



DEFENSE SECURITY COOPERATION AGENCY

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MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
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DEFENSE EXPORTS AND COOPERATION
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SUBJECT: Defense Security Cooperation Agency Policy Memorandum 26-128 Procedural
Guidance for Investment Letter of Offer and Acceptance [SAMM E-Change 891]

This memorandum establishes policy and procedural guidance for the development and execution of Investment Letters of Offer and Acceptance (LOAs), a new Foreign Military Sales (FMS) mechanism designed to support partner investments in the research and developmental evaluation of non-program of record defense capabilities. Upon receipt of a Letter of Request (LOR) for an Investment LOA, the Implementing Agency (IA) must respond using the guidance in this memo. This policy is effective immediately and will be incorporated into the Security Assistance Management Manual (SAMM).

Background

A critical capability gap was identified regarding the availability of an FMS LOA vehicle tailored to support partner investments in the research and developmental evaluation of capability concepts that do not align with United States Government (USG) Programs of Record (POR). While current LOA options, such as technical assistance cases, planning cases, and studies and analysis cases effectively support the integration and modernization of established capabilities, no codified mechanism previously existed for an initial investment for Non-Program of Record (NPOR) concepts. An Investment LOA will provide a structured pathway, leveraging

the robust FMS framework, to facilitate discovery and enable partners to systematically advance their defense capabilities.

Procedural Guidance

- I. Case Development and Scope: Upon receipt of a LOR for an Investment LOA, the IA must review the partner's desired end-state for the investment exploration. This ensures the case is built specifically to facilitate a subsequent LOR for a traditional LOA to procure the capability. Final deliverables for Investment LOAs must include recommendations for follow-on capability procurement (FMS, International Cooperative Agreement (ICA), or Direct Commercial Sales (DCS)) if a capability is developed, as well as follow-on investment recommendations. Additionally, the IA must review the LOR to identify and document any critical partner "hard-stop" decision deadlines (e.g., partner fleet operational dates) or mandatory capability compatibility and integration requirements.
- II. Case Parameters:
 - a. Interim Case Vehicle: IAs must execute Investment LOA requirements using an existing Defined Order Studies and Analysis case structure pursuant to [SAMM C5.1.4.2](#). IAs will assign the case to standard Defined Order categories (Category B or C, as determined by case complexity).
 - b. Development Timeline: The case development clock begins at "LOR Receipt" (or "LOR Actionable" if categorized as Category C) and stops at "Offer". The standard case development timeline is targeted at 45 days.
 - c. Offer Expiration Date: The standard Offer Expiration Date (OED) is 85 days. Individual partner OEDs longer than 85 days, as listed in the CAC Enabled SAMM Unique OED Table, will be honored.
 - d. Source of Funds: Funding for Investment LOAs is limited to FMS National Funds (purchaser cash).
 - e. Terms of Sale (TOS): Terms of Sale are limited to Cash with Acceptance or Dependable Undertaking.
 - f. Country Team Assessment: A Country Team Assessment (CTA) is not required.
 - g. CCMD and Policy Notification: The IA will issue a Combatant Command (CCMD) notification and notify Policy Regionals, establishing a 5-day window for both offices to communicate any objections.
 - h. Case Lines: Investment LOAs will be limited to the following case Line and Material Articles and Services List (MASL) options:
 - i. Service R&D MASL (P2ARDTSERVC00): provides research, development, RFI/ RFP acquisition efforts, applicable prototype development, and consumables or test articles required to support prototype development. This line also provides:

1. Manpower Travel Data Sheet: Manpower, travel and personnel cost for USG personnel in support of this R&D support effort
 2. Requirements identification, analysis and refinement
 3. In-Process Reviews (IPRs)
 4. Quarterly reporting of technical data and case Final Summary Report
- ii. Materiel R&D MASL (P2ARDTMATER00): This MASL is optional and provides for Component Parts and Support Equipment required by the IA in furtherance of R&D efforts, as necessary.
 - iii. Undefined Requirements MASL, as desired by the Partner, for potential funding needs that can be committed to the case but assigned to an effort after case implementation.
- i. Case Notes: The “[Special Conditions, Risks, and Data Rights Associated with Investment, Concept Exploration, and Developmental Cases](#)” LOA note must be included in an Investment LOA. (See [SAMM Appendix 6](#))
 - j. Case Closure: At the conclusion of the Investment LOA period, the customer may decide to continue participation in the program, decline to participate further with excess funds returned as per normal, or submit an LOR for LOA to procure the capability developed under the Investment LOA.

III. Execution and Financial Management

- a. When executing an Investment Case, IAs must consider all acquisition pathways to ensure the most appropriate option is chosen.
- b. Exportability approval is required and must be worked in parallel with the execution of the Investment LOA.
- c. Any Technical Data Package (TDP) or prototype developed is owned by the USG. The IA must provide technical information deliverables to the partner on a quarterly basis.

For any questions, please contact DSCA (Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA)), dsca.ncr.spp.mbx.epa@mail.mil.



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- 1) Add the following LOA note to Appendix 6.

Special Conditions, Risks, and Data Rights Associated with Investment, Concept Exploration, and Developmental Cases

Building Partner Capacity:	No
Foreign Military Sales:	Yes
Note Input Responsibility:	CWD
Date Range of Use:	All
References:	See DSCA 26-128
Note Usage Instructions for Documents:	
Mandatory for Investment Letter of Offer and Acceptance (LOAs)	
Note Text:	
This Letter of Offer and Acceptance (LOA) is executed solely to fund research, development, test, and evaluation (RDT&E) activities, concept exploration, and exportability feasibility assessments for the defined capability. The partner nation is hereby advised of and agrees to the following critical operational, regulatory, financial, and data rights parameters governing this case: • No Procurement Guarantee: Implementation of this Investment Case does not guarantee, promise, or obligate the United States Government (USG) to approve or execute any future procurement, production, or transfer of a major end-item or weapon system. • Acquisition Determination Risks: Future capability procurement is subject to independent USG release approvals, technology transfer policies, and exportability determinations. An unfavorable acquisition determination or non-release of technology by the USG may result in the inability to transition the developed capability into a procurement case. • Financial Feasibility and Production Economics: Initial cost estimates generated during this R&D phase do not constitute a fixed-price commitment for future production. Subsequent production phases may be determined by either party to be financially undesirable due to scale, industrial base constraints, or unit cost escalations. • Liability for Sunk Costs: If a future procurement case is not established, is denied, or is determined to be non-viable by either government, the USG assumes no financial or operational liability for funds expended (sunk costs) under this active Investment LOA. • U.S. Government Access to and Use of Data: The USG shall be privy to all technical data, research findings, test results, and intellectual property generated by the FMS customer's research and development (R&D) or Defense Industrial Base (DIB) investments under this case. This access and use right remains fully active and perpetual, regardless of whether: (a) the FMS customer decides to terminate participation or funding after the initial phase, or (b) the USG ultimately decides to procure or not procure the resulting end-item capability.	

- Any R&D costs paid under this LOA may be recouped by a Special Non-Recurring Cost charge on subsequent FMS LOAs. Future sale of any capability resulting from this LOA is at the sole discretion of the USG.