

**THE SMALL DIAMETER BOMB ADR PLAN BELOW**  
**APPLIES TO THE FOLLOWING CONTRACTS**

1. FA8682-04-C-0019 Small Diameter Bomb (SDB) System Development & Demonstration
2. FA8682-05-C-0132 SDB Increment I Lot 1 Low Rate Initial Production (LRIP)
3. FA8681-06-C-0012 SDB Increment I Lot 2 LRIP

SMALL DIAMETER BOMB  
SYSTEM DEVELOPMENT AND  
DEMONSTRATION



ALTERNATE DISPUTES  
RESOLUTION (ADR) PLAN

Dated February 11, 2004

Prepared by:  
Small Diameter Bomb Program Office

Statement of Principles Regarding the Use of  
Alternate Dispute Resolution Processes  
Between  
The Department of the Air Force  
And  
McDonnell Douglas Company

The Department of the Air Force and McDonnell Douglas, a Wholly Owned Subsidiary of The Boeing Company (hereafter referred to as "Boeing") share the objective of supplying America's war fighters with technologically advanced and reliable equipment in a timely manner and at a reasonable price to promote swift, safe and successful accomplishment of the national defense mission. Litigation unnecessarily consumes scarce and expensive resources and detracts from this mission. Both parties acknowledge that Alternate Disputes Resolution (ADR) is a less expensive and more effective method of resolution than traditional litigation for most disputes.

In recognition of the foregoing, the parties agree to conduct business in a manner consistent with avoiding or minimizing disputes by using a cooperative philosophy throughout the acquisition life cycle. Teams are encouraged to conduct joint reviews of the SDB program goals and identify potential obstacles to achieving those goals. The parties agree to try to resolve all issues in controversy arising under or related to the contract by negotiation and mutual agreement at the lowest level. This is based on the belief that detailed knowledge of issues is at the program level and the resolution of issues at this level fosters teamwork in pursuing mutually satisfactory solutions.

If negotiations reach an impasse, the parties agree to use one of the ADR processes contemplated by FAR 33.2 to reduce or eliminate the need for litigation to the maximum extent possible. The parties will prepare and agree to a specific, written ADR agreement appropriate to the controversy before the ADR process begins, with the understanding that any ADR process must be structured to allow sufficient time to exchange and analyze any information necessary to obtain and justify a settlement.

The agreement will identify authorized representatives for each party, ADR techniques and processes to be utilized and procedures to be followed, methods for exchange of information, a schedule and procedures for any discovery proceedings, including how to limit discovery/factual exchange; appointment and payment of neutrals; whether and to what extent to stay or suspend any pending litigation; possible audit requirements; at what the point the parties will begin negotiations; and a provision for termination of the agreement. If it is necessary for the parties to protect information during the ADR process, the parties will

enter into a confidentiality agreement sufficient to maintain such information in confidence to the extent permitted by law.

If the contracting officer rejects Boeing's request to use ADR proceedings, the contracting officer shall provide the contractor a written explanation citing one or more of the conditions in 5 U.S.C. 572(b) or such other specific reasons that ADR procedures are inappropriate for the resolution of the dispute. If Boeing rejects the government's request to use ADR proceedings, the contractor will inform the SDB program office in writing of the specific reasons for rejecting the request.

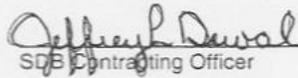
It is not the intent of the parties that this agreement alter, supplement, or deviate from the terms or conditions of any contract between the parties, or the legal rights and obligations of the parties set forth therein. Any changes to those contracts must be executed in writing by authorized contracting officials.

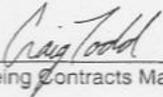
In the event that either party believes a particular issue is not well-suited to ADR, or is dissatisfied with progress being made in a particular ADR proceeding, that party may, after good faith effort to resolve the issue, elect to abandon the ADR process and proceed as otherwise provided under contract, regulation or statute. Nothing in this agreement shall be deemed to prevent either party from preserving and exercising its legal rights and remedies under the ADR process.

Agreed to this date:

  
SDB Program Manager

  
Boeing Program Manager

  
SDB Contracting Officer

  
Boeing Contracts Manager