

ARTICLE XV

PARTICIPATION OF ADDITIONAL PARTIES

15.1. It is recognized that other national defense organizations may wish to join the Project.

15.2. Mutual consultation of the Parties shall be required to conduct discussions with potential additional Parties. In accordance with paragraph 4.3.8. of this Agreement, the Parties shall discuss the arrangements under which another Party might join, including the furnishing of releasable Project Information for evaluation prior to joining. If the disclosure of Project Information is necessary to conduct discussions, such disclosure shall be in accordance with Article IX (Disclosure and Use of Project Information), Article X (Controlled Unclassified Information) and Article XIII (Third Party Sales and Transfers).

15.3. The Parties shall jointly formulate the provisions under which additional Parties might join. The addition of new Parties to the Project shall require amendment of this Agreement by the Parties.

ARTICLE XVI

CUSTOMS DUTIES, TAXES, AND SIMILAR CHARGES

16.1. Customs duties, import and export taxes, and similar charges shall be administered in accordance with each Party's respective laws and regulations. Insofar as existing national laws and regulations permit, the Parties shall endeavor to ensure that such readily identifiable duties, taxes and similar charges, as well as quantitative or other restrictions on imports and exports, are not imposed in connection with work carried out under this Project.

16.2. Each Party shall use its best efforts to ensure that customs duties, import and export taxes, and similar charges are administered in a manner favorable to the efficient and economical conduct of the work. If any such duties, taxes, or similar charges are levied, the Party in whose country they are levied shall bear such costs, over and above that Party's shared cost of the Project.

16.3. If, in order to apply European Union (EU) regulations, it is necessary to levy duties, then these shall be met by the EU member end recipient. To this end, parts of the components of the equipment coming from outside the EU shall proceed to their final destination accompanied by the relevant customs document enabling settlement of duties to take place. The duties shall be levied as a cost over and above that Party's shared cost of the Project.

ARTICLE XVII

SETTLEMENT OF DISPUTES

17.1. Disputes between the Parties arising under or relating to this Agreement shall be resolved only by consultation between the Parties and shall not be referred to a national court, an international tribunal, or to any other person or entity for settlement.

ARTICLE XVIII

LANGUAGE

18.1. The working language for the Project shall be the English language.

18.2. All data and information generated under this Agreement and its implementing Contracts and provided by one Party to the other Party shall be furnished in the English language.

ARTICLE XIX

AMENDMENT, TERMINATION, ENTRY INTO FORCE, AND DURATION

19.1. All activities of the Parties under this Agreement shall be carried out in accordance with their national laws and regulations, including their export control laws and regulations. The obligations of the Parties shall be subject to the availability of funds for such purposes.

19.2. In the event of a conflict between an Article of this Agreement and any Annex to this Agreement, the Article shall control.

19.3. Except as otherwise provided, this Agreement may be amended by the mutual written agreement of the Parties. Annexes A, B, D, and E of this Agreement may be amended by the written approval of the SC.

19.4. This Agreement may be terminated at any time upon the written agreement of the Parties. In the event both Parties agree to terminate this Agreement, the Parties shall consult prior to the date of termination to ensure termination on the most economical and equitable terms.

19.5. Either Party may terminate this Agreement upon 90 days written notification of its intent to terminate to the other Party. Such notice shall be the subject of immediate consultation by the SC to decide upon the appropriate course of action to conclude the activities under this Agreement. In the event of such termination, the following rules apply:

19.5.1. The terminating Party shall continue participation, financial or otherwise, up to the effective date of termination.

19.5.2. Except as to Contracts awarded on behalf of both Parties, each Party shall be responsible for its own Project-related costs associated with termination of the Project. For Contracts awarded on behalf of both Parties, the terminating Party shall pay all Contract modification or termination costs that would not otherwise have been incurred but for the decision to terminate; in no event, however, shall a terminating Party's total financial contribution,

including Contract termination costs, exceed that Party's Financial Cost Ceiling for financial contributions as established in Article V (Financial Provisions).

19.5.3. All Project Information and rights therein received under the provisions of this Agreement prior to the termination shall be retained by the Parties, subject to the provisions of this Agreement.

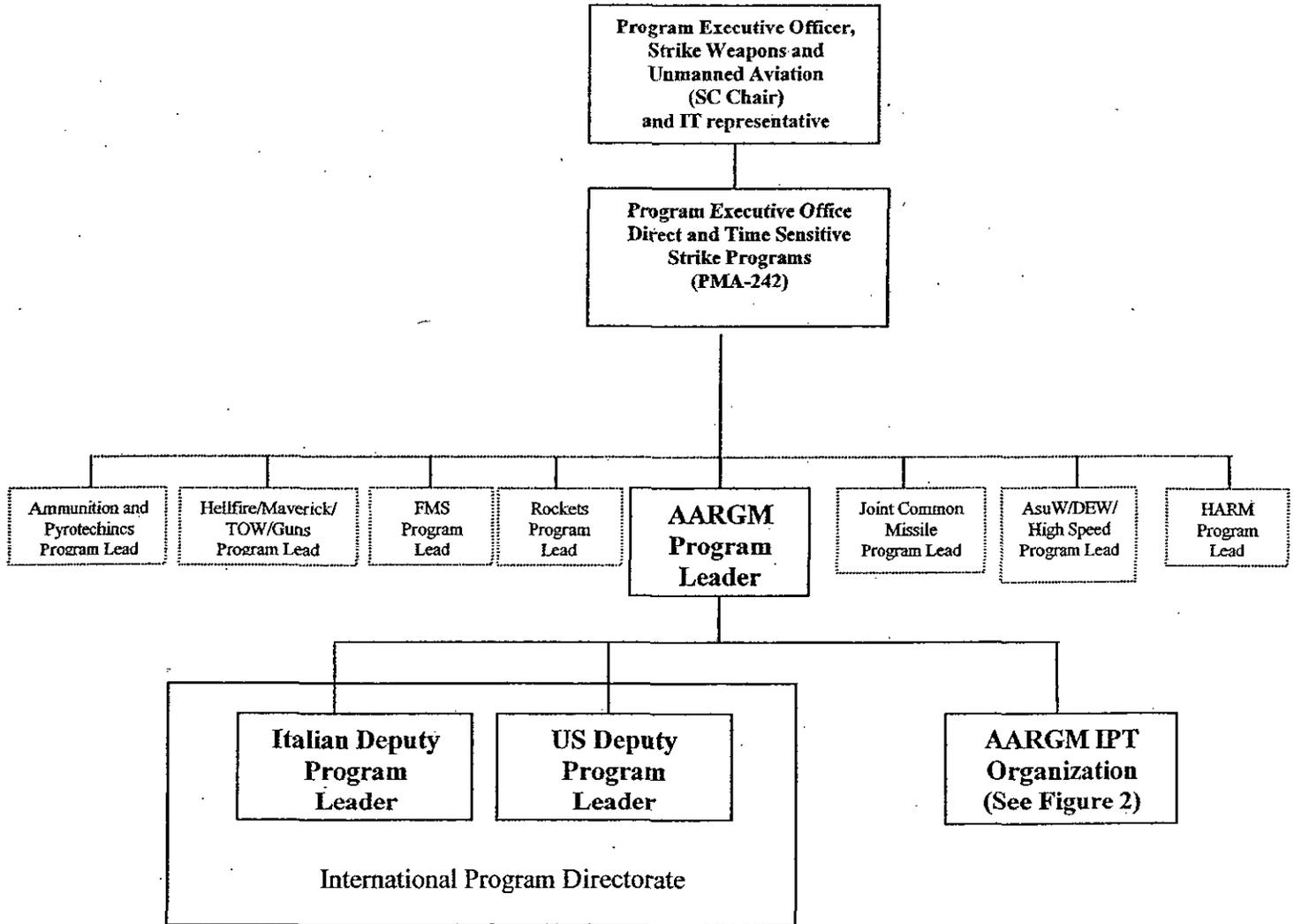
19.6. The respective rights and obligations of the Parties regarding Article VIII (Project Equipment), Article IX (Disclosure and Use of Project Information), Article X (Controlled Unclassified Information), Article XII (Security), Article XIII (Third Party Sales and Transfers), and Article XIV (Liability and Claims), and this Article XIX (Amendment, Termination, Entry into Force, and Duration) shall continue to apply notwithstanding termination or expiration of this Agreement.

19.7. This Agreement, which consists of nineteen (19) Articles and five (5) Annexes, shall enter into force upon signature by both Parties and shall remain in force for seven years. It may be extended by written agreement of the Parties.

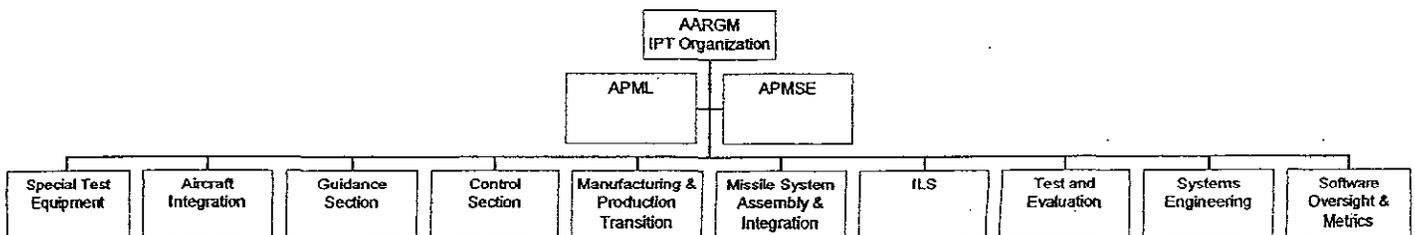
ANNEX A

AARGM MANAGEMENT STRUCTURE

1.0 Figure (1) below depicts in bold characters the AARGM Management Structure. Figure (2) below depicts the AARGM IPT organization.



AARGM IPT Organization



ANNEX B

PROJECTED INVENTORY OF PROJECT EQUIPMENT EXCHANGES

<u>Nomenclature</u>	<u>Part No./Model No.</u>	<u>Replacement Value</u>	<u>Receiving Party</u>	<u>Estimated Transfer Date</u>
60 AGM-88B	NALC WF20	\$3,164,850	Italy	90 days after MOA signature
2 PNU Brassboards	BB-3 & BB-6	\$100,000	US	30 days after MOA signature
3 Operational Test Evaluation Units	OTEU-4, OTEU-5, OTEU-6	\$300,000	US	30 days after MOA signature
Testbed Aircraft	TBD	\$2,000,000	Italy/US	30 months after MOA signature
5 SAM Surrogate Targets	N/A	\$1,050,000	US	18 months after MOA signature
1 Leopard Main Battle Tank Surrogate	N/A	\$100,000	US	18 months after MOA signature
1 CFT Short Round	TBD	\$875,000	Italy	15 months after MOA signature
1 Captive Carry Missile	TBD	\$1,115,298	Italy	Dec 2007

ANNEX C

COOPERATIVE PROJECT PERSONNEL

1.0. Purpose and Scope

1.1. This Annex establishes the conditions which shall govern the conduct of Cooperative Project Personnel (CPP). The Parent Party shall assign military members or civilian employees to the JPO or to defense facilities in accordance with Article IV (Management), Annex A (AARGM Management Structure) and this Annex. CPP must be able to perform all the responsibilities assigned to them under this Agreement. Commencement of assignments shall be subject to any requirements that may be imposed by the Host Party or its government regarding acceptance of CPP, such as, but not limited to, visas and visit request documentation. The SC shall determine the length of tour for the positions at the time of initial assignment.

1.2. CPP shall be assigned to the JPO or to defense facilities for Project work and shall report to their designated JPO or appropriate supervisor regarding that work. The PL shall be responsible for the creation of a document describing the duties of each CPP position, which shall be subject to approval by the SC. CPP shall not act as liaison officers on behalf of the Parent Party. CPP may act from time to time on behalf of their respective SC member if the latter so authorizes in writing.

1.3. CPP shall not be assigned to command or other positions that would require them to exercise responsibilities that are reserved by law or regulation to an officer or employee of the Host Party's government.

2.0. Security

2.1. The SC shall establish the maximum level of security clearance required, if any, to permit CPP to have access to Classified Information and facilities in which Classified Information is used in accordance with the Project Security Instruction (PSI) and Classification Guide (CG). Access to Classified Information and facilities in which Classified Information is used shall be consistent with, and limited by, Article II (Objectives) and Article III (Scope of Work) of this Agreement and shall be kept to the minimum required to accomplish the work assignments.

2.2. The Parent Party shall file visit requests for the CPP through prescribed channels in compliance with the Host Party's procedures. As part of the visit request procedures, the Parent Party shall cause security assurances to be filed, through the Italian Embassy in Washington, D.C., in the case of Italian personnel, or through the U.S. Embassy in Rome, Italy in the case of U.S. personnel, specifying the security clearances for the CPP being assigned.

2.3. The Host Party and Parent Party shall use their best efforts to ensure that CPP assigned to the JPO or to defense facilities are aware of, and comply with, applicable laws and regulations as well as the requirements of Article X (Controlled Unclassified Information), Article XI (Visits to Establishments), Article XII (Security), and paragraph 19.6. of Article XIX (Amendment, Termination, Entry into Force, and Duration) of this Agreement and the provisions of the PSI and CG. Prior to commencing assigned duties, CPP shall, if required by the Host Party's government laws, regulations, policies, or procedures, sign a certification concerning the conditions and responsibilities of CPP.

2.4. CPP shall at all times be required to comply with the security and export control laws, regulations, and procedures of the Host Party's government. Any violation of security procedures by CPP during their assignment shall be reported to the Parent Party for appropriate action. CPP committing significant violations of security and export control laws, regulations, or procedures during their assignments shall be withdrawn from the Project with a view toward appropriate administrative or disciplinary action by their Parent Party.

2.5. All Classified Information made available to CPP shall be considered as Classified Information furnished to the Parent Party, and shall be subject to all provisions and safeguards provided for in Article XII (Security), the PSI, and CG.

2.6. CPP shall not have personal custody of Classified Information or Controlled Unclassified Information unless approved by the Host Party and as authorized by the Parent Party. They shall be granted access to such Information in accordance with Article X (Controlled Unclassified Information), Article XII (Security), and the PSI during normal duty hours at the JPO or defense facilities and when access is necessary to perform Project work.

2.7. CPP assigned to the JPO or to defense facilities shall not serve as a conduit between the Host Party and Parent Party for requests and/or transmission of Classified Information or Controlled Unclassified Information unless specifically authorized by the PSI.

3.0. Technical and Administrative Matters

3.1. Consistent with Host Party's government laws and regulations, CPP shall be subject to the same restrictions, conditions, and privileges as Host Party personnel of comparable rank and in comparable assignments. Further, to the extent authorized by Host Party's government laws and regulations, CPP and their authorized dependents shall be accorded:

3.1.1. Exemption from any Host Party's government tax upon income received from the Parent Party.

3.1.2. Exemption from any Host Party's government customs and import duties or similar charges levied on items entering the country for their official or personal use, including their baggage, household effects, and private motor vehicles.

3.2. On arrival CPP and their dependents shall be provided briefings arranged by the JPO or appropriate authorities about applicable laws, orders, regulations, security and export control requirements, and customs and the need to comply with them. CPP shall also be provided briefings arranged by JPO or appropriate authorities regarding entitlements, privileges, and obligations such as:

3.2.1. Any medical and dental care that may be provided to CPP and their dependents at Host Party medical facilities, subject to the requirements of applicable laws and regulations, including reimbursement requirements.

3.2.2. Purchasing and patronage privileges at military commissaries, exchanges, theaters, and clubs for CPP and their dependents, subject to the requirements of applicable laws and regulations.

3.2.3. The Host Party shall provide, if available, housing and messing facilities for CPP and their dependents on the same basis and priority as for

its own personnel. CPP shall pay messing and housing charges to the same extent as Host Party personnel. At locations where facilities are not provided by the Host Party for its own personnel, the Parent Party shall make suitable arrangements for its CPP.

- 3.2.4. Responsibility of CPP and their accompanying dependents to obtain motor vehicle liability insurance coverage in accordance with the laws and regulations applicable in the area where they are residing. In case of claims involving the use of private motor vehicles by CPP, the recourse shall be against such insurance.

3.3. The PL, through the JPO or appropriate authorities, shall, in consultation with the CPP, establish standard operating procedures for CPP in the following areas:

- 3.3.1. Working hours, including holiday schedules.
- 3.3.2. Leave authorization, consistent to the extent possible with the military and civilian personnel regulations and practices of the Host Party and Parent Party.
- 3.3.3. Dress regulations, consistent to the extent possible with the military and civilian personnel regulations and practices of the Host Party and Parent Party.
- 3.3.4. Performance evaluations, recognizing that such evaluations shall be rendered in accordance with the Parent Party's military or civilian personnel regulations and practices.

3.4. CPP committing an offense under the laws of the government of the Host Party or Parent Party may be withdrawn from this Project with a view toward further administrative or disciplinary action by the Parent Party. Disciplinary action, however, shall not be taken by the Host Party against CPP, nor shall the CPP exercise disciplinary powers over the Host Party's personnel. In accordance with Host Party's government laws and regulations, the Host Party shall assist the Parent Party in carrying out investigations of offenses involving CPP.

3.5. During their JPO or defense facility assignment, CPP shall not be placed in the following duty status or environments unless mutually decided by the SC:

3.5.1. Areas of political sensitivity where their presence may jeopardize the interests of either the Host Party or Parent Party, or where, in the normal course of their duty, they may become involved in activities which may embarrass either Party.

3.5.2. Deployments in non-direct hostility situations, such as UN peacekeeping or multi-national operations, or third countries.

3.5.3. Duty assignments in which direct hostilities are likely. Should a JPO or defense facility to which CPP are assigned become involved in hostilities unexpectedly, CPP assigned to that JPO or defense facility shall not be involved in the hostilities. Any such CPP approved by the SC for involvement in hostilities shall be given specific guidance as to the conditions under which the assignment shall be carried out by the appropriate authorities of the Host Party and Parent Party.

3.6. The provisions of the North Atlantic Treaty Organization Status of Forces Agreement regarding the rights of a sending state's military personnel and civilian employees and their respective dependents will apply to CPP.

ANNEX D

ESTIMATED FINANCIAL AND NON-FINANCIAL CONTRIBUTIONS BY FISCAL YEAR

(in Then Year U.S. Dollars)

	FY05	FY06	FY07	FY08	FY09	TOTAL
U.S. TOTAL CONTRIBUTION (\$K)	30357	69606	85512	19553	2592	207620
FINANCIAL COST SHARE	26857	69147	83079	17123	2500*	198706
NON-FINANCIAL CONTRIBUTION	3500	459	2433	2430	92	8914
ITALIAN TOTAL CONTRIBUTION (\$K)	4600	13200	16200	10800	7600	52400
FINANCIAL COST SHARE	2000	6000	6000	3600	2400	20000
NON-FINANCIAL CONTRIBUTION	2600	7200	10200	7200	5200	32400
TOTAL SDD CONTRIBUTIONS	34957	82806	101712	30353	10192	260020

It is intended that Italy shall provide a minimum equivalent of one (1) person or equivalent man year per year, and it is intended that the U.S. Navy shall provide a minimum equivalent of five (5) persons or man year equivalents per year for the project management team, including the possibility of a U.S. CPP to Italy. It is intended that the USN will provide 60 AGM-88B AUR missiles, 31 AGM-88B control sections, 31 AGM-88B rocket motors and 13 AGM-88 telemetry sections to the program as test assets for integration testing, development and operational flight-testing, ground and flight crew training and integration work on the Common Control Section. It is intended that Italy will provide land and sea test ranges, targets and target vehicles, land based radar test assets, remaining PNU assets which include: 2 brassboard units, 1 Engineering Evaluation Unit, 1 Developmental Test Evaluation Unit, 3 Operational Test Evaluation Units, 3 Gateway PCs, 1 MTS Kit, 1 Sun Workstation and 6 target detectors; and test ranges to the program for developmental and operational flight-testing.

* This money is carry over from FY08 to complete OT.

ANNEX E

PROJECT OVERVIEW

For this project, the AGM-88E AARGM will be developed to incorporate software and hardware changes to the High Speed Anti-Radiation Missile (HARM) missile configurations of both Parties through a new guidance section and a modified control section, utilizing the existing HARM warhead and rocket motor.

Development of the AGM-88E AARGM includes the following primary products and key technologies: Anti-Radiation Homing (ARH) receiver, related electronics and conformal antenna arrays; active Millimeter Wave (MMW) radar system including a gimbal, antenna assembly, transceiver and related electronics, and radome assembly; Global Positioning System (GPS) receiver and antenna assembly; inertial measurement unit (IMU); WIA transmitter, antenna assembly and associated electronics; power subsystem including power supplies and battery(s); and guidance, navigation and control (GNC) electronics assemblies. The new AARGM seeker includes the ARH, MMW and some GNC electronics; this AARGM seeker replaces the current HARM seeker in its entirety. The GPS/IMU/WIA subsystems along with the power subsystem and some limited GNC electronics cards are integrated into a modified HARM control section known as the AARGM common control section. The Common Control Section will be compatible with all AGM-88 configurations, to enable a future effort to upgrade legacy inventory with a point-to-point, geospecific and BDA cueing capability.

The U.S. and Italy will have two different configurations of the AARGM missile. The common items that will be shared by these configurations are: (1) a new passive radio frequency seeker subsystem, (2) a new active terminal radio frequency seeker (both located in the guidance section), (3) an off-the-shelf P(Y) code GPS receiver, (4) an off-the-shelf inertial measurement unit (IMU), (5) a new battery and power supply subsystem, (6) some weapons impact assessment (WIA) transmitter subsystem hardware, (7) a MIL-STD-1553 aircraft interface data bus and (8) associated missile operational flight software.

The U.S. unique configuration will also include a U.S. unique WIA software, waveform and hardware.

The Italian unique configuration will include Italian unique WIA software, waveform and hardware.

During the course of the system development and demonstration, there will be developmental and operational testing of the AGM-88E AARGM as a whole, its system and subsystem components. Testing will take place at U.S. as well as Italian ranges. As part of the developmental testing, there will be two captive flight testbed aircraft, one based in the U.S. and one based in Italy. These aircraft are small commuter type aircraft that are modified for on-board data collection. These aircraft will be used in the testing of the seeker section to include ARH, MMW and INS subsystems against various types of targets for development of common MMW target data and to support independent ARH library development.

The U.S. will be integrating the AGM-88E AARGM on its F/A-18, while Italy will be integrating the missile onto its Tornado aircraft. Therefore, each country will be responsible their own aircraft integration. Additionally, specific mission planning/electronic intelligence software updates/guidance required for each operational mission shall be developed by each country for their mission planning system that uploads the data to the airplane mission computer, which then provides this data to the missile.

At the completion of this project, there is the possibility for cooperative production so that both countries can upgrade their existing inventories. Therefore, some production planning will take place.