



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D. C. 20301

1 March 1976

In reply refer to:
Transmittal No. 8
DOD 5105.38-M

MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, MILITARY ASSISTANCE AND SALES
MANUAL - PARTS I, II, and III

SUBJECT: MASM I, II, and III Transmittal

Attached is MASM Transmittal No. 8 which updates the procedures to 1 March 1976.

Highlights of this transmittal include the function of DSAC, Congressional Reporting of MAP Items Costing \$25 Million or More, Eligibility for FMS, and Preparation and Processing of Letters of Offer. A new Chapter D is being added to Part III; because of this, the present Chapter D is being changed to Chapter C.

Update the portions of your current MASM in accordance with the List of Changes. Specific changes are indicated by a broken line in the margin of the chapter.

This transmittal supercedes the following correspondence/messages:

DSAA Memorandum I-10949/75, 5 Nov 75. Subject: Preparation and Processing of Letters of Offer

DSAA Memorandum I-9537/75, 8 Oct 75. Subject: Additional Reporting Requirements - FMS Letters of Offer or MAP Orders which total \$25 Million or More.

H. M. FISH
Lieutenant General, USAF
Director,
Defense Security Assistance Agency

Attachments

- (1) List of Changes
- (2) MASM Update Materiel



LIST OF CHANGES

Remove and insert the following portions of your current MASM:

Remove

Initial Transmittal Letter
immediately preceding
Forward

List of Effective Pages

Table of Contents -

pages xv - xviii

PART I -

Chapter B

Part II -

C-11 - C-12

Part III -

A-7 - A-8

D-11

App B-1 - App B-2

Insert

Attached Transmittal Letter

List of Effective Pages

Table of Contents -

pages xv - xviii

PART I -

Chapter B

Part II -

C-11, C-12 and C-12a
C-21

Part III -

A-7 - A-8

C-11

Chapter D

App B-1 - App B-2

In addition to the above, post the following pen and ink changes:

(1) FORWARD - correct the spelling of "FOREWARD" to "FORWARD".

PART II -

(1) Chapter C - Pages C-13 through C-20 - change paras 7.c through 7.n to 7.d through 7.o, respectively.

(2) Chapter F - Page F-2 - under "Instructions" - change Cols. 58-59 to read as follows: Punch funding priority code on all articles and services program lines in budget year program. See Funding Priority Code in Appendix A. Page F-16 - para 3.g(2)(b)4.b. - right hand column - 22nd line from top - cross out "Annual" and capitalize "increases".

(3) Chapter K - Page K-4 - para 3.h - change "DSAA/TM" to "DSAA".

PART III -

(1) Chapter A - Page A-2 - add "Fiji" under Far East, after China, Rep. of. Page A-3 - change, under Major or Capital end items, "A" to "B" for Greece. Page A-4 - add "Fiji A B — — —" after China, Republic of.

(2) Chapter D - change all page numbers and chapter to - CHAPTER C and page numbers C-1 through C-10. (Chapter D now becomes Chapter C)



DEFENSE SECURITY ASSISTANCE AGENCY
WASHINGTON, D. C. 20301

MILITARY ASSISTANCE AND SALES MANUAL

The Military Assistance and Sales Manual is published under authority delegated to me by Department of Defense Directive 5105.38. It sets forth responsibilities, policies, and procedures governing the administration of Security Assistance Programs within the Department of Defense agencies and personnel engaged with Security Assistance activities.

A handwritten signature in cursive script that reads "H. M. Fish".

H. M. FISH
Lieutenant General, USAF
Director,
Defense Security Assistance Agency



MILITARY ASSISTANCE AND SALES MANUAL

LIST OF EFFECTIVE PAGES

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B	B-1 and B-2	1 March 1976
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E	E-1 and E-2	1 July 1974
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B	B-1 through B-3	Deleted
C	C-1 through C-21	1 March 1976
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CHAPTER B

RESPONSIBILITIES AND RELATIONSHIPS

1. Executive Branch

Within the Executive Branch, numerous departments and agencies (e.g., Office of Management and Budget, National Security Council, Department of the Treasury, Agency for International Development, Export-Import Bank) have a wide variety of responsibilities related to Security Assistance. Aside from the President, however, the principal responsibilities established by legislation are assigned to the Secretary of State and the Secretary of Defense. There are:

a. Under the direction of the President, the Secretary of State is responsible for continuous supervision and general direction of Military Assistance Programs and Foreign Military Sales, including but not limited to determining whether there shall be a program or a sale and, if so, the amount thereof.

b. The Secretary of Defense has primary responsibility for:

(1) Determination of military and item requirements;

(2) Procurement of military equipment in a manner that permits its integration with service programs;

(3) Supervision of end-item used by the recipient country in the case of equipment provided under MAP;

(4) Movement and delivery of military end items; and

(5) Within the Department of Defense, the performance of any other functions with respect to providing Military Assistance and Foreign Military Sales.

2. Department of Defense

Detailed functions relating to Security

Assistance are set forth in the Foreign Assistance and Foreign Military Sales legislation, in Executive Orders, in DOD Directives and Instructions, and in Terms of Reference. In general, major responsibilities of the principal Defense Department components involved in security assistance are as follows:

a. Within the Department of Defense, the Assistant Secretary of Defense, International Security Affairs (ASD/ISA), acts for the Secretary of Defense and is his principal representative and spokesman on Security Assistance matters. He formulates policy and represents the Department of Defense with other governmental agencies in matters concerning Security Assistance policy and guidance.

b. As the operating arm of the Secretary of Defense, the Defense Security Assistance Agency (DSAA) is responsible for directing and supervising the administration and implementation of Security Assistance within the policies established by the ASD/ISA.

c. In accordance with DOD Directive 5105.38, the Defense Security Assistance Council (DSAC) advises the Secretary of Defense on Security Assistance matters of major importance and provides expeditious high-level coordination of such matters within DOD. Membership of the DSAC includes the ASD/ISA (Chairman), the Director of DSAA (Secretary), appropriate Assistant Secretaries of Defense, and the Director of the Joint Staff, Joint Chiefs of Staff. The Chairman also requests representation from the Military Services and other DOD components on an ad hoc basis, as appropriate. The DSAC has no permanent staff or secretariat, but does employ ad hoc working

groups to address specific Security Assistance matters.

d. The Secretaries of the Military Departments advise the Secretary of Defense on all Security Assistance matters impacting on or relating to their departments and act for the Secretary of Defense where responsibility for such action is so delegated. The Military Departments are specifically responsible for conducting training and for procuring and providing such defense articles and services as may be required by approved Security Assistance programs and accepted sales cases.

e. The Joint Chiefs of Staff (JCS) are responsible for correlating Security Assistance planning with military force planning and security objectives and provide the Secretary of Defense with military advice on security assistance matters.

f. For their respective areas of cognizance, Commanders of Unified Commands correlate Security Assistance plans and programs with U.S. military plans and are responsible for developing and submitting Security Assistance plans, programs, and proposals to the Secretary of Defense. They command the MAAGs in their areas of responsibility and direct and supervise all Security Assistance actions in such areas.

g. Chiefs of Military Assistance Advisory Groups (MAAGs) are representatives of the Secretary of Defense to their host governments on Security Assistance matters. They assist the foreign government in developing and executing Security Assistance plans and programs, and submit to the Unified Commander or other appropriate authority such data, proposals, and recommendations as may be required or otherwise suitable to the execution of their mission.

3. Relationships

a. Although under command control of the

Unified Command, MAAGs are also under general supervision of the Chief of the U.S. Diplomatic mission who is responsible for coordinating the full range of U.S. governmental objectives and activities in the country. The Chief of MAAG is responsible for insuring that his activities are fully coordinated within the U.S. Diplomatic Mission. Where unresolved differences between the Chief of MAAG and Chief of the Diplomatic Mission exist, the Chief of MAAG will refer such differences promptly to the Secretary of Defense through the Unified Command.

b. The normal channel of communication on Security Assistance matters is directly between DSAA (or ASD/ISA) and the Unified Commands.

c. Direct communication between DSAA (or ASD/ISA) and the MAAGs is authorized for Security Assistance matters, provided that (1) coordination requirements set forth in the paragraph below are met, and (2) the policy, planning, and programming responsibilities of the Unified Command are not involved, and an information copy is provided to the Unified Command and the appropriate Military Departments. Direct communication is authorized between the MAAGs/Service Sections of the MAAGs, Military Departments, and Unified Commands on technical, administrative, and other matters related to implementation of Security Assistance programs.

d. All DSAA (or ASD/ISA) Security Assistance directives and communications to Unified Commands, MAAGs, and Military Departments that have military operational or policy implications require coordination with the JCS. Conversely, all JCS Security Assistance directives and communications to Unified Commands, MAAGs, and Military Departments require coordination with the ASD/ISA who will, if appropriate, effect further coordination with DSAA.

MILITARY ASSISTANCE AND SALES MANUAL—PART II

Groups	Class	Description
75	All	Office Supplies and Devices
	Except 7540	Standard Forms
77	All	Musical Instruments, Phonographs and Home-type Radios
78	All	Recreational and Athletic Equipment
79	All	Cleaning Equipment and Supplies
	Except 7930	Cleaning and Polishing Compounds and Preparations
80	All	Brushes, Paints, Sealers and Adhesives
	Except 8030	Preservative and Sealing Compounds
	Except 8040	Adhesives
83	All	Textiles Only
84	All	Clothing Only
85	All	Toiletries
87	All	Agricultural Supplies
88	All	Live Animals
89	All	Subsistence
	Except 8970	Composite Food Packages
91 ¹	All	Fuels, Lubricants, Oils and Waxes
94	All	Nonmetallic Crude Materials
96	All	Ores, Minerals and their Primary Products
99	All	Miscellaneous
	Except 9930	Materials; Cemerial and Mortuary Equipment and supplies

¹ Note: Exclusions do not apply to foreign sales made for drop-in support at airbases and naval installations, or to international agreements for use of POL facilities.

(b) Unified Commands and MAAGs will designate articles and services that, in addition to those groups and classes listed in (a) above, fall under the definition of "commercial type items" in their particular area/country and should be excluded from programming.

(c) Requests for exception to these instructions will be directed to DSAA and will include:

1. Identification of specific items to be excepted.

2. Justification for exception, to include a statement as to availability of the item or a reasonable substitute on the local market.

3. Specific time period for which the exception is requested and at the end of

which the foreign country will assume responsibility for supplying the item from sources other than MAP.

4. Concurrence of the Director of the AID Mission in-country and of the U.S. Ambassador.

(d) Punch commercial type item code "1" in column 53 to indicate prior approval has been obtained (see Appendix A).

6. Execution Procedures

After approval and funding, the MAP will be executed according to instructions contained in this paragraph as supplemented by the Military Department concerned.

a. Maintenance of Records

(1) The Record Control Number is the keystone to continuous identification (or audit trail) through all phases of MAP programming action—from program submission through approval, change, implementation, execution, and performance reporting. The Record Control Number, along with the Country/Activity Code and program year, provides a positive and specific identification of a MAP line when carried over to associated documentation used in MAP execution (e.g., MILSTRIP cards and hard copy forms).

(2) DSAA will utilize the MAP Order, containing the assigned Record Control Number for each line, to authorize and direct shipment of materiel to or performance of services for MAP recipients. Only in emergency circumstances will supply of new program items be directed by any other form of document. When messages or other document forms are used under emergency condition, the instruction will contain the Record Control Number to be used for each line. When emergency instruction procedures are used, confirming MAP Orders will be issued as soon as possible thereafter, with the same Record Control Number for each program line as that in the emergency shipment instruction.

b. Requisitioning Control

(1) Materiel programmed as a dollar

value line is supplied to MAP recipients on the basis of requisitions submitted by the recipient, except in those cases where the implementing agency determines that internal preparation of requisitions is the most practical and expeditious way to initiate supply action. This latter procedure is used mainly for shipments of initial issue spares, impact shipments, and special weapons systems where major and secondary items are assembled and shipped as a consolidated package. Military Departments will issue procedural instructions prescribing circumstances where requisitions will be initiated internally.

(2) MAAGs, or recipient countries subject to approval and control of the MAAG, will submit requisitions for materiel items where the implementing agency does not prescribe internal requisition preparation. Requisitions submitted by recipient countries, MAAGs, or other agencies must indicate the Record Control Number of the MAP Order program line authorizing supply. This program identification will be accomplished by completing the Supplementary Address Field of the MILSTRIP requisition form as follows:

<i>Card Column</i>	<i>Complete as follows:</i>
45	Enter Y
46	Enter program year
47-50	Enter Record Control Number as indicated on MAP Order

(3) Each implementing agency will establish control procedures to insure that recipient country, MAAG, or other agency requisitions accepted by the implementing agency against dollar value lines do not exceed, in cumulative value, the dollar amount authorized by the MAP Order line against which they apply. Requisition control will also be exercised to restrict requisitions to the type of materiel (Federal Supply Groups and Classes) as shown in the MASL for the program lines to which they apply.

7. Implementing Procedures

a. Reporting to Congress those MAP Items Costing \$25 Million or More to be Provided From Inventories of Active U.S. Forces.

(1) The FY 1976 DOD Appropriation Authorization Act requires DSAA to report to the Congress any proposed transfer to a foreign country of defense articles from the inventories of active U.S. forces which cost \$25 million or more. Therefore, when a new line item (RCN) for defense articles totalling \$25 million or more, or an increase to an existing line item bringing its total to \$25 million or more, is issued to a military department on a MAP Order, that department must determine the source of supply. Specifically, if the item is to be provided from U.S. active forces' inventories, the military department must immediately advise the Comptroller, DSAA, and provide data concerning (a) the impact of such transfer on the current readiness of U.S. forces, (b) the adequacy of reimbursements to cover, at the time of replenishment to United States inventories, the full replacement costs of those items transferred, and (c) the impact, if reimbursements are not adequate and the justification for such disparity. A sample format of the memorandum to be used for reporting this data to DSAA is provided in Figure C-1, page C-21. This action will enable the Comptroller, DSAA to comply with the Congressional reporting requirement.

(2) DSAA will notify the military department concerned when the required report has been submitted to the Congress. Supply action normally taken pursuant to receipt of a MAP Order will be suspended for a period of 15 days following the submission of the report to the Congress. Upon expiration of the waiting period, supply action will resume unless advised otherwise by the Comptroller, DSAA.

b. Review of Major Items in Undelivered Programs.

(1) In the implementation of the Military Assistance Program, coordination between supplier/user is required to establish controls which minimize costs associated with procurement, repair or rehabilitation as well as those involved in making shipments to recipient countries for items which may no longer be needed or for which changes in requirements may be anticipated.

(2) Military Departments, Unified Commands, and MAAGs will continuously review undelivered articles in funded programs and submit program deviations and other change data as prescribed to insure that undelivered programs are revised as necessary to reflect changes in conditions under which they were originally approved and funded.

(3) For major items (with "each" unit of issue) Military Departments, Unified Commands and MAAGs will:

(a) Promptly communicate by message actions regarding cancellations, substitutions, or pending changes of requirements in undelivered programs.

(b) Promptly process EAM data cards reflecting quantitative increases/decreases in undelivered programs through appropriate channels as prescribed.

(c) Coordinate required availability

dates and promptly communicate circumstances which could affect planned supply actions.

(d) Insure certification is submitted as prescribed by para 7g. below.

c. Management of Dollar Program Lines Funded Under Limitation .002

(1) Materiel supplied against dollar lines on the basis of MILSTRIP requisitions.

(a) Materiel programmed in dollar lines to operate and maintain grant aid supported country forces is programmed on an annual basis to cover a year's requirements. To gain maximum utilization of these annual funding increments, MAAGs and country forces should maximize planning to include the determination of requirements prior to receipt of funded MAP Orders so that the requisitioning process can be accomplished without delay.

MEMORANDUM FOR THE COMPTROLLER, DEFENSE SECURITY ASSISTANCE AGENCY

SUBJECT: MAP Items Costing \$25 Million or More to be Provided From U.S. Active Forces' Inventories

The following information is provided in accordance with the reporting requirements of the FY 1976 DOD Appropriation Authorization Act:

- a. Country:
- b. Military Department:
- c. Generic Code—RCN:
- d. Total Value of RCN:
- e. Type and Quantity of Equipment:
- f. Impact of transfer of article(s) to MAP on current readiness of U.S. forces:
- g. Adequacy of reimbursements to cover, at the time of replenishment to U.S.' inventories, the full replacement costs of items to be transferred:
- h. If reimbursements are inadequate, explain impact and justification for such disparity:

Table A-2¹

**APPROVAL REQUIREMENTS FOR THE PURCHASE OF
DEFENSE ARTICLES AND DEFENSE SERVICES**

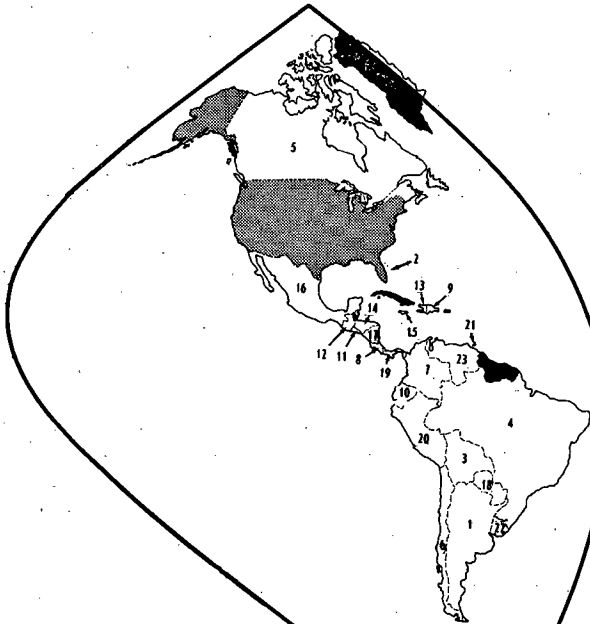
NOTE: All sales shall be made for not less than the value thereof and paid in U.S. dollars. Payments shall be in advance or, as determined by the President to be in the best interests of the U.S.:

- a. Cash Sale from Stock—within a reasonable period not to exceed 120 days after delivery of the articles or the rendering of services (FMSA Sec. 21);
- b. Procurement for Cash Sales—under terms of dependable undertaking or within 120 days after delivery of defense articles or the rendering of defense services (Sec. 22);
- c. Credit Sales—on terms or repayment within a period not to exceed 10 years after delivery of articles or the rendering of services (Sec. 23); or
- d. Guaranties—to individual, corporation, partnership, or other juridical entity doing business in the U.S. (excluding U.S. Government agencies other than the Federal Financing Bank) against political and credit risk of nonpayment arising out of their financing of credit sales of defense articles or defense services to eligible countries and international organizations (Sec. 24).

FOOTNOTES

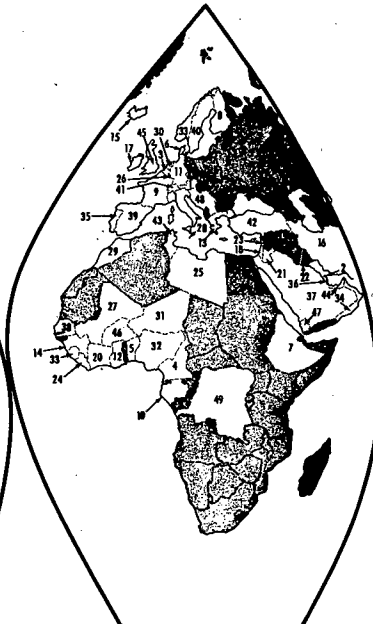
1. As of 1 August 1975.
2. Category A—Country purchase programs and/or requests authorized for submission directly to Military Departments for action.
Category B—Country purchase programs and/or requests require submission to, and approval of, the Department of State and Department of Defense prior to action within the Military Departments or DSA.
The "X" denotes authorized; dashes denote ineligible or not applicable.
3. Subject to approval by the Director, DSAA, payment may be made within 120 days of delivery of defense articles furnished from the stocks of, or for defense services rendered by the U.S. Military Departments or for defense articles from new procurement.
4. Arrangements for purchase under the dependable undertaking provisions of the FMSA may be made directly with the Military Department concerned, subject to the approval of that department.
5. Countries or international organizations receiving distribution of lists of excess U.S. military materiel available for sale through the Defense Logistics Services Center (DLSC), Defense Supply Agency (DSA), (DOD Instruction 2110.8).
6. Except for purchases of items listed and defined in Annexes 2 and 3 of Paris Protocol III.
(See Memo I-2710/9 dtd 11 June 1959).
7. Request for payment of Federal Republic of Germany purchases will be submitted in accordance with DODI 2110.32.
8. All sales requests are also subject to Regional dollar ceilings.
9. Crown Agents when acting as agents of the United Kingdom may purchase, under Category B, maintenance support items for material of U.S. origin and/or major or capital end items for Colonies, Protectorates, and Trust Territories.
10. Major or capital end items are defined as those items designated as significant combat equipment in the International Traffic in Arms Regulation (ITAR), Title 22, USC, Part 121.01.

COUNTRIES ELIGIBLE FOR FOREIGN MILITARY SALES



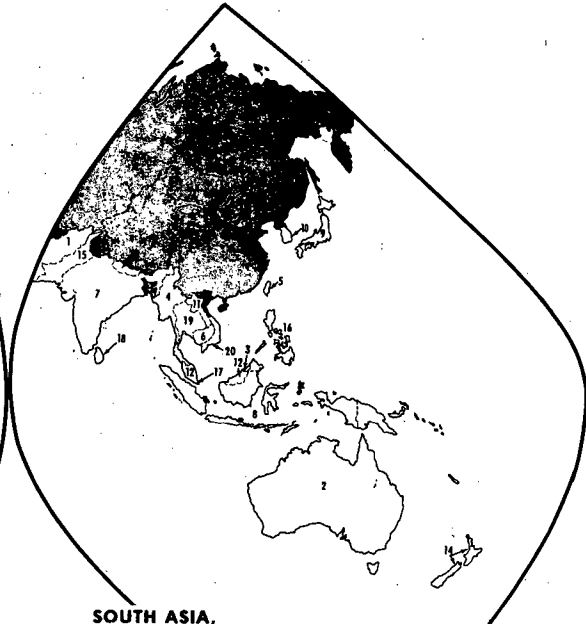
NORTH & SOUTH AMERICA

- | | |
|----------------------|------------------------|
| 1 Argentina | 13 Haiti |
| 2 Bahamas | 14 Honduras |
| 3 Bolivia | 15 Jamaica |
| 4 Brazil | 16 Mexico |
| 5 Canada | 17 Nicaragua |
| 6 Chile | 18 Paraguay |
| 7 Colombia | 19 Panama |
| 8 Costa Rica | 20 Peru |
| 9 Dominican Republic | 21 Trinidad and Tobago |
| 10 Ecuador | 22 Uruguay |
| 11 El Salvador | 23 Venezuela |
| 12 Guatemala | |



EUROPE, NEAR EAST AND AFRICA

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| 1 Austria | 18 Israel | 35 Portugal |
| 2 Bahrain | 19 Italy | 36 Qatar |
| 3 Belgium | 20 Ivory Coast | 37 Saudi Arabia |
| 4 Cameroon | 21 Jordan | 38 Senegal |
| 5 Dahomey | 22 Kuwait | 39 Spain |
| 6 Denmark | 23 Lebanon | 40 Sweden |
| 7 Ethiopia | 24 Liberia | 41 Switzerland |
| 8 Finland | 25 Libya | 42 Turkey |
| 9 France | 26 Luxembourg | 43 Tunisia |
| 10 Gabon | 27 Mali | 44 United Arab Emirates |
| 11 Germany (Bonn) | 28 Malta | 45 United Kingdom |
| 12 Ghana | 29 Morocco | 46 Upper Volta |
| 13 Greece | 30 Netherlands | 47 Yemen (Sana) |
| 14 Guinea | 31 Niger | 48 Yugoslavia |
| 15 Iceland | 32 Nigeria | 49 Zaire |
| 16 Iran | 33 Norway | |
| 17 Ireland | 34 Oman | |



**SOUTH ASIA,
EAST ASIA AND PACIFIC**

- | | |
|------------------|---------------------|
| 1 Afghanistan | 11 Laos |
| 2 Australia | 12 Malaysia |
| 3 Brunei | 13 Nepal |
| 4 Burma | 14 New Zealand |
| 5 China (Taipei) | 15 Pakistan |
| 6 Cambodia | 16 Philippines |
| 7 India | 17 Singapore |
| 8 Indonesia | 18 Sri Lanka |
| 9 Japan | 19 Thailand |
| 10 Korea (Seoul) | 20 Vietnam (Saigon) |

country sales limitations and licensing agreements are also included, as required. Thus coproduction programs may be limited or extensive depending upon the major objectives to be attained.

Coproduction projects may be initiated by DSAA or, subject to prior approval of DSAA, by the Military Departments, the Military Assistance Advisory Groups, and by authorized representatives of foreign governments and international organizations. The cognizant DOD component will ensure appropriate coordination with DSAA and furnish technical and negotiating assistance as required. After such agreements are signed, the appropriate DOD component will perform the necessary managerial and reporting functions.

In all cases, as a prerequisite, the restrictions imposed by Section 42(b) of the FMS Act will be complied with, namely: "No credit sale shall be extended and no guarantee shall be issued in any case involving coproduction or licensed, production outside the United States of any defense article of United States origin unless the Secretary of State shall, in advance of any such transaction, advise the appropriate committees of the Congress and furnish the Speaker of the House of Representatives and the President of the Senate with full information regarding the proposed transaction, including, but not limited to, a description of the particular defense article or articles which would be produced under license or coproduced outside the United States, the estimated value of such production or coproduction, and the probable impact of the proposed transaction

on employment and production within the United States".

14. Processing FMS Letters of Offer for \$25 Million or Greater Amounts

In compliance with Sec. 36 of the amended Foreign Military Sales Act, Congress must be provided advance notice of FMS LOA's valued at \$25 million or more. Further, the LOA shall not be issued if Congress, within 20 calendar days of receiving such notification, adopts a concurrent resolution stating in effect that it objects to such proposed sale unless the President, in his notification to Congress, certified that an emergency exists which requires such sale in the national security interests of the United States.

Additionally, if the defense articles in the LOA are to be provided from United States active forces' inventories, the 1976 DOD Appropriation Authorization Act requires the Secretary of Defense to submit a report to Congress setting forth:

a. the impact of such sales or transfers on the current readiness of United States forces; and

b. the adequacy of reimbursements to cover, at the time of replenishment to United States' inventories, the full replacement costs of those items sold or transferred.

DSAA is responsible for preparing and submitting the reports to Congress. With the objective of minimizing processing delays as much as possible, consistent with the legislative requirements, the procedures at Appendix B are placed in effect.

CHAPTER D

PREPARATION AND PROCESSING OF LETTERS OF OFFER
(DD FORM 1513, OFFER AND ACCEPTANCE)**1. Introduction**

This instruction provides a description of data which must be included in Letters of Offer submitted in response to requests of FMS purchasers. It also prescribes normal time for processing requests for Letters of Offer, and allowable times between release and expiration of such offers. It does not provide detailed guidelines for filling out blocks on the face of the DD Form 1513, since these guidelines are provided in Service implementing directives.

2. Processing Requests for Letters of Offer

Approval channels for requests for Letters of Offer are included in Paragraph 6, Chapter C, MASM III. Military Departments must formally acknowledge receipt of such requests, within five days of receipt. Maximum processing time between the receipt of a request for Letter of Offer, and the submission of the Offer to the prospective purchaser (or to DSAA for Letter of Offer requiring Congressional approval), is sixty (60) days. Earlier response will be made whenever possible and especially in those instances where urgency is indicated by the purchaser.

3. Duration of Letters of Offer

a. Each DD Form 1513 Letter of Offer includes, in block 4, the date upon which the offer expires. Determination of the period to allow, between the date of dispatch of the Offer and the expiration date, must be conditioned by the following factors:

(1) Duration of validity of contractor quotes included in the price and availability information included in the Offer.

(2) Processing time normally required by a given nation.

(3) Time sensitivity of any information included in the Offer.

b. The standard DOD policy is to allow no more than sixty (60) days between the date of the Offer and its expiration date. However, no Offer may include an expiration date later than that required to insure that contractual action may be completed at the price quoted in the Offer.

c. In excess of sixty (60) days, but in no instance in excess of 120 days, may be allowed Offer date and expiration date when:

(1) Experience with a given nation indicates that, because of communications problems or lengthy approval processes, a period in excess of sixty (60) days is required to obtain country acceptance, and

(2) The data included in the Letter of Offer is not time-sensitive.

d. Requests by purchasers for extensions to expiration dates will be honored only if submitted in writing prior to expiration date of Letter of Offer and after a full review to insure that all data included in the Offer remains valid.

4. Information Conveyed by Letters of Offer

The Letter of Offer and Acceptance, when signed, is an official agreement between the United States and the purchasing nation regarding terms and conditions pertaining to furnishing certain goods or services. As such, the DD Form 1513 and its enclosures must provide sufficient detailed information so as to make clear the obligations of the United States and the purchaser. The type and amount of information which must be conveyed will vary depending on the nature of the sale. However, at least some information which is supplemental to the preprinted "Conditions" on the reverse of the DD Form 1513 must be provided for each sale. The normal method of accomplishing this is in

the form of explanatory "Notes" which are cross-referenced to information included on the face of the DD Form 1513. Inclusion of this information as a complete package within the Offer, rather than orally or by separate correspondence, reduces misunderstandings over FMS cases.

5. Supplemental Information for Letters of Offer

Figure 1 indicates what information must be provided to purchasers in the form of Notes or Supplemental Terms and Conditions, depending upon the nature of the material and/or services being sold. Items indicated by X must be addressed in Notes or Supplemental Terms and Conditions to the DD Form 1513; those indicated as being on an as required basis (A/R) should be addressed if the nature of the transaction so warrants. The following subparagraphs include instructions and discussion regarding the nature of this supplemental information. The subparagraphs are aligned to the column "Supplementary Information for Letters of Offer" of Figure 1. The Checklist shown in Figure 2 must accompany each case submitted to the Defense Security Assistance Agency (DSAA).

a. Transportation Instructions

(1) There must be clear understanding between the USG and the purchaser as to where and how purchased material will be shipped. Blocks 24 through 27 of the DD Form 1513 are designed to fulfill this purpose under the normal Foreign Military Sales (FMS) method of shipment (i.e., by collect commercial bill of lading to freight forwarders), by the use of codes prescribed in DOD Directive 4140.17-M. However, supplementary instructions sometimes are required to enable purchasers to fill out Blocks 24 through 27 properly. Figure-3 shows the instructions furnished by the Defense Supply Agency (DSA) to meet this need; it should be used by all Services as a guide.

(2) Use of the DOD Transportation System (DTS) to deliver FMS material is

authorized under certain conditions. The extent of such authorization must be delineated clearly in supplementary conditions in the DD Form 1513. This would include identification, by specific item, when certain items in the DD Form 1513 are to be shipped via DTS and others are to be shipped via freight forwarder. Any extraordinary charges associated with use of the DOD Transportation System will be explained.

b. Delivery Schedules of Items

Block 14 of the DD Form 1513 provides the appropriate leadtime from the date of order of material to the date of delivery. This provides sufficient information for most cases, unless the delivery of major end items (i.e., airplanes, ships, missiles, or major combat vehicles) is involved. A schedule of estimated in-country or CONUS equipment deliveries, by month, will be provided for major end items. When appropriate, the schedule of deliveries will include required delivery dates for items not to be delivered earlier than a specified date.

c. Personnel Movement to and from Country

Cases which provide for the provision of technical assistance services, either by contractor or military personnel, should specify to the extent known:

- (1) The number of personnel who will perform the task.
- (2) Planned date of arrival in-country.
- (3) In-country destination and "home station."
- (4) Extent of in-country travel required to perform the mission.
- (5) Planned duration of stay in-country, and planned departure date.

d. Qualifications Regarding Price and Availability Data Furnished on the DD Form 1513

(1) There must be as clear an understanding as possible of the limitations of the validity of data included in the Letter of Offer; much of the "boilerplate" of the DD Form 1513 is designed for this purpose.

However, any of the following data which is pertinent to the case must be provided as "Notes" to the Letter of Offer.

(a) Any deviations or substitutions to quantities or equipment which was included in the country request for Letter of Offer, with explanation for the deviation or substitution.

(b) The last date of validity of either price or availability data included in the Letter of Offer, with explanation of the reason why the Offer is time-sensitive. Even though each Offer carries an expiration date, it is important that the purchaser be aware of the criticality of that date.

(c) Any particular reservations regarding the price quoted in the Offer should be noted and explained.

(d) The extent to which either the price or availability quoted is dependent upon an action yet to be taken by the USG (e.g., the selection of the equipment for U.S. forces).

e. Agreements to Safeguard Status or Provide Facilities for USG or Contractor Personnel While in Host Country

(1) The Letter of Offer should include those conditions required to insure the U.S. personnel can operate to the extent possible in safety, immunity, and under U.S.-type conditions. Agreements required will vary due to both the nature of the project and the nature of the country involved. The appropriate legal office of the Service concerned should be consulted to provide the salient agreements which protect the status of U.S. personnel in a given country.

(2) Figure 4 sets forth agreed conditions, between the USG and Iran, regarding a previous introduction of a substantial number of contractor personnel into Iran. These conditions may be used as a guide in developing similar agreements for countries for which no Status of Forces Agreement (SOFA) exists. Where a SOFA exists, reference should be made to the SOFA.

f. Statement of Facilities, Services, or Personnel to be Provided by the Purchasing Nations

Figure 4 also provides examples of certain actions which had to be taken by the purchaser to insure success of the program, in terms of facilities, services, or personnel. These actions will vary from program to program. It is essential that the responsibilities of the USG and the purchasing nation be clearly and completely delineated as a part of the Letter of Offer or its attachments.

g. Memorandum of Understanding or Statement of Work

Major FMS undertakings may call for Memorandums of Understanding, or detailed Statements of Work, before they can be undertaken by the USG. Such documents should be made an integral part of the Letter of Offer by reference on the DD Form 1513 and must be attached to the Letter of Offer.

h. Schedules of Personnel Training

(1) Letters of Offer which call for training of foreign personnel should, whenever possible, include firm scheduling of personnel into specific training courses. When this is not feasible, Letters of Offer should set forth training plans and schedules in general terms, and should include information required to arrange for definitization of specific training requirements at a later date.

(2) Letters of Offer must specify purchasing nations' responsibilities such as providing pay and allowances, housing, qualified students, and any required supervision of students.

(3) Blanket Order Letters of Offer for training will include Notes to explain scope of coverage, methods for definitizing and requesting specific courses, and duration of applicability of the case.

i. Logistical Information

(1) The sale of weapons systems normally requires the establishment of understandings between the USG and the purchaser regarding logistical conditions and support. This subject must be addressed in the "Notes" to the Letter of Offer to delineate USG responsibilities, specify the type of

equipment being provided, identify subsequent actions which must be taken by both the USG and the purchaser, and occasionally to advise the purchaser of the nature of procurement action which will be taken.

(2) Letters of Offer will specify the configuration of equipment being sold, but will furnish detailed equipment specifications only if required. Variations from standard USG configurations will be noted, together with any risks which might be assumed as a result of the variance. The notes will highlight any purchase of equipment being made of a configuration contrary to that recommended by the USG.

(3) Letters of Offer will include the requirement for, and scheduling of logistical conferences or site surveys for the purpose of definitizing procurements of spare parts and support equipment, when applicable.

(4) The purchaser will be advised of the estimated period USG spare parts support will be available, providing that a termination of such support can be identified.

(5) It will be noted if the procurement is to be conducted from a sole source, based upon the request of the purchaser.

(6) Any USG intent to develop logistical or maintenance support plans will be specified.

(7) The basis upon which logistical support cost estimates are made will be specified. These should include the period of support of initial spares package, operational deployment of equipment, level of maintenance to be accomplished by the purchaser, and number of maintenance sites.

(8) Insofar as possible, the Letter of Offer must identify by line item of equipment any critical long-lead time items of spares or support equipment which must be procured in advance of the definitization conference, to insure in-country logistical support of the weapons system by its scheduled delivery date.

j. Explanation of Condition of Equipment

(1) The Letter of Offer must include information which makes clear the condition of any equipment furnished from USG in-

ventories; the purchaser must not be surprised or disappointed if receiving equipment in less than "like new" condition. Any known limitations in condition must be specified in the Letter of Offer, using codes on the reverse of DD Form 1513.

(2) It is desirable for a purchaser to inspect, in advance of Letter of Offer, major items and quantities of excess equipment being sold "as-is, where-is". It also is desirable for the USG to obtain written acceptance of the condition of the equipment as a result of this inspection. Any such agreement of this type should be noted in the Letter of Offer.

(3) The condition of equipment sold "as-is, where-is" should be identified by Condition Code (e.g., R-4), and the Letter of Offer should include a short description of what this Condition Code means.

(4) The Letter of Offer must specify that the cost of any repair/rehabilitation of excess items is not included in the "as-is, where-is" price.

k. Identification of Equipment Supportable under Requisition Cases

(1) Letters of Offer for all requisition cases (whether Supply Support Arrangement (SSA) or blanket order) must identify the major items of equipment supportable under the case.

(2) Letters of Offer for Supply Support Arrangement (SSA) stock level cases must initially include a listing of repair items (for repairables and repair parts) stocked in the DOD supply system, that are tailored to support specified weapons system planning data during a 12 month resupply period. Listings are not necessarily required if case financial management is authorized (i.e., for stock funded items).

l. Description of Services to be Provided

(1) There must be a clear and comprehensive understanding of the extent and limitations of the obligation undertaken by the USG when providing services under an FMS case. This may require a detailed Statement of Work for major undertakings, but

can be done by providing the following information for routine cases:

(a) Description of the nature of the service to be performed, together with its purpose.

(b) Statement of where and how the services will be performed.

(c) Statement of the anticipated result when the service is completed, together with any information of which the purchaser should be aware regarding USG reservations or qualifications as to success of the project.

m. Description of Components of Pricing

(1) It is *not* normal FMS practice to provide a detailed description of the components of cost included in estimated prices for line items on Letters of Offer. There may be instances where the provisions of such information is desirable to clarify the service to be provided. 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 that demonstrates such costs are necessary.

(2) FMS cases established for the sole purpose of collecting either royalties or pro rata R&D charges must include the charge to be made per unit of production. However, pro rata R&D charges assessed for items sold under FMS will be included in the unit price of the end item being sold and will not be shown separately.

n. Responsibility for Initiation of Requisitions

(1) There must be clear understanding between the USG and the purchaser as to which party will initiate requisition actions required for spare parts and similar type support.

(2) The Letter of Offer will contain sufficient information, either by Note or by reference to DOD instructions available to the purchaser to enable the purchaser to initiate and route requisitions correctly.

(3) The Letter of Offer will also contain sufficient disposition instructions for

items (owned by the purchaser) being returned by the purchaser to the CONUS for maintenance and repair services.

o. Indemnification and Assumption of Risk

(1) The reverse of the DD Form 1513 contains provisions regarding indemnity which are deemed satisfactory and complete for most FMS programs. Advice should be obtained from the appropriate legal office of the Service concerned when it appears that special circumstances of individual purchases require an expansion of indemnity clauses.

(2) If additional indemnity clauses are required, Figures 5 through 8 provide guidelines which can be used.

6. Absence of Specific Information

a. Letters of Offer are sometimes prepared, either at purchaser request or in USG interest, before the specific details to provide all information covered in the foregoing paragraphs are known. In such cases, Notes to Letters of Offer will include general coverage of this information and estimate of when specific information on these topics can be provided to the purchaser.

b. The Letter of Offer should include information sufficient to establish follow-on channels of communication between the purchaser and the USG component responsible for implementing the FMS case.

7. Pricing Data to be Included with Selected Letters of Offer

a. All Letters of Offer for sale of end items or services of value of \$5 million or greater and proposed amendments must be accompanied by a financial analysis. The purpose of the analysis is to permit all approval echelons a review for completeness and accuracy of financial data. The analysis will accompany the Letter of Offer throughout the coordination cycle but will not be submitted to the prospective purchaser.

b. The following information will be included:

(1) Source of estimates. Examples are:

- (a) Prime Contractor quote.
- (b) Prime and GFE Contractor quotes.

(c) Standard Price.

(d) Military Department estimate without contractor participation, based on recent sale or similar experience, or in accordance with DOD Directive 2140.1.

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

(a) Agent's fees or commissions included in the FMS case and the amount thereof. The Service certification of reasonableness in accordance with ASPR 1-505 and DPC 74-1 must be attached. If the fee cannot be or has not been certified as reasonable, the Service notification or proposed notification to the foreign government should also be attached for information or coordination. DSAA message 5992, 6 August 1975, as amended by DSAA message 1756, 11 September 1975, applies.

(b) Inclusion of nonrecurring R&D and production cost recoupment in accordance with DOD Directive 2140.2.

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

(d) Replacement cost if sale involves diversions from Military Department delivery schedules. Note: Replacement items should be placed on contract as soon as possible but not later than twelve (12) months following acceptance of the FMS case.

(e) Asset use charges as described in DOD Directive 2140.1.

(f) First destination transportation costs.

(g) Recurring support costs.

(h) Unfunded costs.

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

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

(3) Sources of data used to make any of the above adjustments and their application to the case (i.e., inflation factor of 7% compounded over four (4) years. Source: ASD (Comptroller) Price Escalation Indices, July 31, 1975).

(4) A comparison of Letter of Offer prices with budgeted or on-going service procurement price, e.g., the Selection Acquisition Report (SAR).

(5) Source for Schedule of Payments.

(6) A comparison of Letter of Offer prices with all other Letter of Offer prices for the same item within the previous twelve (12) months. This comparison should not be limited to sales within the same region.

c. Figure 9 is a suggested format for use in presenting required financial analysis data. The format may be modified to meet the needs of the individual Military Departments. The financial analysis must, however, identify methods used in developing costs and provide the information outlined above for each line item in sufficient detail to enable the reviewer to judge the accuracy, completeness, and firmness of the estimated prices.

OFFER AND ACCEPTANCE PREPARATION
CHECKLIST

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

REMARKS:

TRANSPORTATION INSTRUCTIONS, DD FORM 1513

1. When all items on the Offer and Acceptance document (DD Form 1513) require a *single code* the Blocks 24, 25, 26, and 27, the appropriate code as determined below will be entered in the respective blocks of the DD Form 1513:

a. BLOCK 24:

(1) Code "A"—will be entered when shipments are to be released automatically by the shipping activity without advance notice (Notice of Availability).

(2) Code "Y"—will be entered when advance notice is required before release of shipment, but shipment can be released automatically if release instructions are not received by shipping activity within 15 days. Use of Code "Y" must be negotiated between the country representative and the appropriate U.S. Service, with the exception of U.S. Services who provide for the customer selection of desired codes.

(3) Code "Z"—will be entered when advance notice is required before release of shipment. Shipping activity will follow-up on the notice of availability until release instructions are furnished. Use of Code "Z" must be negotiated between the country representative and the appropriate U.S. Service with the exception of U.S. Services who provide for the customer selection of desired codes.

(4) Code "X"—will be entered when the U.S. Service and country representative have agreed that the:

(a) U.S. Service will sponsor the shipments to a country address. Under this agreement Block 25 must contain Code "X" and a customer-within-country (CC) code *must* be entered in Block 26. The MAPAD must contain the CC code and addresses for each type address required, i.e., parcel post, freight, documentation.

(b) Shipments are to be made to an assembly point or staging area as indicated by clear text instructions on exception requisitions. Under this agreement Block 25 must contain Code "W". A Mark For code may be entered in Block 26 and the MAPAD must contain the Mark For code if the Mark For address is to be used on the shipment to the assembly point or staging area.

b. BLOCK 25:

(1) The appropriate freight forwarder code contained in MAPAD will be entered in Block 25. The freight forwarder code will be prefixed by the appropriate country service code(s): B (Army), D (Air Force), and/or P (Navy). Appropriate action must be taken to publish freight forwarder codes and addresses in MAPAD before DD Form 1513 is processed.

(2) When Code "X" is authorized and entered in Block 24, a code "X" or "W" must be entered in Block 25.

c. BLOCK 26:

(1) When Block 24 contains A, Y, or Z, Block 26 may contain a zero or may contain a Mark For code. When Block 26 contains a Mark For code, the MAPAD must contain the Mark For code and in-country Mark For address if shipments to the freight forwarder are to be marked for an in-country address. Otherwise, the shipment will not have a Mark For address; however, the Mark For code will be perpetuated in all related documentation.

(2) When Code "X" is authorized and entered in Blocks 24 and 25, a customer-within-country (CC) code must be entered in Block 26. The MAPAD must contain the CC code and addresses for each type address required, i.e., parcel post, freight, documentation.

d. BLOCK 27:

(1) When Block 24 contains A, Y, or Z point of delivery Code 4 will normally be entered in Block 27. However, when authorized, point of delivery Code 5 or 8 will be entered in Block 27.

(2) When Code "X" is authorized and entered in Blocks 24 and 25, point of delivery Code 6 or 7 will be entered in Block 27.

(3) When Code "X" is authorized and entered in Block 24 and Code "W" is authorized and entered in Block 25, point of delivery Code 4 will normally be entered in Block 27. However, when authorized, point of delivery Code 5 or 8 will be entered in Block 27.

2. When the Offer and Acceptance document (DD Form 1513) contains items which require *multiple codes* in Blocks 24, 25, 26, and 27 (example: explosives, classified, different priorities, others), the appropriate blocks will be completed as indicated below:

a. BLOCK 24: If more than one offer/release code is applicable, Block 24 will contain "See Note _____" and appropriate explanatory notes will be included in the DD Form 1513.

b. BLOCK 25: If more than one Freight Forwarder Code is applicable or a Freight Forwarder Code and a Code "X" is applicable, Block 25 will contain "See Note _____" and appropriate explanatory notes will be included in the DD Form 1513.

c. BLOCK 26: If more than one Mark For code is applicable, Block 26 will contain "See Note _____" and appropriate explanatory notes will be included in the DD Form 1513.

d. BLOCK 27: If more than one Point of Delivery code is applicable, Block 27 will contain "See Note _____" and appropriate explanatory notes will be included in the DD Form 1513.

SAFEGUARDS FOR CONTRACTOR PERSONNEL (SAMPLE)

The United States Government intends to enter into a contract with (Company) (hereinafter referred to as "the contractor") which has been specified by the Government of _____ as the sole source for providing the services desired. This contract will provide for those services generally as outlined in the Statement of Work consisting of _____ pages which is attached to and made a part of this case. Acceptance of this case indicates Government of _____ agreement that the Statement of Work provides for all services currently desired by the Government of _____.

The contractor shall be authorized to establish and operate dependents' school and medical facilities (as required) at (site).

All data developed by the contractor and its subcontractors in accordance with the attached Statement of Work, is the property of the GO__ unless otherwise mutually agreed. All facilities and equipment will, in the absence of prior mutual agreement, become the property of the Government of _____ upon completion of construction or delivery in-country, *provided*, however, that the United States Government, the contractor and its subcontractors shall have a full right of use and occupancy of such facilities and equipment on a rent-free basis for the duration of this case as required to accomplish program goals.

THE GOVERNMENT OF _____ AGREES:

The United States Government was not a party to a prior contract between the Government of _____ and (Company) for the performance of the same type services specified herein. The GO__ recognizes that certain preparatory work was performed by the contractor and obligations incurred for material, some of which may be delivered or invoiced during the period covered by the case. The GO__ agrees it will dispose of such obligations outside the purview of this case.

In the event the United States Government determines that, due to war, armed conflict, insurrection, civil or military strife, or other adverse conditions, the safety, health or welfare of the contractor personnel is threatened, the Government of _____ shall be responsible for any additional costs incurred by the United States Government to retain such personnel and secure replacements therefor, as applicable. Whether to retain or replace such personnel under the foregoing circumstances shall be within the sole discretion of the United States Government.

The United States Government and the contractor shall be permitted to operate a radio communications system within (Country) for communicating between offices and job sites on frequencies to be assigned by the Government of _____.

To provide the following services and equipment as determined by the USG to be necessary to meet the requirements of the Logistics and Training effort.

- a. Dedicated scheduled air shuttle service for transport of U.S. Government and contractor personnel, supplies and equipment within (Country).
- b. Security guards for all GO__ facilities used by the USG or the contractor.
- c. Free and unlimited use of all on-base utilities to include but not necessarily limited to such things as water, natural gas, electricity, sewage, compressed air, etc.
- d. Firefighting, crash rescue including crash recovery vehicles and foam dispensing truck services and personnel for emergency landings.
- e. Facilities maintenance and janitorial services at (Site).
- f. Repair parts, components and expendables necessary to support the _____ programs.
- g. English interpreters as required.

h. Required USG publications and manuals which may be obtained through separate FMS cases.

i. Vehicles required to support performance pursuant to this agreement.

To provide trainees and to ensure that all students meet the schedules of the training program to which assigned. Trainees will meet or exceed minimum qualifications for entry into the appropriate courses as defined in the training plan submitted by the contractor as required by paragraph _____ in the Statement of Work.

To select, with advice from the COR, trainees who will be assigned as counterparts to provide continued management and direction on behalf of the GO___, in accordance with schedules required by paragraph _____ in the Statement of Work.

It is understood that delays in processing material for the program may result in cost increases and/or delays to the entire program. In order to minimize such delays, the Government of _____ shall take appropriate actions to expedite customs clearance and procurement action for all material associated with the Program.

Any claim brought against the contractor or subcontractors under (Country) Labor or Social Insurance Laws and adjudged to be valid by (Country) Courts will serve to increase the estimated costs under this case.

The contractor will not be required to handle munitions during performance under the case. The contractor will, if requested by GO___, through the USG, advise and supervise the handling of munitions by GO___ personnel.

The Government of _____ agrees, with respect to the contractor:

a. To waive any and all claims which it has or may have against the contractor, its agents, officers or employees, for damage, loss or destruction of property, or for injury to or death of persons, arising out of the contractor's performance of the contract resulting from this case.

b. To indemnify and hold harmless the contractor, its agents and employees, against all claims arising, directly or indirectly by reason of injury to or death of persons, or loss or damage to property, out of the contractor's performance of the contract resulting from this case.

The Government of _____ will allow the contractor to employ third country nationals.

The Government of _____ will provide free of charge and on a rent-free basis for the duration of this case, all land, necessary facilities and other construction in the performance of contract, resulting from this case.

Taxes and Customs Duties:

It is understood that the imposition of local taxes and similar charges with respect to this case would serve to increase the contract price. Therefore, in order to maintain the estimated prices in the Letter of Offer:

a. All property, material, equipment and supplies brought into (Country) by the United States Government, its contractor or subcontractors to carry out the Program shall be exempt in (Country) from import and export duties, taxes, licenses, excises, imposts, bonds, deposits and any other identifiable charges. Property, materials, equipment, and supplies belonging to the United States Government and/or its contractor or subcontractors for which reimbursement has not been received from the GO___ shall remain the property of the United States Government and/or its contractor or subcontractors, and may at any time be removed from or disposed of in (Country) free of any restrictions or any claim which may arise by virtue of such removal or disposal, provided that the duty thereon shall be paid in the event of their sale or disposal in (Country).

b. The contractor, subcontractors, their personnel and their dependents shall be accorded exemption from (Country) income taxes.

Implementation of any necessary policy guidance for the undertakings in the preceding paragraph shall be issued by the appropriate agency of the Government of _____. In the event that taxes, duties or similar charges are imposed in contravention of the above, such charges may serve to increase estimated costs under this Letter of Offer.

To ensure the effective and timely performance of the Program, the Government of _____ and the United States Government will cooperate within the framework of the laws of (Country) to ensure the timely issuance of work visas, multiple entry visas, exit visas, work permits, vehicle operator permits, residence permits, in-country travel permits, and any other appropriate licenses or permits as may be required by the contractor, its subcontractors, or their personnel and dependents. In case of an emergency, medical or otherwise, an exit permit shall be issued without delay.

In the event any contractor employees are terminated upon the request of the Government of _____ costs for such early termination and replacement of such personnel shall be added to the costs of this case.

In the event the Government of _____ fails to provide support for the Program as specified in this Letter of Offer and Acceptance, the Contracting Officer may procure or authorize procurement of such support. Any additional cost resulting from such action shall be added to the cost of this case.

Status of USG Personnel. Military and civilian employees of the USG in (Country) shall be presented to the Ministry of Foreign Affairs under the heading of the technical and administrative staff of the United States Embassy and shall be accorded the rights, privileges and immunities extended under agreements between the Government of _____ and the United States to American military and non-military personnel who are in (Country) and have been so presented.

**ADDITIONAL TERMS AND CONDITIONS
AIRCRAFT SALE**

It being understood by the purchaser that the Government of the United States in procuring and furnishing the equipment and material specified in this agreement does so on a nonprofit basis for the benefit of the purchaser. The purchaser, therefore, undertakes to indemnify and hold the USG harmless from any and all loss or liability, whether in tort or contract, which the USG might otherwise incur in connection with this agreement. In furtherance of this undertaking, but without limiting in any manner the type of risk or liability which may be envisioned by the foregoing, the following additional terms and conditions apply:

1. The purchaser agrees to relieve the contractor and the USG from, and will assume, any and all risk of loss or damage to items or equipment furnished or procured pursuant to this agreement for which the USG has assumed, in whole or in part, such risk of loss or damage pursuant to contract in connection with this agreement.
2. The purchaser agrees to accept the risk of, and to indemnify the Government of the United States for, any loss of or damage to U.S. Government property furnished to contractors in connection with this agreement, caused by the "expected perils" included in the clause set forth in Armed Services Procurement Regulation 7-104.24(c).
3. The purchaser will indemnify and hold harmless the Government of the United States of America, its agencies, and its agents, officers and employees against all claims arising directly or indirectly by reason of injury to or death of persons, or loss of or damage to property, and will reimburse the Government of the United States of America for loss of or damage to its property, or expenses incurred as a result of death of or injury to U.S. personnel, arising out of activities undertaken in connection with this agreement.
4. Purchaser agrees to bear the risk of damage or loss to aircraft or equipment furnished or procured pursuant to this agreement while under the custody or control of the USG or when operated or flown by USG personnel.

**ADDITIONAL TERMS AND CONDITIONS
ADDITIONAL FERRYING**

1. The USG will provide for movement of aircraft to point of delivery specified on reverse of DD Form 1513.
2. In order to carry out the purpose of this agreement, the USG will accept title to the aircraft from the contractor, and title to the aircraft will remain with the USG until arrival at the point of delivery, at which time title passes to the purchaser.
3. The purchaser agrees to bear the risk of loss of or damage to the aircraft from the moment title is accepted by the USG.
4. The purchaser will indemnify and hold harmless the USG, its agencies and its agents, officers, and employees against any and all claims arising directly or indirectly by reason of injury to/or death of persons and loss of or damage to property, incident to the operation or use of aircraft pursuant to this agreement.
5. The aircraft will be marked with appropriate USG markings. The purchaser is liable for the cost of placing such markings on the aircraft and is responsible for removing such markings upon passage of title to the purchaser.
6. The USG will not be subject to or held liable for any import fees, duties, or other charges levied by the purchaser.
7. Date of delivery to destination will be contingent upon the receipt of necessary over-flight and other clearances.
8. The purchaser is liable for all enroute costs, including but not limited to any maintenance required to insure that the aircraft are in a safe condition, in accordance with current USG regulations, prior to flight.
9. It is agreed that there will normally be no USG/purchaser splits in crews. If split crews are used, the aircraft commander must be an officer of the USG who will have command and control over the crew. If more than one aircraft is being ferried, the senior U.S. aircraft commander will have command and control over all aircraft.

**ADDITIONAL TERMS AND CONDITIONS
TRANSPORTATION SERVICES**

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

**ADDITIONAL TERMS AND CONDITIONS
SERVICES AND REPAIRS**

It is understood by the purchaser that the Government of the United States in procuring the services and materiel specified in this agreement does so on a nonprofit basis for the benefit of the purchaser. The purchaser therefore undertakes to indemnify and hold the USG harmless from any and all loss or liability, whether in tort or contract, which the USG might otherwise incur in connection with this agreement. In furtherance of this undertaking, but without limiting in any manner the type of risk or liability which may be envisioned by the foregoing, the following additional terms and conditions apply:

1. Purchaser agrees to bear the risk of damage or loss to the equipment furnished pursuant to this agreement while under the custody or control of the USG or USG personnel.
2. The purchaser agrees to relieve the contractor and the USG from, and will assume, any and all risk of loss or damage to the equipment furnished pursuant to this agreement for which the USG has assumed, in whole or in part, such risk of loss or damage pursuant to the contract.
3. Purchaser agrees to assume any risk which the USG might otherwise bear (either directly or by contractual agreement), and to indemnify the USG, for damage or loss to USG equipment furnished for use in connection with this agreement.
4. The purchaser will indemnify and hold harmless the Government of the United States of America, its agencies, and its agents, officers and employees against all claims arising directly or indirectly by reason of injury to or death of persons, or loss of or damage to property, and will reimburse the Government of the United States of America for loss of or damage to its property, or expenses incurred as a result of death of or injury to U.S. personnel, arising out of activities undertaken in connection with this agreement.

FINANCIAL ANALYSIS

CC _____
 Case _____
 System _____
 Case Line _____ Date prepared _____

PRICING TECHNIQUE

- a. NSN _____
- b. Qty _____
- c. Source of Price (Check One)
- (1) _____ Prime Contractor
 - (2) _____ Prime and GFE Contractor
 - (3) _____ Standard Price
 - (4) _____ Major Subordinate Command Estimate
 - (5) _____ Other (Explain)
- d. Source Unit Price _____
- e. Adjusted Price (Explain source and computations in Remarks)
- (1) _____ Agent's Fees or Commissions
 - (2) _____ Non-recurring Costs (RDT&E)
 - (3) _____ Non-recurring Costs (Production)
 - (4) _____ Replacement Costs
 - (5) _____ Adjusted for Inflation
 - (6) _____ Asset Use Charge
 - (7) _____ Unfunded Costs
 - (8) _____ Recurring Support Costs _____ Contract _____ Government
 - (9) _____ First Destination Transportation
 - (10) _____ Other (Explain)
 - (11) _____ Total Adjustment
- f. Adjusted Unit Price _____
- g. Budgeted or on-going service procurement price and source _____
 (Explain, if significantly different from proposed sale price)
- h. Source for Schedule of Payments
- (1) _____ Prime Contractor
 - (2) _____ Prime and GFE Contractor
 - (3) _____ Major Subordinate Command Estimate
 - (4) _____ Other (Explain)

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i. Comparison with other cases (12 months)

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

j. Remarks (Use Continuation Sheets, as necessary).

* If different from above adjusted unit price.

APPENDIX B

**PROCEDURES FOR PROCESSING FMS
LETTERS OF OFFER FOR \$25 MILLION
OR GREATER AMOUNTS**

No letter of offer for \$25 million or more will be signed and issued (i.e., released) to the purchaser without the specific prior authorization of DSAA.

A copy of each letter of offer for \$25 million or more will be furnished to Comptroller, DSAA, after coordination by the Directorate of Operations, DSAA, when the letter of offer is in such form that it would be signed and issued to the purchaser but for these requirements. Blocks 5 and 6 will be left incomplete on the original and on all copies of the DD Form 1513 at this stage of processing. Block 4 (Offer Expiration Date) should be completed with a date no earlier than 30 days after the date on which the copy of the letter of offer is provided to Comptroller, DSAA. A letter in the form of Figure App B-1 will be provided to Comptroller, DSAA, concurrent with the copy of the Letter of Offer.

The Military Department will furnish one copy of the unsigned letter of offer to the purchaser as an enclosure to a transmittal letter in the format of Figure App B-2. This can be done only after receiving express authorization from Office of the Comptroller, DSAA.

Concurrent with the transmittal of the unsigned copy of the letter of offer to the purchaser, the Director, DSAA, will on the same date, in satisfaction of the requirements of Section 36, notify the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate, respectively.

Additionally, if the defense articles in the DD Form 1513 are to be provided from United States active forces' inventories, the Comptroller, DSAA must submit a report

thereof to the Speaker of the House and the President of the Senate setting forth:

a. the impact of such sales or transfers on the current readiness of United States; and

b. the adequacy of reimbursement to cover, at the time of replenishment to United States' inventories, the full replacement costs of those items sold or transferred.

Upon the expiration of the statutory 20 days waiting period, the Comptroller, DSAA, will, if Congress has not during that period adopted a concurrent resolution objecting to the proposed sale, authorize the applicable Military Department to sign and issue the DD Form 1513 to the purchaser. The DD Form 1513 should be released to the purchaser immediately upon receipt of that authorization.

If the Congress adopts a concurrent resolution objecting to a proposed sale, the Director, DSAA, will promptly notify the purchaser of that fact and send a copy of that notification to the applicable Military Department. The provisions of Sec. 36 and of the foregoing implementing procedures also apply to any amendment totalling \$25 million or more to an existing FMS case unless such amendment results solely from identifiable cost increases. The provisions also apply in the case of any amendment which would increase the value of an existing case from under \$25 million to a value over \$25 million. Such amendments will not be issued unless absolutely necessary. Instead, new letters of offer will be processed to cover the new requirement which normally would be covered by amendment.

MEMORANDUM FOR THE COMPTROLLER, DSAA

SUBJECT: FMS Letters of Offer Which Total \$25 Million or More

The following information is provided in accordance with the reporting requirement of Section 36(b) of the Foreign Military Sales Act, as amended, and the 1976 DOD Appropriation Authorization Act:

- a. Country:
- b. Military Department:
- c. Case Designator:
- d. Total Value:
- e. Type and Quantity of Equipment:
- f. Security Classification of Sale:

In addition, if the defense articles are to be provided from United States active forces' inventories, statements must be provided to indicate:

- g. The impact of such sales or transfers on the current readiness of United States forces;
- h. The adequacy of reimbursements to cover, at the time of replenishment to United States' inventories, the full replacement costs of those items sold or transferred; and
- i. If reimbursements are inadequate, explain impact and justification for such disparity.