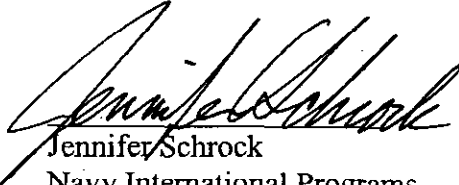


SUPPLEMENT
BETWEEN THE
DEPARTMENT OF DEFENSE
OF THE UNITED STATES OF AMERICA
AND THE
STATE SECRETARY OF DEFENCE OF THE KINGDOM OF THE NETHERLANDS
UNDER THE MEMORANDUM OF UNDERSTANDING
CONCERNING THE COOPERATIVE FRAMEWORK FOR
SYSTEM DEVELOPMENT AND DEMONSTRATION OF THE
JOINT STRIKE FIGHTER

Certified to be a true copy:


Jennifer Schrock
Navy International Programs
Navy IPO 01C4

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INTRODUCTION

The Department of Defense of the United States of America (U.S. DoD) and the State Secretary of Defence of the Kingdom of the Netherlands (NL MOD), hereinafter referred to as the "Participants":

Recognizing that this Supplement is subject to the Memorandum of Understanding among the Minister of National Defence of Canada, the Ministry of Defence of Denmark, the State Secretary of Defence of the Kingdom of the Netherlands, the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland, and the Secretary of Defense on behalf of the Department of Defense of the United States of America concerning the Cooperative Framework for System Development and Demonstration of the Joint Strike Fighter (JSF SDD Framework MOU) and any amendments thereto, apply to this Supplement;

Recognizing the Memorandum of Understanding between the Government of the Kingdom of the Netherlands and the Government of the United States of America Concerning the Principles Governing Cooperation in the Research and Development, Production and Procurement of Defense Equipment, dated 24 August 1978, and any amendments thereto;

Recognizing that a Declaration of Principles for Enhanced Cooperation in of Defense Equipment and Industry was signed by the Secretary of Defense of the United States of America and the Minister of Defence of the Kingdom of the Netherlands on April 17, 2002;

Recognizing the mutual benefit in taking full advantage of governmental defense trade and security initiatives in the planning and implementation of the JSF Program;

Having regard to the need of the U.S. Air Force for a Conventional Take-Off and Landing (CTOL) aircraft to replace the F-16 and A-10 aircraft, and the needs of the Royal Netherlands Air Force for a CTOL aircraft;

Recognizing the contributions that the NL MOD has made to the Joint Strike Fighter (JSF) Program in the CTOL portion of the JSF Program Concept Demonstration Phase pursuant to the Memorandum of Agreement concerning the JSF Requirements Validation Project of 11 June 1997 among the Chief of Defense, Denmark, the Ministry of Defense of the Kingdom of the Netherlands, the Ministry of

Defense of the Kingdom of Norway, and the Department of Defense of the United States of America;

Emphasizing the great importance of the NL MOD's participation in the JSF Program to furthering interoperability and coalition warfighting; and

Desiring to extend their JSF cooperation into the System Development and Demonstration (SDD) Phase with a view to subsequent cooperation in JSF developmental upgrades, production, and support, and recognizing their mutual desire to take full advantage of the potential benefits inherent in future cooperation;

Have reached the following understandings:

SECTION I

DEFINITIONS OF TERMS AND ABBREVIATIONS

The Participants have jointly decided upon the following definitions for terms used in this Supplement.

CTOL Purposes

Performance of Project activities pursuant to the JSF SDD Framework MOU and this Supplement and future efforts by the Participants (either collaboratively, nationally, or under U.S. DoD Foreign Military Sales arrangements) for the design, development, manufacture, operation and support of JSF CTOL and F-16 aircraft.

JSF Cooperative Project Personnel

NL MOD military members or civilian employees assigned to the JSF Program Office or U.S. DoD field activities who perform managerial, engineering, technical, administrative, Contracting, logistics, financial, planning or other functions in furtherance of the Project.

JSF Senior Warfighter Group

The operational community advisory group, chartered to support the JSF Program Office in the SDD Phase, that consists of representatives from the services of the JSF SDD Framework MOU Participants and which meets on an ad hoc basis.

SECTION II

OBJECTIVES AND SCOPE

2.1. The objective of this Supplement is to establish the detailed provisions concerning the responsibilities and benefits of the Participants under the Project in accordance with paragraph 2.1 of the JSF SDD Framework MOU.

2.2. In light of the importance of the Contract Specification to the Project, the NL MOD will be given the opportunity to be a participant in the change control and approval process for that specification.

2.3. During the JSF SDD Phase, the Participants will design, develop, and qualify the JSF Air System which fulfills the joint Operational Requirements Document (ORD) dated 13 March 2000, and any changes thereto, and is as common to the U.S. CTOL Air System as is possible within U.S. national disclosure policies. This Air System will be fully operational, supportable and maintainable as specified in the joint ORD.

2.4. In designing, developing and qualifying the JSF Air System, the Participants will use their best efforts to achieve the level of NATO and coalition interoperability that is required for the Participants to fulfill their operational needs and will institute appropriate processes for this purpose.

2.5. The U.S. DoD will use its best efforts to provide the NL MOD with the opportunity to obtain equipment and systems (to include, but not limited to, communications security items), and improvements thereto, produced under U.S. DoD programs other than the JSF Program, to the extent that such equipment and systems, and improvements thereto, are necessary for fielding of JSF Air Systems in NL MOD squadrons and maximizing their operational capability.

2.6. The JSF Program threshold and objective requirement for Unit Recurring Flyaway Cost is contained in the joint ORD, paragraph 4.1.1. The current JSF Program Office estimate (October 2001) of the CTOL Unit Recurring Flyaway Cost is \$33.1 million (U.S. fiscal year 1994 base year dollars).

2.7. The U.S. DoD and NL MOD intend to pursue future cooperation in JSF developmental upgrades, production, and support, to include continued weapons certification, under separate arrangements. The Participants will use their best efforts to ensure that such arrangements embody the principle of equitability in their terms and conditions, including the equitable sharing of the costs and benefits of cooperation.

SECTION III

MANAGEMENT (ORGANIZATION AND RESPONSIBILITY)

3.1. The JSF SDD Framework MOU established the Executive Committee (EC) and provided that the U.S. DoD EC representative will be the JSF Program Director (or successor in the event of reorganization). The NL MOD EC representative will be the Deputy Director of Materiel of the Royal Netherlands Air Force for Plans and Projects (or successor in the event of reorganization). The NL MOD EC representative will participate with the JSF PD in the latter's JSF Program management responsibilities as to Project-related efforts valued in an amount not to exceed \$50 million Then Year U.S. dollars of the Project contributions identified in paragraph 4.1 of this Supplement. Subject to the JSF PD's written approval, the following will apply: the NL MOD EC representative may, on behalf of the NL MOD, determine the Project-related efforts to which these Project funds are allocated; and the NL MOD may, if it so determines, contract with, or otherwise make arrangements with, NL industry or NL governmental entities, in accordance with NL national Contracting laws, regulations and procedures, for performance of these Project-related efforts.

3.2. The JSF SDD Framework MOU also provided for plenary EC meetings. The U.S. DoD and the NL MOD EC representatives will hold semi-annual U.S. DoD-NL MOD-only meetings, if necessary, to address issues of concern to the Supplement; additional meetings will be held at the request of either representative, giving one month's notice to the other, when appropriate. The Participant hosting the Supplement-specific EC meeting will chair the meeting, unless otherwise mutually determined. In addition to the Supplement-specific EC responsibilities contained in paragraph 4.5 of the JSF SDD Framework MOU, the following EC responsibilities under this Supplement will require mutual agreement:

3.2.1. Approving and maintaining oversight of the U.S. DoD-NL MOD JSF Program Office Integrated Project Team (IPT) Personnel Description Document (PDD).

3.2.2. Amending Annex A (Supplement Management Structure).

3.3. The U.S. DoD and NL MOD EC representatives will also promptly apprise and consult on any matters that affect the

Supplement and resolve any issues brought forth by the Director, JSF International Directorate (JSF/ID) or the NL National Deputy.

3.4. In addition to the responsibilities related to the Supplement described in paragraph 4.7 of the JSF SDD Framework MOU, the Director, JSF/ID, will be responsible for:

3.4.1. Preparing, in conjunction with the NL National Deputy, a U.S. DoD/NL MOD JSF Program Office IPT PDD for the approval of the U.S. DoD and NL MOD EC members.

3.4.2. Referring to the U.S. DoD and NL MOD EC members issues related to the Supplement that the Director, JSF/ID cannot resolve.

3.4.3. Accountability to the US DoD and NL MOD EC members for timely release of Project Information furnished by the US DoD, including but not limited to cost, schedule, and performance Information.

3.5. The NL MOD will provide a National Deputy and a supporting staff in accordance with Annex A, who will be assigned to IPTs within the JSF Program Office and U.S. DoD field activities. Specific NL National Deputy responsibilities are identified in Section 3.6 below. Specific IPT responsibilities for NL MOD personnel will be identified in the U.S. DoD/NL MOD JSF Program Office IPT PDD. Additionally, Annex B (JSF Cooperative Project Personnel) establishes provisions for the general conduct of NL MOD personnel located in the JSF Program Office and U.S. DoD field activities. Annex A (Supplement Management Structure) depicts the management structure established for this Supplement.

3.6. In addition to assigned IPT responsibilities, the NL National Deputy will be responsible for:

3.6.1. Supporting the Director, JSF/ID in the day-to-day administrative management of both the JSF SDD Framework MOU and this Supplement, to include oversight of the NL MOD assigned staff.

3.6.2. Providing day-to-day NL MOD representation within the JSF Program Office on all matters related to the Project.

3.6.3. Assisting the JSF/ID in developing the Financial Management Procedures Document, Project Security Instruction and Classification Guide, and IPT PDD.

3.6.4. Performing other tasks, as may be assigned by the Director, JSF/ID.

3.7. The Participants recognize that the military and civilian employees of a Participant, assigned to duty with its Defense Department or Ministry for the purpose of working under the JSF SDD Framework MOU, while present in the territory of another Participant will, to the extent that they are so qualified, be members of a "Force" and "civilian component" respectively within the meaning of Article I of the NATO Status of Forces (NATO SOFA), signed on 19 June 1951. Employees and agents of Contractors do not constitute a civilian component and NATO SOFA will not apply to them.

3.8. Representatives from the Participants' operational communities will participate in the JSF Senior Warfighter Group.

3.9. The Participants recognize that NL MOD personnel will be involved in the planning and implementation of the test and evaluation aspects of the Project. The extent and method of such participation will be based upon the requirements of the JSF integrated test plan to be developed during the SDD phase.

SECTION IV

FINANCIAL PROVISIONS

4.1. The NL MOD share of the Financial Cost Target of the Project, as identified in Section V (Financial Provisions) of the JSF SDD Framework MOU, is \$800 million Then Year U.S. dollars. In no event will the NL MOD contribution to the Financial Cost Target be increased beyond \$800 million Then Year U.S. dollars without the written consent of the NL EC representative on behalf of the NL MOD. In the event that the actual total cost of the Project (including overhead costs, administrative costs, and the cost of claims) is less than the Financial Cost Target identified in paragraph 5.2 of Section V (Financial Provisions) of the JSF SDD Framework MOU, the Participants will endeavor to ensure that the NL MOD receives any difference between (1) the NL MOD financial contributions actually provided to the Project and (2) the NL MOD's share of the actual total cost of the Project (which share will be in the same proportion as its proportion of the Financial Cost Target). The NL MOD non-financial contribution includes the personnel assigned to the JSF Program Office and DoD field activities in accordance with Annex A (Supplement Management Structure). The U.S. DoD share of the Financial Cost Target is established in Section V (Financial Provisions) of the JSF SDD Framework MOU.

4.2. U.S. DoD research and development costs incurred for the Air System will not apply to any Air Systems that may be exported to the NL MOD pursuant to U.S. commercial export licenses in accordance with any future cooperative production arrangements. In the event that the Participants mutually decide to enter into a future foreign military sale of the Air System by the U.S. Government to the Government of the Netherlands, the U.S. DoD will exclude from the price of the Air System all of the U.S. DoD research and development costs incurred for the Air System, provided that the NL MOD does not withdraw from the JSF SDD Framework MOU and this Supplement. In the case of NL MOD withdrawal, the financial contribution made by the NL MOD up to the date of withdrawal will be taken into consideration regarding any such future foreign military sale.

4.3. The NL MOD will pay the costs attributable to any NL MOD failure to make funds available in the amounts and times designated in the estimated financial schedule for contributions in the FMPD for this Supplement. The NL MOD will not be responsible for any costs attributable to any other JSF SDD Framework MOU Participant's failure to make funds available in the amounts and the times designated in the estimated financial schedule for contributions in the FMPD for that Participant.

4.4. In furtherance of the provisions paragraph 5.11 of Section V (Financial Provisions) of the JSF SDD Framework MOU, and upon mutual agreement, NL MOD or NL Supreme Audit Institution auditors may assist the U.S. DoD on any audit elements required to satisfactorily perform the audit. In addition, in the event that NL MOD or NL Supreme Audit Institution auditors need to obtain or to inspect specific Project financial data in order to fulfill their national obligations, the U.S. DoD will arrange for access to such specific financial data at mutually agreed times and locations.

4.5. In the event external audits concerning the Project are conducted by the supreme audit institutions of the Participants' nations, such reports will be provided by the applicable Participant to the EC representative of the other Participant. The Director, JSF/ID, and the NL National Deputy will apprise each other as soon as possible of external audits concerning the Project by the supreme audit institutions of the Participants' nations.