



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

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MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
INTERNATIONAL AFFAIRS
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DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
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DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY
NATIONAL MANAGER FOR NATIONAL SECURITY
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SUBJECT: Defense Security Cooperation Agency Policy Memorandum 26-30, Separate Case
Lines for Defense Articles and Defense Services for Foreign Military Sales and
Building Partner Capacity [SAMM E-Change 735]

Reference: [DSCA Policy 09-25](#), Classified Material on Letter of Offer and Acceptance (LOA)
Documents, August 14, 2009

This memorandum clarifies policy requirements for the transfer of defense articles and defense services through separate lines in a Letter of Offer and Acceptance (LOA) to ensure that case execution complies with import and export regulations. The International Traffic in Arms Regulations (ITAR) Section 126.6 ([22 CFR 126.6](#)) states that defense articles, technical data, or defense services may be transferred under the Foreign Military Sales program without a license from the Department of State, Directorate of Defense Trade Controls as long as it is specifically identified in an executed LOA. Effective immediately, the guidance in this memorandum applies to all new lines added to a LOA. Implemented lines with LOAs in execution are not required to be updated.

This memorandum supersedes paragraphs two and three of the Reference regarding the separation of articles and services. The policy in the attachment is incorporated into the DSCA Security Assistance Management Manual (SAMM) at <https://samm.dsca.mil>. If you have questions on this memorandum, please contact please contact DSCA (Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA)) at dsca.ncr.spp.mbx.epa@mail.mil.

A handwritten signature in blue ink, appearing to read 'Hussam H. Bader', with a long, sweeping horizontal line extending to the right.

Hussam H. Bader
Acting Assistant Director
Strategy, Plans, and Policy

Attachment: SAMM E-Change 735 - Separate Case Lines for Defense Articles and Defense Services

Security Assistance Management Manual E-Change 735

SEPARATE CASE LINES FOR DEFENSE ARTICLES AND DEFENSE SERVICES

1. Update Figure C5.F11. “Instructions for Preparing a Letter of Offer and Acceptance,” paragraph #9 as follows:

9. Description/Condition Field. For each LOA line, this field must include a Generic Code and Military Articles and Services List (MASL) ~~line~~ data, ~~National Stock Number (NSN) or part number (if applicable),~~ MDE (Y)/SME (S)/non-MDE (N), MTCR, EUM code, U.S. Munitions List category, a description of the articles or services, whether the materiel is classified or unclassified, CONUS or OCONUS travel and the condition code (if other than A1 condition) or reference to a note in which the condition is shown. SAMM [Appendix 4](#) contains the entire list of Generic Codes. ~~To clarify the articles transferred, if a National Stock Number is available, it is used as the MASL number. Further, the part number may also be included in the LOA line.~~ References to other information within the LOA may also be included, e.g., for weapon systems, the reference may relate to an attachment or note of the LOA that includes more descriptive information.

The LOA must contain a separate LOA line for each ~~defense~~ article with a MASL ~~line~~ that is measured in units (any unit of issue other than “XX”). Any MDE, ~~/SME~~, or other reportable ~~defense article items~~ (e.g. classified materiel) must be listed ~~on its own LOA line separately on the LOA.~~ MDE and SME ~~they~~ may not be embedded within a line or be written as a blanket order line ~~for Non-MDE equipment.~~

Further, an LOA line identified as a defense service through its MASL cannot include defense articles. An LOA line identified as a defense article through its MASL cannot include defense services. Separate lines for defense articles and defense services ensure FMS cases are executed in accordance with the International Traffic in Arms Regulations (ITAR) Section 126.6 ([22 CFR 126.6](#)). See the SAMM glossary for definitions of defense service and defense article.

The limited exemptions to this requirement to segregate defense articles and defense services on separate LOA lines are:

- When the defense article is being serviced through a service MASL for inspection, testing, calibration, or repair, including overhaul, reconditioning, and one-to-one replacement of any defective items, parts, or components, but excluding any modifications, enhancement, upgrade, or other form of alteration or improvement that changes the basic performance of the defense article, as referenced in ITAR Section 123.4 ([22 CFR 123.4](#)) “Temporary import license exemptions.” The line description note must clearly indicate that the replacement items are one-to-one and that no upgrades are occurring. For other ITAR exemptions for FMS, see [Section C7.17.1](#).

- When the defense article is being serviced for demilitarization (DEMIL) on a service MASL in accordance with ITAR Section 123.9 (22 CFR 123.9) “Country of ultimate destination and approval of reexports or retransfers” and ITAR Section 126.4 (22 CFR 126.4) “Transfers by or for the United States Government.” The case line description must identify “DEMIL” and the LOA note must clearly indicate that no replacement or return article(s) will be provided and disposition of the article is to take place after completing the DEMIL service. The appropriate Offer Release Code and Delivery Term Code (DTC) must be identified on the LOA line to ensure one-way transportation is identified with no return of the article to the partner.
- When the defense article cannot be reasonably segregated from the service being provided and/or the service is performance-based, specifically only for the C-17 Performance Based Logistics service line or the F-35 Global Spares Solution service line. This line provides a contracted defense service for C-17 or F-35 sustainment, including supply chain management and global spares pool management. The defense articles or services provided through this line must not require additional security requirements, controlled review, or specialized handling. The contractor is responsible for all transportation activities to destination and all import and export activities to include all licenses, fees, transportation funding, and documentation in accordance with the designated DTC and approved Transportation Plan. The contractor’s transportation responsibilities and when title transfer occurs must be listed in the LOA line notes. The LOA line note must also state that no capability upgrades, modifications, enhancement, or other form of alteration or improvement that changes the basic performance of any item or system are occurring.
- When there is embedded manpower within an article MASL, as stated in Section C9.4.9.1.3.3.
- When a standard manufacturer’s warranty is included in the base unit cost of the article. This exemption does not include extended coverage or additional warranty purchased separately from the cost of the article.
 - The MASL and MOS reflects information for the article.
 - The line description note beneath the MASL states: “Standard warranty is embedded within the base unit cost of the article. Warranty period ends [XX] months after MOS is complete.”
- When offsets are included in an LOA line.

If a new MASL or an update to an existing MASL is required for the proper transfer of the defense article or defense service, see Section C5.5.8.11.

For LOAs with more than one significant article or service, lines are listed in order from most to least substantial. After the major items, the remaining lines are in order by generic code. The purpose of this order is for ease of reading. If there are compelling reasons for listing the lines in a different order, the IA may decide to do so, on a case-by-case basis.

2. Update Section C6.7.6.3. “Request for Foreign Military Sales and Building Partner Capacity Exceptions” as follows:

C6.7.6.3. Request for Foreign Military Sales and Building Partner Capacity Exceptions.

There are several exceptions to the general prohibition on the use of minimal-dollar value lines (or any other non-executable dollar value (i.e., \$0, \$1, \$2, or \$10)). IAs are not required to submit an ETP if one of the situations listed below applies to the relevant FMS or BPC case. Otherwise, the IA must request and receive an approved ETP for any lines that must remain on a case at minimal-dollar value (or any other non-executable dollar value (i.e., \$0, \$1, \$2, or \$10)) due to audit or other transactional requirements. Requests for an ETP should be submitted through the [DSCA ETP Tracker \(DoW CAC Required\)](#) ~~mailbox~~ and will be provided to DSCA (OBO/FPRE/FP) for decision.

- a. The line is associated with the Euro-North Atlantic Treaty Organization (NATO) Joint Jet Pilot Training Program (ENJJPT).
- b. The line is associated with the Electronic Combat International Security Assistance Program (ECISAP) Electronic Warfare (EW) classified and unclassified software and hardware.
- c. The line is for EDA grants under the [Foreign Assistance Act \(FAA\) of 1961](#).
- d. The line is for classified software when the development costs are on other lines.
- e. The minimal-dollar value line remains on a BPC case where unused funds were reprogrammed for other BPC program priorities.
- f. The line includes defense articles or defense services redirected from and funded under another BPC case. For a case line that includes defense articles or services redirected from another BPC case, the line value should reflect \$0 (when the BPC case is developed using guidance in [Chapter 15](#), and \$1 when developed using guidance in [Chapter 15-Legacy](#)) and the line note should include the quantity being redirected. The IA will enter a case remark indicating the quantity redirected, the item description, the original case identifier (ID), and any relevant Congressional Notification (CN) reference.
- g. Minimal-dollar value training lines for BPC or FMS cases for the purpose of student accounting in Defense Security Assistance Management System - Training Module (DSAMS-TM) for student management and congressional reporting purposes. The two most common situations for creating minimal-dollar value training lines are 1) when the training is funded on a separate line on the same case (i.e., for regional BPC programs where training is funded through a separate BPC case or another line on the same regional BPC case) and 2) when a case that includes the provision of equipment has training costs embedded on the case line for such equipment.

3. Add Section C7.17.1.3.:

C7.17.1.3. Segregating defense articles and defense services on separate LOA lines ensures ITAR Section 126.6 ([22 CFR 126.6](#)) requirements are met. See [Figure C5.F11](#), “Instructions for Preparing a Letter of Offer and Acceptance” for MASL and line requirements on LOA lines.

4. Update Table C15.T3A. “Instructions for Preparing Building Partner Capacity Materiel Cases” Row 5b:

#	Item	Use
5b	Line No Field	Materiel and services on the BPC case are listed with a three-position numeric line number (e.g. 001, 002). Any MDE or Significant Military Equipment (SME) items will be listed on their own line on the BPC case and not combined on a line with non-MDE/non-SME. Lines should be listed in order from most to least substantial. After the major items, the remaining lines should be listed in order by Generic Code at the IA’s discretion. Description/Condition Field. For each LOA line, this field must include a Generic Code and Military Articles and Services List (MASL) data, MDE (Y)/SME (S)/non-MDE (N), MTCR, EUM code, U.S. Munitions List category, a description of the articles or services, whether the materiel is classified or unclassified, CONUS or OCONUS travel and the condition code (if other than A1 condition) or reference to a note in which the condition is shown. SAMM Appendix 4 contains the entire list of Generic Codes. To clarify the articles transferred, if a National Stock Number is available, it is used as the MASL number. Further, the part number may also be included in the LOA line. References to other information within the LOA may also be included, e.g., for weapon systems, the reference may relate to an attachment or note of the LOA that includes more descriptive information. The LOA must contain a separate LOA line for each defense article with a MASL that is measured in units (any unit of issue other than “XX”). Any MDE, SME, or other reportable defense article (e.g., classified materiel) must be listed on its own LOA line and must not use the unit of issue “XX” separately on the LOA. MDE and SME may not be embedded within a line or be written as a blanket order line. Further, an LOA line identified as a defense service through its MASL cannot include defense articles. An LOA line identified as a defense article through its MASL cannot include defense services. Separate lines for defense articles and defense services ensure BPC cases are executed

		in accordance with the International Traffic in Arms Regulations (ITAR) Section 126.6 (22 CFR 126.6). See the SAMM glossary for definitions of defense service and defense article. The limited exemptions to this requirement to segregate defense articles and defense services on separate LOA lines are: • When the defense article is being serviced through a service MASL for inspection, testing, calibration, or repair, including overhaul, reconditioning, and one-to-one replacement of any defective items, parts, or components, but excluding any modifications, enhancement, upgrade, or other form of alteration or improvement that changes the basic performance of the defense article, as referenced in ITAR Section 123.4 (22 CFR 123.4) “Temporary import license exemptions.” The line description note must clearly indicate that the replacement items are one-to-one and that no upgrades are occurring. For other ITAR exemptions for BPC, see Section C7.17.1. • When the defense article is being serviced for demilitarization (DEMIL) on a service MASL in accordance with ITAR Section 123.9 (22 CFR 123.9) “Country of ultimate destination and approval of reexports or retransfers” and ITAR Section 126.4 (22 CFR 126.4) “Transfers by or for the United States Government.” The case line description must identify “DEMIL” and the LOA note must clearly indicate that no replacement or return article(s) will be provided and disposition of the article is to take place after completing the DEMIL service. The appropriate Offer Release Code and Delivery Term Code must be identified on the LOA line to ensure one-way transportation is identified with no return of the article to the partner. • When there is embedded manpower within an article MASL, as stated in Section C9.4.9.1.3.3. • When a warranty is included as part of a vendor contract for a defense article. The warranty must end before the funds cancel, and the case line note must list the terms and provide the months in which the warranty will be valid.
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5. Update Section C15.3.5. and Section C15.3.5.1.:

C15.3.5. Line Construction. Each line on a planning document for a BPC program (e.g. MOR, TEL, etc.) must be clearly accounted for on the BPC case (either with a Military Articles and Services List (MASL), case line description, or line [insert line number] description note, unless the DSCA Office of Primary Responsibility (OPR) (DSCA (Office of International Operations, Regional Execution (IOPS/REX)), and/or Global Capability

Development Directorate (IOPS/GCD)) determine it is not appropriate to do so. **Defense articles and defense services will be on separate lines per [Table C15.T3A. - row 5b.](#)**

C15.3.5.1. Line Construction for Significant Military Equipment, Major Defense Equipment, United States Munitions Lists, and Other Major End Items. The IA will identify MDE or SME items from the MOR, TEL, etc. and create individual case lines **per [Table C15.T3A. - row 5b.](#)** with no embedded non-SME items being included. Other major end items (which require tracking) must also be individual lines on a BPC case with a corresponding MASL (end items are defined in the [Defense Finance Acquisition Regulation Supplement \(DFARS\) Part 207](#) as a production product assembled, completed, and ready for issue or deployment). Examples of major end items may include aircraft; ships; boats; motorized wheeled, tracked, and towed vehicles for use on highway or rough terrain; weapon, missile, and sensor end items; ammunition; and sets, assemblies, or end items having a major end item as a component. In addition, any article identified on the [United States Munitions List \(USML\) \(22 CFR 121\)](#) must be an individual line on a BPC case.

6. The following Policy Memo status is updated as shown:

POLICY MEMO #	CURRENT STATUS	UPDATED STATUS
	ACTIVE	SUPERSEDED
DSCA 09-25	The guidance in the memo is Active, and the E-Change has been superseded by the 2012 SAMM Rewrite. Guidance on contingency lines in the memo has been superseded by DSCA 24-09 . Other guidance in the memo is Active.	The E-Change has been superseded by the 2012 SAMM rewrite. Guidance on contingency lines has been superseded by DSCA 24-09 . Guidance on materiel and services on lines has been superseded by DSCA 26-30 .