENVER, COLORADO

DEFENSE INSTITUTE FOR SECURITY ASSISTANCE  
MANAGEMENT/DISAM

SUBJECT: Revision to the Security Assistance Management Manual  
(SAMM)

The purpose of this revision to the SAMM is to update the  
Transportation Cost Look-Up Table, Appendix F.

The attached revision to the SAMM is effective immediately  
and will be included in the next formal SAMM change.

GLENN A. RUDD  
ACTING DIRECTOR

Attachment  
as stated

Copy furnished:  
ASD(C)/MS



Founded 1976

American League for Exports and Security Assistance, Inc.

December 1, 1988

To: All Members and Affiliates

Memo 88-23

From: Staff

Subject: Industry Cooperation with DoD on Foreign Marketing

ALESA worked closely with DSAA in preparing the guidance to Security Assistance Offices (SAOs) and Defense Cooperation Offices (DCOs) which was sent to the field on August 13 (see Memo 88-18) concerning support they should provide to U.S. industry representatives marketing U.S. defense products. At the time, ALESA agreed in turn to circulate a DoD paper on how industry representatives could be helpful with respect to the SAOs and DCOs.

DSAA has now completed such a paper, which is attached. ALESA staff had an opportunity to comment on earlier drafts, and we would, of course, be interested in comments from our members, which we will aggregate and relay back to DSAA. Meanwhile, we urge that the attached draft be made available to individuals who are engaged in overseas marketing activities, together with the August 13 guidance to SAOs and DCOs, and the State Department Cable from the Secretary of State outlining the overall policy towards arms sales (dated January 26, 1987 - see Memo 87-5 for text).

Overall, the effort to draft guidelines for both SAOs/DCOs and industry representatives has been a good example of how DoD and the private sector can work together to produce a product that advances our common objectives. We certainly intend to call all three documents to the attention of individuals in the incoming Administration. This should help assure continuity of policy with respect to government-private sector cooperation on international marketing of U.S. defense products overseas.

DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800



28 NOV 1988

In reply refer to:  
I-015921/88

Mr. Howard M. Fish  
Chairman of the Board  
American League for Exports  
and Security Assistance, Incorporated  
122 C Street, N.W., Suite 740  
Washington, D.C. 20001

Dear Mr. Fish:

On 13 August 1988, a message was provided to DOD Security Assistance Offices (SAOs) to clarify the relations which SAOs are to maintain with representatives of industry who market defense products outside the United States. The message concentrated on what industry might expect SAOs to do in order to assist in host-country marketing efforts.

In discussions with ALESA and within DOD while developing the August message, it was agreed that information concerning what industry representatives could do to facilitate interface with the SAO would also be useful. On this basis, a synopsis of areas where industry marketing representatives can help insure a successful effort was developed and is attached for distribution to your members, in accordance with our mutual agreement.

Sincerely,

A handwritten signature in cursive script, appearing to read "H. Diehl McKalip", is written over the typed name.

H. Diehl McKalip  
Director

Security Assistance Operations

Attachment  
As stated

acq2

GUIDELINES FOR INDUSTRY INTERFACE WITH DEPARTMENT OF DEFENSE  
SECURITY ASSISTANCE OFFICES

This information is directed toward representatives of U.S. industry. It shows what SAOs normally expect from commercial marketers who request SAO assistance. The information is based on recognition of overlapping DOD and commercial interests in the area of defense sales and is provided for consideration by commercial organizations in their marketing efforts.

A. Background.

1. It is the mutual responsibility of the USG and U.S. industry to understand the merits of transferring U.S. military items and services in furtherance of U.S. objectives, including enhancement of U.S. defenses through support to friendly countries. It is to the advantage of both parties to build these defenses through both FMS and commercial channels and, in the process, to support U.S. policy and foster U.S. trade.

2. DOD policy is that it generally has no preference as to whether a foreign country fills its valid defense needs through FMS or commercial channels. DOD recognizes that industry or the customer may, in some circumstances, have a preference for one or the other approach and will try to accommodate such preferences. It is not in the interest of the USG or the private sector to have either approach denigrated. Avoiding negative comments toward either approach will present a more unified and consistent U.S. voice in defense trade relations and offer more flexibility for the customer.

3. In order to carry this out effectively, a working knowledge of the major differences between FMS and direct commercial sales should be helpful. A DOD booklet, "A Comparison of Direct Commercial Sales and Foreign Military Sales for the Acquisition of U.S. Defense Articles and Services", as well as other DOD publications pertaining to security assistance, are available from the Defense Institute for Security Assistance Management (DISAM/DIR), Building 125, Area B, Wright Patterson Air Force Base, OH 45433-5000; telephone (513) 255-2994/3669.

B. SAO-Host Country-Industry Interface. Representatives of U.S. industry should take into consideration that SAOs are responsible for long term mutually beneficial relationships between the U.S. and host countries. This "honest broker" role has, as one important aspect, the need to stress maximum defensive capability within available resources. This and other factors are weighed by SAOs, who give their overall mission precedence over the benefits of a specific prospective sale.

C. Contacts With Country Representatives. When dealing with international customers for the first time, it will be found that ethics, customs, policies, and laws sometimes vary from those which are accepted or in force in the United States. It is important to become aware of these distinctions before consequential problems develop; therefore, industry representatives should familiarize themselves with U.S. laws which have a bearing on the conduct of international business.

D. Quality of Products and Support.

1. Industry representatives should be knowledgeable and forthright concerning follow-on support arrangements and should assist customer countries in using the available logistics infrastructure to operate and maintain marketed equipment. This is especially important in less developed countries.

2. In any direct sale, but particularly those for items which are not in the DOD inventory, industry should make every effort to provide a total package, including concurrent and follow-on spare parts, special tools, publications, training, and a repair and return program.

3. Quality control and customer service should be carried to delivery and acceptance since small nations often have great difficulty in correcting even minor problems.

E. Administrative Actions. Thirty days in advance of initial visits, defense industry representatives should provide SAOs:

1. A synopsis of equipment and services proposed for sale.
2. Current export license information, including restrictions and provisos.
3. Dates of planned in-country travel.
4. Non-proprietary information already provided to the host country, or other contacts concerning this equipment or service.
5. Specific support (briefings, appointments) requested.

In order to help insure program continuity, industry representatives should also backbrief SAOs before departure.

POINT PAPER

ON

REVISION OF THE SMM, DOD 5105.38-M

- The 1 Oct 88 revision of the SMM was an interim step, made practical by the need to formally publish accumulated interim changes and the opportunity for a number of format adjustments to make the SMM easier to use, including:

- New paragraphing,
- Master and chapter tables of contents,
- Dictionary-style page references,
- Expanded index, and
- More consistent use of acronyms.

- A revised SMM is planned. In addition to the above, the next version will rearrange and rewrite information to allow a user with intermediate knowledge of Security Assistance to find and understand information presented. Other possibilities will also be considered, such as a comparison of redundancies in the SMM and other DOD guidance, and consolidation where appropriate.

- The planned revision will rely on edit, word processing, and publication assistance from DISAM. Comments will be requested from the Military Departments, DLA, and OJCS.

- Current plans call for publication of the revision in late 1990.

- DSAA Operations Directorate, Management Division has been assigned this function partially to place a "consumer advocate" in the SMM maintenance process.

- We are always interested in comments concerning possible SMM improvements.

Prepared by: W. Wells  
DSAA/OPS-E

psr12

*A.C.*

<b>USD/P INTEROFFICE COORDINATION SHEET</b>	DATE (YYMMDD) <b>900530</b>	1- 01327/90CT
SUBJECT <b>SAMM Change 2 Letter of Transmittal</b>		CURRENT SUSPENSE DATE

SUMMARY (Describe briefly the origin, purpose, action recommended and coordination - (Attach original tasking - SD Form 14 etc.))

**Background.** The change authorized at Tab Q is to be forwarded to the publisher within the next few days. The proposed cover Letter of Transmittal is needed to complete the publication package. Distribution of the published change is expected in early July.

**Recommendation.** Approve the Letter of Transmittal at the Signature Tab.

SEQ NO.	DIR / OFC	INITIAL	DATE (Mo. Day)	SEQ NO.	DIR / OFC	INITIAL	DATE (Mo. Day)	SEQ NO.	DIR / OFC	INITIAL	DATE (Mo. Day)
	OUUSD/P				ISP (Continued)				PDUSD S&R (Cont'd)		
	USD P				DIR EUR POL				ADUSD(SEE)		
	AT USDP								ADUSD(R&P)		
	MA				DASD /NF&ACP				D CSO		
	SA				MA				NET ASSESSMENT		
	ADMIN				TNF				NA		
	COMM MGT				STRAT FORCES				ODUSD SP		
	ISA				SACP				DUSD SP		
	ASD ISA								MA		
	MA				DASD /SDS&VP				ADUSD C & S		
	SA				MA				DIS		
	PDASD /ISA				VERIF POL				POL SUPPORT		
	MA				SD & SPACE				EMERG PLAN		
	FMRA				SPACE POLICY				CCC		
									SPEC ADV STF		
	DASD /AFR				DASD /CF&ACP				PSYOP		
	AFR				MA				ODUSD /TSP		
					EUR SEC NEGOT				DUSD /TSP		
	DASD /EAP				MULTI-NEGOT				MA		
	EAP				SO-LIC				ADUSD /TSP		
	PW /MIA				ASD /SO-LIC				DTSA		
					MA				DIR		
	DASD /IA				PDASD /SO-LIC				DEP DIR		
	I-A				MA				RESOURCE MGT		
									IGA		
	DASD /NESA				DASD /F&R				MUNITIONS		
	NESA				DIR, PA				MUN TECH		
					DIR, BAE				WPNS SEC PLAN		
	DASD /GA				DIR, A				STRAT TRADE		
	HUMAN ASSIST								TECH COOP & SEC		
	NON-PROLIF				DASD /P&R				TECH SEC OPS		
	ISD				DIR, PP				DSAA		
	ASD /ISP				DIR, R			X	DIR		013 5/31
	MA							X	DEP DIR		11/01 5-31
	SEC DEF REPS				DASD /M&A				EXEC OFFICER		16 5-31
	PDASD /ISP				DIR, MA				COUNSEL		
	MA				DIR, CT				PLANS		
					POUSD /S&R				CONG REL		
	DASD /EUR-NATO				POUSD /S&R				COMPT		
	EXEC OFFICER				AT PDUSD /S&R			X	OPS		5/31 m 5-31-90
	PD EUR-NATO				MA				OTHER		
	DIR NATO POL				ADUSD(PP)			X	OPS-E		013 5/31/90

NAME OF ORIGINATOR <i>Wells</i>	DIRECTORATE / OFFICE <i>DSAA/OPS-E</i>	EXTENSION <i>78108</i>	SIGNATURE <i>Wayne Wells</i>
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TABLE 1307-1 Summary of Charges Used in FMS Pricing (continued)

Type	What it is typically for	Abbreviation	Generic Code	Typical Location on DD 1513	Applied by--for billing	DOD 7290.3-M Reference
17. Publication Pricing factors				Included in Line	IA	Sec. 716
Acquisition Cost (AC)	Cost of preparing masters					
Copy Prod Cost (CPC)	Cost of Printing					
Special Cost (SC)	Other costs such as sanitization					
18. Acceleration Rates	To recover full cost of providing USG services			Included in Line	IA	Sec 701
19. TRAVEL	TO RECOVER TRAVEL COSTS ASSOCIATED WITH CASE NEGOTIATIONS AND COORDINATION EFFORTS.			* INCLUDED IN LINE	IA	SEC 719

\* INITIALLY CHARGED TO ADMINISTRATIVE FUNDS - SUBJECT TO REIMBURSEMENT FROM ~~CASE~~ PROGRAM MANAGEMENT LINE AFTER ~~FMS~~ LOA IS SIGNED.

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available without delay for inquiries or requests on particular FMS cases. Additionally, the required supporting disbursement documentation will facilitate the FMS case reconciliation process prescribed in Section 1305 of this manual."

SECTION 1306 -- CASE FILES
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**130601 GENERAL FMS CASE FILES.** General FMS Case Files will be maintained in accordance with Chapter 6, DOD 7290.3-M. Retention of source documents and status reports must be consistent with the life cycle of the FMS case. History files maintained by SAAC must be in accordance with the requirements of DOD 7290.3-M, paragraph 50303A which stipulates that a case never closes for accounting purposes, rather it is recategorized from active to inactive.

*add new  
Para - see  
attached* 130602 DISBURSEMENT DOCUMENTATION - see attached.