
FOREIGN MILITARY SALES CASES

INTRODUCTION

The foundation of any United States (U.S.) government-sponsored sale of defense articles or services is the Letter of Offer and Acceptance (LOA). The LOA is a contractual sales agreement between the seller (the U.S. government (USG)) and the purchaser (a foreign government or international organization). The LOA is written by a U.S. military department (MILDEP) or other USG implementing agency (IA), based on applicable regulations and the specifications the purchaser has set forth in its Letter of Request (LOR). The LOA is commonly referred to as a foreign military sales (FMS) case. Each LOA has a unique case identifier (described later in this chapter), which enables both the USG and the foreign purchaser to refer to it without the possibility of confusion amidst the thousands of foreign military sales cases that are currently active.

CATEGORIES OF STANDARD FOREIGN MILITARY SALES CASES

The LOA is used to implement one of the following three types of FMS cases:

- Defined order
- Blanket order
- Cooperative logistics supply support arrangement (CLSSA)

While each MILDEP uses its own terminology to describe a given type of case, in accordance with the Department of Defense (DOD) 5105.38-M, *Security Assistance Management Manual* (SAMM), C5.4.3, all FMS cases, regardless of nomenclature, fall into one of the aforementioned categories.

Defined Order

A defined order case is one in which the defense articles, services, or training desired by the requesting country or international organization are specified/quantified in the LOR, and subsequently stated in the LOA. The defined order case is most commonly used for sale of major end items and significant military equipment (SME), both of which require trade security control throughout the sales process. Also included in a major end item sale (tanks, aircraft, etc.) is approximately two years of related initial support items. Cases of this type are commonly referred to as standard sales by the U.S. Army, defined line or push requisitioning by the U.S. Navy, and defined order by the U.S. Air Force. Attachment 6-1 is an example of a defined order FMS case.

A defined order case normally requires a complete LOA data study of separately deliverable line items in the case. This study gives the purchaser the best available estimate of item costs and delivery schedules within an allowable processing time frame. This data study also includes information on payment schedules, financial analysis for program milestones, and deliveries and payments made to contractors.

The types of defense articles, services, or training normally processed as defined order cases include:

- Significant military equipment (SME). This includes major end items and weapon systems (e.g., tanks, ships, airplanes, missiles, etc.), and any related requirements to activate and operate an item or system during an initial period of time.
- Explosives including munitions
- Classified
- Specific services i.e. transportation, aircraft ferrying
- Technical data packages (TDP)

Blanket Order Foreign Military Sales Case

A blanket order case is an agreement between a customer and the USG to purchase a specific category of items or services (including training) at a set dollar value ceiling with no definitive listing of the exact items or quantities desired. Customers may requisition against a blanket order case as long as the case has funds available. Cases of this nature are commonly called the following:

- Blanket open end by the U.S. Army
- Direct requisitioning procedures/open end requisitioning by the U.S. Navy
- Blanket order/annual requisitioning by the U.S. Air Force

Attachment 6-2 is an example of a blanket order case.

Blanket order cases are normally used to process the following items:

- Spares and repair parts are consumable or repairable items that become part of a higher assembly during use. Normally, a case in this category is opened to provide for follow-on support of a major item or weapon system following an initial support period. Initial or concurrent support is usually provided for in the system/package sale as a part of the total package approach. A blanket order case can be established for each major item or weapon system, or if offered by the IA, one case may be established for the support of multiple systems.
- Publications. To order, maintain, and support defense articles and services, the following publications may be ordered through a blanket order case: forms, catalogs, manuals, stock lists, technical orders, engineering drawing specifications, reports, books, and charts.
- Support equipment. These items are special tools, test equipment, vehicles, construction equipment, materials handling equipment, etc., used in direct or indirect support and maintenance of weapon systems or end items.
- Maintenance. Minor modifications/alterations performed at U.S. military installations. These involve changes to an existing configuration as authorized by the responsible MILDEP. The level of service authorized must be specified in the case.
- Repairables. These are any items of supply of a durable nature and design which, when unserviceable, normally can be economically restored to a serviceable condition through regular repair procedures. Repairables may be repaired at the request of the customer and with the approval of the appropriate military service. Examples are major components such as aircraft engines, communications equipment, radars, motor vehicle engines, and transmissions or secondary items such as generators.
- Technical Assistance Services. These are services in the form of technical advice or actions that require the assistance of a specialist. Technical assistance services include such processes as determining the economy and feasibility of repair, estimating the nature and level of repair to be accomplished, analyzing the feasibility of updating the configuration of items, determining the range and depth of spare parts

needed to sustain repair at various levels, establishing failure rates, and analyzing reported failure data to make adjustments. Other examples of such assistance are:

- Site/system survey teams
- Installation and operational readiness testing of major items
- Systems evaluation
- Study groups to develop such essentials as engineering requirement plans, system integration, and training programs
- Technical assistance teams
- Training. This includes formal (classroom) or informal (on-the-job) instruction of international military students by DOD components, contractors (including instruction at civilian institutions), or by correspondence course to include technical, educational, or informational publications, and instructional media of all kinds.
- Training Aid Devices. These are used principally to supplement training programs. Examples are:
 - Videotapes
 - Slides
 - Film
 - Microfiche
 - Transparencies
 - DVDs

Restrictions on Blanket Order Procedures

There are a number of instances where, according to regulation, blanket order case procedures do not apply. [SAMM, C5.4.3.2.2] These items must be ordered under a defined order case. Included in these restrictions, but not limited thereto, are:

- SME initial logistics support that is normally ordered for concurrent delivery
- Classified material
- Lumber and other commercial-type material
- Technical data packages
- Ozone depleting substances

Defined versus Blanket Order Procedures

There are instances in which either the defined order or blanket order case may be used, depending on the specific IA and country involved. MILDEP policy, customer preference, minimum case values, and item application (i.e., support for a specific system or program, or general support to a customer service, unit, depot, etc.) will dictate which type of case is most appropriate.

An important feature of both defined order and blanket order cases is that their material requirements are normally filled from DOD stocks only if on-hand assets are above the control level. The only time that FMS requisitions will normally be filled below the control level is through a mature (programmed) CLSSA.

Cooperative Logistics Supply Support Arrangement

A CLSSA is a type of blanket order case designed to provide more responsive follow-on spare parts support for U.S.-produced military hardware possessed by foreign countries. IAs may offer a CLSSA to a customer on approval from the Defense Security Cooperation Agency (DSCA).

The advantage of a CLSSA for a customer is that it allows support for the purchaser's requisitions on an equal basis with U.S. units having the same Force Activity Designator (FAD), which relates to the mission of the activity. This arrangement requires that the customer pay an up-front amount to the MILDEP, which then uses those funds to augment U.S. defense stocks.

A CLSSA increases the chance of items being available for issue from DOD stock. For additional information on the CLSSA, refer to Chapter 10 of this text book, "Logistics Support of International Military Sales."

CASE IDENTIFIER

Each FMS case will have a unique case identifier assigned on the first page of the LOA by the IA. The case identifier has three major components:

- **Country Code:** A two-position code representing the purchasing country or organization. A list of DOD country/activity codes is in SAMM, Table C4.T2.
- **Implementing Agency (or service) Code:** A single character alpha code which identifies the U.S. MILDEP or agency which has made the sale on behalf of the USG. The most common codes are B-Army, D-Air Force, and P-Navy. Refer to Chapter 5 of this textbook, "Foreign Military Sales Process," or to SAMM Table C5.T2 for additional IA codes.
- **Case Designator:** A three-position alpha code assigned by the IA to identify a specific offer to a country. The first character of a case designator identifies the category item or service to be provided to the purchaser. The meaning of this first position code varies by service. See Attachment 6-4 for the different meanings. The second and third characters are assigned sequentially to distinguish among a country's separate cases for the same category of item or service.

SAMM Figure C5.F5 further discusses building case identifiers and designators.

The case identifier on the LOA in Attachment 6-2 is BN-B-BAB. The country code "BN" is for Bandaria, the purchasing country; the IA is "B" for the U.S. Army; and the first position of the case designator is "B," indicating that this is a blanket order case for spares. Finally, the "AB" in "BAB" indicates that this is the second case that the U.S. Army has implemented for Bandaria in the "B" (spares) category. The next case for Bandaria in this category would be "BAC," and so forth. The case identifier should be used on all documentation relating to its associated LOA. It is used to track the status of the LOA and is perpetuated in case directives, *Military Standard Requisitioning and Issue Procedures* (MILSTRIP) documents, FMS billing documents, and the DSCA 1200 computer system.

PSEUDO LETTER OF OFFER AND ACCEPTANCE

Various authorities within U.S. law allow using U.S. appropriated funds (other than Foreign Military Finance (FMF) and International Military Education and Training (IMET) funds) to provide defense articles and services to friends and allies. Typically these are supplemental authorities (such as *National Defense Authorization Act* (NDAA) Section 1206) or supplemental appropriations that are used to provide equipment, supplies, and training to foreign military forces so that they may conduct joint operations with U.S. forces as well as counternarcotics and counterterrorist operations. Under these authorities, federal agencies or DOD components that conduct security cooperation programs

may (note that this is an option) order defense articles and services through DSCA, which acts as a servicing agency.

To start this process, DOD and other federal agencies will submit a LOR to DSCA identifying the services and equipment to be provided and citing the legal authority for the program. DSCA will approve the use of the FMS infrastructure (to include the Security Cooperation Office (SCO), implementing agencies, Defense Finance and Accounting Service (DFAS), and existing security assistance automated systems) to execute the program. The IA (usually the U.S. Army) prepares the Pseudo LOA. The Pseudo LOA will itemize defense articles and/or services included in the request and will be used by the USG to track the case.

Each Pseudo LOA will be funded with a single source of appropriated funds; multiple funding sources for a single pseudo case cannot be used. Normally funds from one appropriation fiscal year or type cannot be merged with another appropriation fiscal year or other type of funds to fund requirements under a pseudo case.

Some of the operating guidelines for a Pseudo LOA are as follows:

- Pricing of articles and services for Pseudo LOAs is in accordance with DOD 7000.14-R and the *Foreign Assistance Act* (FAA).
- All Pseudo LOA documents require DSCA countersignature.
- The Pseudo LOA is NOT signed by the country or organization receiving the articles and/or services.
- Transportation is provided by the U.S. Government (USG). See Chapter 11 of this text book, “Foreign Military Sales Transportation Policy,” for additional information on the transportation of articles provided under a pseudo case.
- If the title transfers, it will transfer at the point of delivery vice initial point of shipment.
- The purchasing agency is responsible for any congressional notifications, assuring that the party is authorized to take delivery of the articles or services, and for any subsequent requirements pertaining to use and accountability for the items after delivery.
- LOA standard terms and conditions DO NOT apply to Pseudo LOAs.
- The time period for the availability of financial authority will be noted in the Pseudo LOA.
- Pseudo cases are readily identified by the unique country code assigned by DSCA, historically beginning with “Y”-, “S”-, or “B”-. The case nickname field will clearly indicate the legal authority for the case, e.g., FAA Section 632(b), and that this is a “non-FMS” case. The purchaser’s reference field will cite the written request from the DOD or federal agency.
- DSCA will issue a policy memorandum to identify the funding authority, the unique country code, and specific Pseudo LOA preparation procedures. Review these policy memorandums on the DSCA web site to get a more thorough understanding of Pseudo LOAs.

An example of a Pseudo LOA is shown in Attachment 6-3.

SUMMARY

The FMS case concept is crucial to the understanding and management of the overall FMS program. Standard FMS cases fall into one of three categories as defined by the SAMM: defined

order, blanket order, and CLSSA. Pseudo LOAs allow some security cooperation programs to be implemented using the same FMS infrastructure.

Each FMS case has a unique identifier, composed of a country code, IA code, and a case designator series, which is used for all managerial tasks associated with the case, such as financial and logistics tracking.

REFERENCES

U.S. Department of Defense. DOD 5105.38-M, *Security Assistance Management Manual (SAMM)*, Chapter 5.

U.S. Department of the Air Force. Air Force Manual 16-101, *International Affairs and Security Assistance Management*.

U.S. Department of the Army. AR 12-1, Security Assistance, *International Logistics, Training, and Technical Assistance Support Policy and Responsibilities*.

U.S. Department of the Navy. Naval Supply (NAVSUP) Systems Command Publication 526, *Foreign Military Sales Customer Supply System Guide*.

Items to be supplied (costs and months for delivery are estimates):

(1) Itm	(2) Nbr Description Condition	(3) Qty Unit of Issue	(4) Costs (a) Unit (b) Total	(6) (5) SC/MOS/ TA	(7) Ofr Rel Cde	Del Trm Cde	
001	D4A 2350001226826 (Y)(N)(R)	20 EA	\$747,723.80	\$14,954,476	P(24)	X	9
K	D4A 2350001226826 (VII) RECOVERY VEHICLE MED M88A1P				TA5 SC		
	Recovery Vehicle, Full Tracked Diesel Engine (M88A1) with Installed Communications Equipment						
002	K8A 9K8A000CMBTSP(N)(N)(R)	XX		\$2,000,000	X(18-21)	A	5
A	COMBAT VEHICLE (XXI) SPARE PARTS FOR ITEMS PROGRAMMED UNDER GENERIC CODE D, ALSO INCLUDE CONVERSION KITS				TA4		
003	J8A 768ZBOOKSPUBS (N)(N)(R)	XX	\$175,000		S(12-15)	A	5
6	TECH BOOKS, (XXI) PUBLICATIONS, SOFTWARE				TA3		
	Technical and Non-Technical Books and Publications - DA Publications						

Estimated Cost Summary:

(8) Net Estimated Cost	\$17,129,476
(9) Packing, Crating, and Handling	\$0
(10) Administrative Charge	\$428,237
(11) Transportation	\$515,243
(12) Other	\$0
(13) Total Estimated Cost	\$18,072,956

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$1,544,934	\$1,544,934
15 Jun 2008	\$2,153,637	\$3,698,571
15 Sep 2008	\$3,333,005	\$7,031,576
15 Dec 2008	\$3,903,164	\$10,934,740
15 Mar 2009	\$4,584,635	\$15,519,375
15 Jun 2009	\$2,150,716	\$17,670,091
15 Sep 2009	\$402,865	\$18,072,956

Explanation for acronyms and codes, and financial information, may be found in the “Letter of Offer and Acceptance Information.”

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - Indianapolis, ATTN: Defense Security Assistance Accounting, DFAS-IN/JAX, 8899 E. 56th Street, Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this LOA document (if required) should be made to ABA# 021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-IN/JAX Agency, showing “Payment from the Government of Bandaria for BN-B-UDD”; or a check for the initial deposit, made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, Indiana 46249, showing “Payment from the Government of Bandaria for BN-B-UDD”. Wire transfer is preferred.

2. One signed copy should be returned to Department of the Army, Commander, U.S. Army Security Assistance Command, ATTN: AMSAC-MA-CP, 5701 21st Street, Bldg. 216, Fort Belvoir, Virginia 22060.



**ATTACHMENT 6-2
SAMPLE BLANKET ORDER CASE**

**United States of America
Letter of Offer and Acceptance (LOA)
BN-B-BAB**

Based on Government of Bandaria Ref Ltr ABLM-45, 25 November 2006.

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Embassy of Bandaria, Office of the Ground Attaché, 1234 Massachusetts Av, NW, Washington, D.C. 29999, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA is for spare parts for support of Bandaria Ground Communications, Radar Systems, and other U.S. origin communication equipment.

Estimated Cost: \$383,110

Initial Deposit: \$226,229

Terms of Sale:

Cash Prior to Delivery
Dependable Undertaking

This offer expires on 27 February 2007. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This Modification consists of page 1 through page 27

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this Modification:

U.S. Signature 6 Dec 2006
Date

Director, Regional Operations
Typed Name and Title

US Army Security Assistance Command
Ft. Belvoir, Va 22060

Implementing Agency

DSCA Reviewed/Approved 13 Dec 2006
DSCA Date

Purchaser Signature 24 Feb 2007
Date

Typed Name and Title

Agency

Information to be provided by the Purchaser:

Mark For Code_(L)_, Freight Forwarder Code_(2)_, Purchaser Procuring Agency Code_B_, Name and Address of the Purchaser's Paying Office: Embassy of Bandaria, Office of the Ground Attaché, 1234 Massachusetts Av., NW, Washington, D.C. 29999.

Items to be supplied (costs and months for delivery are estimates):

(1) Itm Nbr	(2) Description Condition	(3) Qty Unit of Issue	(4) Costs (a) Unit (b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001	H9A 580000COMPART COMM EQP SP PTS SUPP/SPT IN FSG 58 & 59 MAY INCL OTHER FSG WHEN SUPPLIED FOR COMMO EQP	(N)(N)(R) (XI) XX	\$368,101	X(-) TA4	A	5
Unclassified communications equipment, spare parts, and electronic supplies to support standard ground communications and radar systems.						
002	R6C SMALLCASESUPT SMALL CASE SUPPORT EXPENSES	(N)(N)(R) (-)	\$1,012	S(1) TA3		

Estimated Cost Summary:

(8) Net Estimated Cost	\$369,122
(9) Packing, Crating, and Handling	\$0
(10) Administrative Charge	\$13,988
(11) Transportation	\$0
(12) Other	\$0
(13) Total Estimated Cost	\$383,110

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule		
<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$226,229	\$226,229
15 Jun 2007	\$83,050	\$309,279
15 Sep 2007	\$55,367	\$364,646
15 Dec 2007	\$18,464	\$383,110

Explanation for acronyms and codes, and financial information, may be found in the “Letter of Offer and Acceptance Information.”

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - Indianapolis, ATTN: Security Assistance Accounting, DFAS-IN/JAX, 8899 E. 56th Street, Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this LOA document (if required) should be made to ABA# 021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-IN/JAX Agency, showing “Payment from the Government of Bandaria for BN-B-BAB”; or a check for the initial deposit, made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, IN 46249, “Payment from the Government of Bandaria for BN-B-BAB”. Wire transfer is preferred.

2. One signed copy should be returned to Department of the Army, Commander, U.S. Army Security Assistance Command, ATTN: AMSAC-MA-CP, 5701 21st Street, Bldg. 216, Fort Belvoir, Virginia 22060.

Note 1. REQUISITIONING (PURCHASER INITIATED).

The purchaser may not submit requisitions under this LOA for controlled items which contain Acquisition Advice Codes A or B. These items should be obtained through a defined order LOA. Items with Acquisition Advice Code C may be requisitioned but are service managed and if not authorized will be rejected with advice code “CQ”.

Note 2. SUPPORT PRIORITY.

Materiel requested on priority designators 02 through 08 requisitions will be restricted to that amount necessary to satisfy immediate end-use installation requirements only. Quantities require to replenish stocks will be requisitioned under appropriate priority designators 09 through 15. The customer will ensure proper use of the force activity designator (FAD) as assigned by the U.S. Joint Chiefs of Staff. Proper utilization of urgency of need codes in conjunction with assigned FAD is essential for correct assignment of priority designators. In order to ensure effective and timely supply support, use of the correct priority is essential. Use of priority designator is being monitored and appropriate authorities are notified of any apparent misuse of the Uniform Materiel Movement and Issue Priority System (UMMIPS).

Note 3. ADMINISTRATIVE SURCHARGE.

An administrative surcharge of 3.8% has been applied to Line 001.

ATTACHMENT 6-3
SAMPLE PSEUDO LETTER OF OFFER AND ACCEPTANCE CASE



UNITED STATES OF AMERICA
LETTER OF OFFER AND ACCEPTANCE (LOA)

B4-P-AZZ
Bandaria, PL 109-163, Sec. 1206 (Non-FMS)

Based on written request provided by the section 1206 of PL 109-163. Program Originator Department

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Department of Defense, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA provides for laser designators, ground diesels, and GPS for use with SUPERHAWK Helicopters.

Estimated Cost: \$1,384,181

Initial Deposit: \$1,384,181

Terms of Sale:

Cash with Acceptance Public Law 109-163

This offer expires on 31 July 2006. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 12.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

U.S. Signature 6 Jul 2006
Date

Purchaser Signature 11 Jul 2006
Date

KATHY J. JONES
Acting Regional Director
Typed Name and Title

Section 1206, PL 109-163 (Non-FMS)
No Purchaser Signature Required
Typed Name and Title

U.S. Army Security Assistance Command
Alexandria, Va 22333-0001
Implementing Agency

Agency

DSCA Reviewed/Approved 7 Jul 2006
DSCA Date

Information to be provided by the Purchaser:

Mark For Code_(0)_, Freight Forwarder Code_(W)_, Purchaser Procuring Agency Code_B_, Name and Address of the Purchaser's Paying Office: _____

Customer reference continued: Defense to Defense Security Cooperation Agency, dated 08 May 2006. The legal authority is section 1206 of PL 109-163. See Note 5 for additional information.

Items to be Supplied (costs and months for delivery are estimates):

(1) Itm Nbr	(2) Description Condition		(3)	(4)		(5)	(6)	(7)
			Qty Unit of Issue	(a) Unit	(b) Total	SC/MOS/ TA	Ofr Rel Cde	Del Trm Cde
001 A	A7A 4920000001A7A GRND HANDLING EQP	(N)(N)(R) (VIII)	8 EA		\$995,368	X(24) TA4	X	9
	Power Units, Ground Diesel (Note(s) 2)							
002 A	H6Z 589Z000THRC0M OTHER COM- ELECTRONIC EQUIPMENT	(N)(N)(R) (XI)	XX		\$157,636	X (24) TA4	X	9
	GPS, Handheld and Laser Designators, Finger Type (Note(s) 1)							

Estimated Cost Summary:

(8) Net Estimated Cost	\$1,153,004
(9) Packing, Crating, and Handling	0
(10) Administrative Charge	43,814
(11) Transportation	187,363
(12) Other	0
(13) Total Estimated Cost	\$1,384,181

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

ESTIMATED PAYMENT SCHEDULE

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$1,384,181	\$1,384,181

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - IN, ATTN: DFAS-IN/JAX, 8899 E. 56th Street, Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this LOA document (if required) should be made to ABA# 021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-IN/JAX Agency, showing "Payment from Section 1206 (FY07) for B4-P-AZZ"; or a check for the initial deposit made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, IN 46249, showing "Payment from Section 1206 (FY07) for B4-P-AZZ". Wire transfer is preferred.

2. One signed copy should be returned to Department of the Navy, Navy International Programs Office, 2521 South Clark Street, Suite 800, Arlington VA 22202-3928.

Note 1. GPS HAND HOLD AND LASER DESIGNATOR, FINGER TYPE.

Line 001 provides for eight (8) Power Units, Ground Diesel. All equipment will be new and unused from procurement.

Note 2. GPS HAND HELD AND LASER DESIGNATOR, FINGER TYPE.

Line 002 provides for forty (40) GPS Hand Held receivers and one-hundred (100) laser designators, finger type. All equipment will be new and unused from procurement.

Note 3. AUTHORITY FOR SALE - SECTION 1206 OF PL 109-163 PROGRAMS.

This sale is made under the authority of section 1206 of PL 109-163. Any reference in this Letter of Offer and Acceptance to the United States Arms Export Control Act, to defense articles, and to defense services shall be construed instead to be a reference to section 1206 of PL 109-163. Any reference in this LOA to "purchaser" shall be construed as a reference to the Department of Defense.

Note 4. CASE CLOSURE - SECTION 1206 OF PL 109-163 PROGRAMS.

This case must be fully reconciled and closed by 30 September 2011.

Note 5. FUNDS, PURPOSE, AVAILABILITY AND AMOUNT - SECTION 1206 OF PL 109-163 PROGRAMS.

The funds financing this Pseudo Letter of Offer and Acceptance (LOA) are expiring funds and are subject to all the requirements and restrictions under the heading of section 1206 of PL 109-163. The funds provided are in support of authority to build the capacity of foreign military forces and carry the same time, purpose, and availability restrictions associated with the fund source 9760100, DOD Defense-Wide Operation and Maintenance.

- a. Failure to obligate FY 2006 DOD Defense-Wide Operation and Maintenance funds during the period of availability ending on 30 September 2006 will render them unavailable for new obligations after that date.
- b. FY 2006 DOD Defense-Wide Operation and Maintenance funds must be expended on or before 30 September 2011.
- c. Total funds available for expenditure against this Pseudo LOA are limited to the value of \$1,384,181.
- d. Amendments or Modifications to this Pseudo LOA are only authorized with DSCA written approval.

Note 6. ANTI-TAMPER (AT) MEASURES.

The United States Government (USG) may incorporate Anti-Tamper (AT) protection into weapon systems and components that contain Critical Program Information (CPI). The AT protection will not impact operations, maintenance, or logistics provided that all terms delineated in the system technical documentation are followed.

Note 7. MISSILE TECHNOLOGY CONTROL REGIME (MTCR).

Paragraph 2.3 of the Standard Terms and Conditions of this LOA discusses use and transfer restrictions on articles and services provided under this LOA and emphasizes that the Purchaser “shall not use or permit their use for purposes other than those authorized, unless the written consent of the USG has first been obtained.” The customer agrees not to divert articles and services received under this LOA for purposes or uses other than those for which furnished to include, but not limited to, any use that could contribute to the acquisition, design, development or production of a “missile,” as defined in section 74 of the AECA (22 U.S.C. 2797c). The items will be used only for the purpose stated and such use will not be modified nor the items modified or replicated without the prior consent of the USG; neither the items nor replicas nor derivatives thereof will be retransferred without the consent of the USG. The USG also reserves the right to take action under section 73(a) of the AECA (22 U.S.C. 2797b(a)) in the case of any export or transfer of any MTCR equipment or technology that contributes to the acquisition, design, development or production of missiles in a country that is not an MTCR adherent.”

Note 8. END-USE MONITORING.

Pursuant to the Foreign Assistance Act (FAA), Section 505; and the Arms Export Control Act (AECA), Section 40A, the USG will be permitted, at its discretion, to conduct an inspection and physical inventory of all articles and services transferred under this LOA. Upon request, the inventory and accountability records maintained by the Purchaser will be made available to the U.S. personnel conducting this inspection.

Note 9. ADMINISTRATIVE SURCHARGES.

An administrative surcharge of 3.8% has been applied to line(s) 001 and 002.

ATTACHMENT 6-4 FIRST POSITION OF CASE DESIGNATOR

U.S. Army (IA Code = B)	U.S. Navy (IA Code = P)	U.S. Air Force (IA Code - D)
<p>B Repair parts</p> <p>G SELPO/communications security</p> <p>H Construction (Corps of Engineers)</p> <p>I EDA</p> <p>J SDAF (special defense acquisition fund)</p> <p>K CLSSA</p> <p>L Leases</p> <p>M Medical (U.S. Army Medical Materiel Agency)</p> <p>N Coproduction</p> <p>O Training</p> <p>P P&A</p> <p>Q Materiel/services (from U.S. activities) located in Europe)</p> <p>S Materiel/services (from U.S. Army Security Assistance Agency-Latin America</p> <p>T Publications</p> <p>U-Z Materiel/services provided from various life-cycle management commands (including but not limited to system package sales, munitions, spare parts equipment, technical services maintenance, etc.)</p>	<p>A Ammunition and other explosives</p> <p>B-C Individual spares and components</p> <p>G Technical and engineering services</p> <p>H-J Direct requisitioning procedures</p> <p>K FMSO (KA or KS-FMSO I and KB-KR or KT-KW-FMSO II)</p> <p>L Major end items (components and equipment)</p> <p>M Repair and return</p> <p>P Cartridge actuated devices (CAD) Propellant actuated devices (PAD) Air crew escape propulsion systems (AEPS)</p> <p>R Open end requisitioning procedures</p> <p>S Weapon system sale (ship or aircraft)</p> <p>T Training</p> <p>Z Leases</p>	<p>A Munitions (ammunitions, bombs, and rockets)</p> <p>C CAD/PAD</p> <p>D Communication equipment (i.e., C4) and facilities</p> <p>E Support equipment</p> <p>G Technical services</p> <p>K CLSSA</p> <p>L Defined order equipment</p> <p>M Repair and return</p> <p>N Special support</p> <p>O INFOSEC/COMSEC</p> <p>P Publications</p> <p>Q Specialized follow-on sustainment support</p> <p>R Blanket Orders Spares</p> <p>S Major aircraft system sale</p> <p>T Training</p> <p>U PSEUDO or SCP</p> <p>V Major/minor modifications</p> <p>X Reserved for DFAS-IN</p> <p>Y Major missile system sale</p> <p>Z Leases under AECA (not an FMS case)</p>

FOREIGN MILITARY SALES CASES

INTRODUCTION

The foundation of any United States (U.S.) government-sponsored sale of defense articles or services is the Letter of Offer and Acceptance (LOA). The LOA is a contractual sales agreement between the seller (the U.S. government (USG)) and the purchaser (a foreign government or international organization). The LOA is written by a U.S. military department (MILDEP) or other USG implementing agency (IA), based on applicable regulations and the specifications the purchaser has set forth in its Letter of Request (LOR). The LOA is commonly referred to as a foreign military sales (FMS) case. Each LOA has a unique case identifier (described later in this chapter), which enables both the USG and the foreign purchaser to refer to it without the possibility of confusion amidst the thousands of foreign military sales cases that are currently active.

CATEGORIES OF STANDARD FOREIGN MILITARY SALES CASES

The LOA is used to implement one of the following three types of FMS cases:

- Defined order
- Blanket order
- Cooperative logistics supply support arrangement (CLSSA)

While each MILDEP uses its own terminology to describe a given type of case, in accordance with the Department of Defense (DOD) 5105.38-M, *Security Assistance Management Manual* (SAMM), C5.4.3, all FMS cases, regardless of nomenclature, fall into one of the aforementioned categories.

Defined Order

A defined order case is one in which the defense articles, services, or training desired by the requesting country or international organization are specified/quantified in the LOR, and subsequently stated in the LOA. The defined order case is most commonly used for sale of major end items and significant military equipment (SME), both of which require trade security control throughout the sales process. Also included in a major end item sale (tanks, aircraft, etc.) is approximately two years of related initial support items. Cases of this type are commonly referred to as standard sales by the U.S. Army, defined line or push requisitioning by the U.S. Navy, and defined order by the U.S. Air Force. Attachment 6-1 is an example of a defined order FMS case.

A defined order case normally requires a complete LOA data study of separately deliverable line items in the case. This study gives the purchaser the best available estimate of item costs and delivery schedules within an allowable processing time frame. This data study also includes information on payment schedules, financial analysis for program milestones, and deliveries and payments made to contractors.

The types of defense articles, services, or training normally processed as defined order cases include:

- Significant military equipment (SME). This includes major end items and weapon systems (e.g., tanks, ships, airplanes, missiles, etc.), and any related requirements to activate and operate an item or system during an initial period of time.
- Explosives including munitions
- Classified
- Specific services i.e. transportation, aircraft ferrying
- Technical data packages (TDP)

Blanket Order Foreign Military Sales Case

A blanket order case is an agreement between a customer and the USG to purchase a specific category of items or services (including training) at a set dollar value ceiling with no definitive listing of the exact items or quantities desired. Customers may requisition against a blanket order case as long as the case has funds available. Cases of this nature are commonly called the following:

- Blanket open end by the U.S. Army
- Direct requisitioning procedures/open end requisitioning by the U.S. Navy
- Blanket order/annual requisitioning by the U.S. Air Force

Attachment 6-2 is an example of a blanket order case.

Blanket order cases are normally used to process the following items:

- Spares and repair parts are consumable or repairable items that become part of a higher assembly during use. Normally, a case in this category is opened to provide for follow-on support of a major item or weapon system following an initial support period. Initial or concurrent support is usually provided for in the system/package sale as a part of the total package approach. A blanket order case can be established for each major item or weapon system, or if offered by the IA, one case may be established for the support of multiple systems.
- Publications. To order, maintain, and support defense articles and services, the following publications may be ordered through a blanket order case: forms, catalogs, manuals, stock lists, technical orders, engineering drawing specifications, reports, books, and charts.
- Support equipment. These items are special tools, test equipment, vehicles, construction equipment, materials handling equipment, etc., used in direct or indirect support and maintenance of weapon systems or end items.
- Maintenance. Minor modifications/alterations performed at U.S. military installations. These involve changes to an existing configuration as authorized by the responsible MILDEP. The level of service authorized must be specified in the case.
- Repairables. These are any items of supply of a durable nature and design which, when unserviceable, normally can be economically restored to a serviceable condition through regular repair procedures. Repairables may be repaired at the request of the customer and with the approval of the appropriate military service. Examples are major components such as aircraft engines, communications equipment, radars, motor vehicle engines, and transmissions or secondary items such as generators.
- Technical Assistance Services. These are services in the form of technical advice or actions that require the assistance of a specialist. Technical assistance services include such processes as determining the economy and feasibility of repair, estimating the nature and level of repair to be accomplished, analyzing the feasibility of updating the configuration of items, determining the range and depth of spare parts

needed to sustain repair at various levels, establishing failure rates, and analyzing reported failure data to make adjustments. Other examples of such assistance are:

- Site/system survey teams
- Installation and operational readiness testing of major items
- Systems evaluation
- Study groups to develop such essentials as engineering requirement plans, system integration, and training programs
- Technical assistance teams
- Training. This includes formal (classroom) or informal (on-the-job) instruction of international military students by DOD components, contractors (including instruction at civilian institutions), or by correspondence course to include technical, educational, or informational publications, and instructional media of all kinds.
- Training Aid Devices. These are used principally to supplement training programs. Examples are:
 - Videotapes
 - Slides
 - Film
 - Microfiche
 - Transparencies
 - DVDs

Restrictions on Blanket Order Procedures

There are a number of instances where, according to regulation, blanket order case procedures do not apply. [SAMM, C5.4.3.2.2] These items must be ordered under a defined order case. Included in these restrictions, but not limited thereto, are:

- SME initial logistics support that is normally ordered for concurrent delivery
- Classified material
- Lumber and other commercial-type material
- Technical data packages
- Ozone depleting substances

Defined versus Blanket Order Procedures

There are instances in which either the defined order or blanket order case may be used, depending on the specific IA and country involved. MILDEP policy, customer preference, minimum case values, and item application (i.e., support for a specific system or program, or general support to a customer service, unit, depot, etc.) will dictate which type of case is most appropriate.

An important feature of both defined order and blanket order cases is that their material requirements are normally filled from DOD stocks only if on-hand assets are above the control level. The only time that FMS requisitions will normally be filled below the control level is through a mature (programmed) CLSSA.

Cooperative Logistics Supply Support Arrangement

A CLSSA is a type of blanket order case designed to provide more responsive follow-on spare parts support for U.S.-produced military hardware possessed by foreign countries. IAs may offer a CLSSA to a customer on approval from the Defense Security Cooperation Agency (DSCA).

The advantage of a CLSSA for a customer is that it allows support for the purchaser's requisitions on an equal basis with U.S. units having the same Force Activity Designator (FAD), which relates to the mission of the activity. This arrangement requires that the customer pay an up-front amount to the MILDEP, which then uses those funds to augment U.S. defense stocks.

A CLSSA increases the chance of items being available for issue from DOD stock. For additional information on the CLSSA, refer to Chapter 10 of this text book, "Logistics Support of International Military Sales."

CASE IDENTIFIER

Each FMS case will have a unique case identifier assigned on the first page of the LOA by the IA. The case identifier has three major components:

- **Country Code:** A two-position code representing the purchasing country or organization. A list of DOD country/activity codes is in SAMM, Table C4.T2.
- **Implementing Agency (or service) Code:** A single character alpha code which identifies the U.S. MILDEP or agency which has made the sale on behalf of the USG. The most common codes are B-Army, D-Air Force, and P-Navy. Refer to Chapter 5 of this textbook, "Foreign Military Sales Process," or to SAMM Table C5.T2 for additional IA codes.
- **Case Designator:** A three-position alpha code assigned by the IA to identify a specific offer to a country. The first character of a case designator identifies the category item or service to be provided to the purchaser. The meaning of this first position code varies by service. See Attachment 6-4 for the different meanings. The second and third characters are assigned sequentially to distinguish among a country's separate cases for the same category of item or service.

SAMM Figure C5.F5 further discusses building case identifiers and designators.

The case identifier on the LOA in Attachment 6-2 is BN-B-BAB. The country code "BN" is for Bandaria, the purchasing country; the IA is "B" for the U.S. Army; and the first position of the case designator is "B," indicating that this is a blanket order case for spares. Finally, the "AB" in "BAB" indicates that this is the second case that the U.S. Army has implemented for Bandaria in the "B" (spares) category. The next case for Bandaria in this category would be "BAC," and so forth. The case identifier should be used on all documentation relating to its associated LOA. It is used to track the status of the LOA and is perpetuated in case directives, *Military Standard Requisitioning and Issue Procedures* (MILSTRIP) documents, FMS billing documents, and the DSCA 1200 computer system.

PSEUDO LETTER OF OFFER AND ACCEPTANCE

Various authorities within U.S. law allow using U.S. appropriated funds (other than Foreign Military Finance (FMF) and International Military Education and Training (IMET) funds) to provide defense articles and services to friends and allies. Typically these are supplemental authorities (such as *National Defense Authorization Act* (NDAA) Section 1206) or supplemental appropriations that are used to provide equipment, supplies, and training to foreign military forces so that they may conduct joint operations with U.S. forces as well as counternarcotics and counterterrorist operations. Under these authorities, federal agencies or DOD components that conduct security cooperation programs

may (note that this is an option) order defense articles and services through DSCA, which acts as a servicing agency.

To start this process, DOD and other federal agencies will submit a LOR to DSCA identifying the services and equipment to be provided and citing the legal authority for the program. DSCA will approve the use of the FMS infrastructure (to include the Security Cooperation Office (SCO), implementing agencies, Defense Finance and Accounting Service (DFAS), and existing security assistance automated systems) to execute the program. The IA (usually the U.S. Army) prepares the Pseudo LOA. The Pseudo LOA will itemize defense articles and/or services included in the request and will be used by the USG to track the case.

Each Pseudo LOA will be funded with a single source of appropriated funds; multiple funding sources for a single pseudo case cannot be used. Normally funds from one appropriation fiscal year or type cannot be merged with another appropriation fiscal year or other type of funds to fund requirements under a pseudo case.

Some of the operating guidelines for a Pseudo LOA are as follows:

- Pricing of articles and services for Pseudo LOAs is in accordance with DOD 7000.14-R and the *Foreign Assistance Act* (FAA).
- All Pseudo LOA documents require DSCA countersignature.
- The Pseudo LOA is NOT signed by the country or organization receiving the articles and/or services.
- Transportation is provided by the U.S. Government (USG). See Chapter 11 of this text book, “Foreign Military Sales Transportation Policy,” for additional information on the transportation of articles provided under a pseudo case.
- If the title transfers, it will transfer at the point of delivery vice initial point of shipment.
- The purchasing agency is responsible for any congressional notifications, assuring that the party is authorized to take delivery of the articles or services, and for any subsequent requirements pertaining to use and accountability for the items after delivery.
- LOA standard terms and conditions DO NOT apply to Pseudo LOAs.
- The time period for the availability of financial authority will be noted in the Pseudo LOA.
- Pseudo cases are readily identified by the unique country code assigned by DSCA, historically beginning with “Y”-, “S”-, or “B”-. The case nickname field will clearly indicate the legal authority for the case, e.g., FAA Section 632(b), and that this is a “non-FMS” case. The purchaser’s reference field will cite the written request from the DOD or federal agency.
- DSCA will issue a policy memorandum to identify the funding authority, the unique country code, and specific Pseudo LOA preparation procedures. Review these policy memorandums on the DSCA web site to get a more thorough understanding of Pseudo LOAs.

An example of a Pseudo LOA is shown in Attachment 6-3.

SUMMARY

The FMS case concept is crucial to the understanding and management of the overall FMS program. Standard FMS cases fall into one of three categories as defined by the SAMM: defined

order, blanket order, and CLSSA. Pseudo LOAs allow some security cooperation programs to be implemented using the same FMS infrastructure.

Each FMS case has a unique identifier, composed of a country code, IA code, and a case designator series, which is used for all managerial tasks associated with the case, such as financial and logistics tracking.

REFERENCES

U.S. Department of Defense. DOD 5105.38-M, *Security Assistance Management Manual (SAMM)*, Chapter 5.

U.S. Department of the Air Force. Air Force Manual 16-101, *International Affairs and Security Assistance Management*.

U.S. Department of the Army. AR 12-1, Security Assistance, *International Logistics, Training, and Technical Assistance Support Policy and Responsibilities*.

U.S. Department of the Navy. Naval Supply (NAVSUP) Systems Command Publication 526, *Foreign Military Sales Customer Supply System Guide*.

Items to be supplied (costs and months for delivery are estimates):

(1) Itm	(2) Nbr Description Condition	(3) Qty Unit of Issue	(4) Costs (a) Unit (b) Total	(6) (5) SC/MOS/ TA	(7) Ofr Rel Cde	Del Trm Cde	
001	D4A 2350001226826 (Y)(N)(R)	20 EA	\$747,723.80	\$14,954,476	P(24)	X	9
K	D4A 2350001226826 (VII) RECOVERY VEHICLE MED M88A1P				TA5 SC		
	Recovery Vehicle, Full Tracked Diesel Engine (M88A1) with Installed Communications Equipment						
002	K8A 9K8A000CMBTSP(N)(N)(R)	XX		\$2,000,000	X(18-21)	A	5
A	COMBAT VEHICLE (XXI) SPARE PARTS FOR ITEMS PROGRAMMED UNDER GENERIC CODE D, ALSO INCLUDE CONVERSION KITS				TA4		
003	J8A 768ZBOOKSPUBS (N)(N)(R)	XX	\$175,000		S(12-15)	A	5
6	TECH BOOKS, (XXI) PUBLICATIONS, SOFTWARE				TA3		
	Technical and Non-Technical Books and Publications - DA Publications						

Estimated Cost Summary:

(8) Net Estimated Cost	\$17,129,476
(9) Packing, Crating, and Handling	\$0
(10) Administrative Charge	\$428,237
(11) Transportation	\$515,243
(12) Other	\$0
(13) Total Estimated Cost	\$18,072,956

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$1,544,934	\$1,544,934
15 Jun 2008	\$2,153,637	\$3,698,571
15 Sep 2008	\$3,333,005	\$7,031,576
15 Dec 2008	\$3,903,164	\$10,934,740
15 Mar 2009	\$4,584,635	\$15,519,375
15 Jun 2009	\$2,150,716	\$17,670,091
15 Sep 2009	\$402,865	\$18,072,956

Explanation for acronyms and codes, and financial information, may be found in the “Letter of Offer and Acceptance Information.”

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - Indianapolis, ATTN: Defense Security Assistance Accounting, DFAS-IN/JAX, 8899 E. 56th Street, Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this LOA document (if required) should be made to ABA# 021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-IN/JAX Agency, showing “Payment from the Government of Bandaria for BN-B-UDD”; or a check for the initial deposit, made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, Indiana 46249, showing “Payment from the Government of Bandaria for BN-B-UDD”. Wire transfer is preferred.

2. One signed copy should be returned to Department of the Army, Commander, U.S. Army Security Assistance Command, ATTN: AMSAC-MA-CP, 5701 21st Street, Bldg. 216, Fort Belvoir, Virginia 22060.



**ATTACHMENT 6-2
SAMPLE BLANKET ORDER CASE**

**United States of America
Letter of Offer and Acceptance (LOA)
BN-B-BAB**

Based on Government of Bandaria Ref Ltr ABLM-45, 25 November 2006.

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Embassy of Bandaria, Office of the Ground Attaché, 1234 Massachusetts Av, NW, Washington, D.C. 29999, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA is for spare parts for support of Bandaria Ground Communications, Radar Systems, and other U.S. origin communication equipment.

Estimated Cost: \$383,110

Initial Deposit: \$226,229

Terms of Sale:

Cash Prior to Delivery
Dependable Undertaking

This offer expires on 27 February 2007. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This Modification consists of page 1 through page 27

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this Modification:

U.S. Signature 6 Dec 2006
Date

Director, Regional Operations
Typed Name and Title

US Army Security Assistance Command
Ft. Belvoir, Va 22060

Implementing Agency

DSCA Reviewed/Approved 13 Dec 2006
DSCA Date

Purchaser Signature 24 Feb 2007
Date

Typed Name and Title

Agency

Information to be provided by the Purchaser:

Mark For Code_(L)_, Freight Forwarder Code_(2)_, Purchaser Procuring Agency Code_B_, Name and Address of the Purchaser's Paying Office: Embassy of Bandaria, Office of the Ground Attaché, 1234 Massachusetts Av., NW, Washington, D.C. 29999.

Items to be supplied (costs and months for delivery are estimates):

(1) Itm Nbr	(2) Description Condition	(3) Qty Unit of Issue	(4) Costs (a) Unit (b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001	H9A 580000COMPART COMM EQP SP PTS SUPP/SPT IN FSG 58 & 59 MAY INCL OTHER FSG WHEN SUPPLIED FOR COMMO EQP Unclassified communications equipment, spare parts, and electronic supplies to support standard ground communications and radar systems.	(N)(N)(R) (XI) XX	\$368,101	X(-) TA4	A	5
002	R6C SMALLCASESUPT SMALL CASE SUPPORT EXPENSES	(N)(N)(R) (-)	\$1,012	S(1) TA3		

Estimated Cost Summary:

(8) Net Estimated Cost	\$369,122
(9) Packing, Crating, and Handling	\$0
(10) Administrative Charge	\$13,988
(11) Transportation	\$0
(12) Other	\$0
(13) Total Estimated Cost	\$383,110

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$226,229	\$226,229
15 Jun 2007	\$83,050	\$309,279
15 Sep 2007	\$55,367	\$364,646
15 Dec 2007	\$18,464	\$383,110

Explanation for acronyms and codes, and financial information, may be found in the “Letter of Offer and Acceptance Information.”

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - Indianapolis, ATTN: Security Assistance Accounting, DFAS-IN/JAX, 8899 E. 56th Street, Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this LOA document (if required) should be made to ABA# 021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-IN/JAX Agency, showing “Payment from the Government of Bandaria for BN-B-BAB”; or a check for the initial deposit, made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, IN 46249, “Payment from the Government of Bandaria for BN-B-BAB”. Wire transfer is preferred.

2. One signed copy should be returned to Department of the Army, Commander, U.S. Army Security Assistance Command, ATTN: AMSAC-MA-CP, 5701 21st Street, Bldg. 216, Fort Belvoir, Virginia 22060.

Note 1. REQUISITIONING (PURCHASER INITIATED).

The purchaser may not submit requisitions under this LOA for controlled items which contain Acquisition Advice Codes A or B. These items should be obtained through a defined order LOA. Items with Acquisition Advice Code C may be requisitioned but are service managed and if not authorized will be rejected with advice code “CQ”.

Note 2. SUPPORT PRIORITY.

Materiel requested on priority designators 02 through 08 requisitions will be restricted to that amount necessary to satisfy immediate end-use installation requirements only. Quantities require to replenish stocks will be requisitioned under appropriate priority designators 09 through 15. The customer will ensure proper use of the force activity designator (FAD) as assigned by the U.S. Joint Chiefs of Staff. Proper utilization of urgency of need codes in conjunction with assigned FAD is essential for correct assignment of priority designators. In order to ensure effective and timely supply support, use of the correct priority is essential. Use of priority designator is being monitored and appropriate authorities are notified of any apparent misuse of the Uniform Materiel Movement and Issue Priority System (UMMIPS).

Note 3. ADMINISTRATIVE SURCHARGE.

An administrative surcharge of 3.8% has been applied to Line 001.

ATTACHMENT 6-3
SAMPLE PSEUDO LETTER OF OFFER AND ACCEPTANCE CASE



UNITED STATES OF AMERICA
LETTER OF OFFER AND ACCEPTANCE (LOA)

B4-P-AZZ
Bandaria, PL 109-163, Sec. 1206 (Non-FMS)

Based on written request provided by the section 1206 of PL 109-163. Program Originator Department

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Department of Defense, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA provides for laser designators, ground diesels, and GPS for use with SUPERHAWK Helicopters.

Estimated Cost: \$1,384,181

Initial Deposit: \$1,384,181

Terms of Sale:

Cash with Acceptance Public Law 109-163

This offer expires on 31 July 2006. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 12.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

U.S. Signature 6 Jul 2006
Date

Purchaser Signature 11 Jul 2006
Date

KATHY J. JONES
Acting Regional Director
Typed Name and Title

Section 1206, PL 109-163 (Non-FMS)
No Purchaser Signature Required
Typed Name and Title

U.S. Army Security Assistance Command
Alexandria, Va 22333-0001
Implementing Agency

Agency

DSCA Reviewed/Approved 7 Jul 2006
DSCA Date

Information to be provided by the Purchaser:

Mark For Code_(0)_, Freight Forwarder Code_(W)_, Purchaser Procuring Agency Code_B_, Name and Address of the Purchaser's Paying Office: _____

Customer reference continued: Defense to Defense Security Cooperation Agency, dated 08 May 2006. The legal authority is section 1206 of PL 109-163. See Note 5 for additional information.

Items to be Supplied (costs and months for delivery are estimates):

(1) Itm Nbr	(2) Description Condition		(3)	(4)		(5)	(6)	(7)
			Qty Unit of Issue	(a) Unit	(b) Total	SC/MOS/ TA	Ofr Rel Cde	Del Trm Cde
001 A	A7A 4920000001A7A GRND HANDLING EQP	(N)(N)(R) (VIII)	8 EA		\$995,368	X(24) TA4	X	9
	Power Units, Ground Diesel (Note(s) 2)							
002 A	H6Z 589Z000THRC0M OTHER COM- ELECTRONIC EQUIPMENT	(N)(N)(R) (XI)	XX		\$157,636	X (24) TA4	X	9
	GPS, Handheld and Laser Designators, Finger Type (Note(s) 1)							

Estimated Cost Summary:

(8) Net Estimated Cost	\$1,153,004
(9) Packing, Crating, and Handling	0
(10) Administrative Charge	43,814
(11) Transportation	187,363
(12) Other	0
(13) Total Estimated Cost	\$1,384,181

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

ESTIMATED PAYMENT SCHEDULE

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$1,384,181	\$1,384,181

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - IN, ATTN: DFAS-IN/JAX, 8899 E. 56th Street, Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this LOA document (if required) should be made to ABA# 021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-IN/JAX Agency, showing "Payment from Section 1206 (FY07) for B4-P-AZZ"; or a check for the initial deposit made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, IN 46249, showing "Payment from Section 1206 (FY07) for B4-P-AZZ". Wire transfer is preferred.

2. One signed copy should be returned to Department of the Navy, Navy International Programs Office, 2521 South Clark Street, Suite 800, Arlington VA 22202-3928.

Note 1. GPS HAND HOLD AND LASER DESIGNATOR, FINGER TYPE.

Line 001 provides for eight (8) Power Units, Ground Diesel. All equipment will be new and unused from procurement.

Note 2. GPS HAND HELD AND LASER DESIGNATOR, FINGER TYPE.

Line 002 provides for forty (40) GPS Hand Held receivers and one-hundred (100) laser designators, finger type. All equipment will be new and unused from procurement.

Note 3. AUTHORITY FOR SALE - SECTION 1206 OF PL 109-163 PROGRAMS.

This sale is made under the authority of section 1206 of PL 109-163. Any reference in this Letter of Offer and Acceptance to the United States Arms Export Control Act, to defense articles, and to defense services shall be construed instead to be a reference to section 1206 of PL 109-163. Any reference in this LOA to "purchaser" shall be construed as a reference to the Department of Defense.

Note 4. CASE CLOSURE - SECTION 1206 OF PL 109-163 PROGRAMS.

This case must be fully reconciled and closed by 30 September 2011.

Note 5. FUNDS, PURPOSE, AVAILABILITY AND AMOUNT - SECTION 1206 OF PL 109-163 PROGRAMS.

The funds financing this Pseudo Letter of Offer and Acceptance (LOA) are expiring funds and are subject to all the requirements and restrictions under the heading of section 1206 of PL 109-163. The funds provided are in support of authority to build the capacity of foreign military forces and carry the same time, purpose, and availability restrictions associated with the fund source 9760100, DOD Defense-Wide Operation and Maintenance.

- a. Failure to obligate FY 2006 DOD Defense-Wide Operation and Maintenance funds during the period of availability ending on 30 September 2006 will render them unavailable for new obligations after that date.
- b. FY 2006 DOD Defense-Wide Operation and Maintenance funds must be expended on or before 30 September 2011.
- c. Total funds available for expenditure against this Pseudo LOA are limited to the value of \$1,384,181.
- d. Amendments or Modifications to this Pseudo LOA are only authorized with DSCA written approval.

Note 6. ANTI-TAMPER (AT) MEASURES.

The United States Government (USG) may incorporate Anti-Tamper (AT) protection into weapon systems and components that contain Critical Program Information (CPI). The AT protection will not impact operations, maintenance, or logistics provided that all terms delineated in the system technical documentation are followed.

Note 7. MISSILE TECHNOLOGY CONTROL REGIME (MTCR).

Paragraph 2.3 of the Standard Terms and Conditions of this LOA discusses use and transfer restrictions on articles and services provided under this LOA and emphasizes that the Purchaser “shall not use or permit their use for purposes other than those authorized, unless the written consent of the USG has first been obtained.” The customer agrees not to divert articles and services received under this LOA for purposes or uses other than those for which furnished to include, but not limited to, any use that could contribute to the acquisition, design, development or production of a “missile,” as defined in section 74 of the AECA (22 U.S.C. 2797c). The items will be used only for the purpose stated and such use will not be modified nor the items modified or replicated without the prior consent of the USG; neither the items nor replicas nor derivatives thereof will be retransferred without the consent of the USG. The USG also reserves the right to take action under section 73(a) of the AECA (22 U.S.C. 2797b(a)) in the case of any export or transfer of any MTCR equipment or technology that contributes to the acquisition, design, development or production of missiles in a country that is not an MTCR adherent.”

Note 8. END-USE MONITORING.

Pursuant to the Foreign Assistance Act (FAA), Section 505; and the Arms Export Control Act (AECA), Section 40A, the USG will be permitted, at its discretion, to conduct an inspection and physical inventory of all articles and services transferred under this LOA. Upon request, the inventory and accountability records maintained by the Purchaser will be made available to the U.S. personnel conducting this inspection.

Note 9. ADMINISTRATIVE SURCHARGES.

An administrative surcharge of 3.8% has been applied to line(s) 001 and 002.

ATTACHMENT 6-4 FIRST POSITION OF CASE DESIGNATOR

U.S. Army (IA Code = B)	U.S. Navy (IA Code = P)	U.S. Air Force (IA Code - D)
<p>B Repair parts</p> <p>G SELPO/communications security</p> <p>H Construction (Corps of Engineers)</p> <p>I EDA</p> <p>J SDAF (special defense acquisition fund)</p> <p>K CLSSA</p> <p>L Leases</p> <p>M Medical (U.S. Army Medical Materiel Agency)</p> <p>N Coproduction</p> <p>O Training</p> <p>P P&A</p> <p>Q Materiel/services (from U.S. activities) located in Europe)</p> <p>S Materiel/services (from U.S. Army Security Assistance Agency-Latin America</p> <p>T Publications</p> <p>U-Z Materiel/services provided from various life-cycle management commands (including but not limited to system package sales, munitions, spare parts equipment, technical services maintenance, etc.)</p>	<p>A Ammunition and other explosives</p> <p>B-C Individual spares and components</p> <p>G Technical and engineering services</p> <p>H-J Direct requisitioning procedures</p> <p>K FMSO (KA or KS-FMSO I and KB-KR or KT-KW-FMSO II)</p> <p>L Major end items (components and equipment)</p> <p>M Repair and return</p> <p>P Cartridge actuated devices (CAD) Propellant actuated devices (PAD) Air crew escape propulsion systems (AEPS)</p> <p>R Open end requisitioning procedures</p> <p>S Weapon system sale (ship or aircraft)</p> <p>T Training</p> <p>Z Leases</p>	<p>A Munitions (ammunitions, bombs, and rockets)</p> <p>C CAD/PAD</p> <p>D Communication equipment (i.e., C4) and facilities</p> <p>E Support equipment</p> <p>G Technical services</p> <p>K CLSSA</p> <p>L Defined order equipment</p> <p>M Repair and return</p> <p>N Special support</p> <p>O INFOSEC/COMSEC</p> <p>P Publications</p> <p>Q Specialized follow-on sustainment support</p> <p>R Blanket Orders Spares</p> <p>S Major aircraft system sale</p> <p>T Training</p> <p>U PSEUDO or SCP</p> <p>V Major/minor modifications</p> <p>X Reserved for DFAS-IN</p> <p>Y Major missile system sale</p> <p>Z Leases under AECA (not an FMS case)</p>

