

EXHIBIT R-2, RDT&E Budget Item Justification							DATE: February 2008	
APPROPRIATION/BUDGET ACTIVITY RESEARCH DEVELOPMENT TEST & EVALUATION, NAVY / BA-5							R-1 ITEM NOMENCLATURE 0604329N, SMALL DIAMETER BOMB	
COST (\$ in Millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Total PE Cost	9.775	9.623	19.574	22.440	10.137	35.047	40.767	
3072 SMALL DIAMETER BOMB	9.775	9.623	19.574	22.440	10.137	35.047	40.767	

(U) A. MISSION DESCRIPTION AND BUDGET ITEM JUSTIFICATION:

Small Diameter Bomb (SDB) Increment II is an ACAT ID program providing the warfighter a capability to attack mobile targets in weather. The Air Force is the executive service. SDB Increment II addresses the following warfighter requirements: attack mobile targets; multiple kills per pass; multiple ordnance carriage; all weather operations; near-precision munitions capability; capability against fixed targets; reduced munitions footprint; increased weapons effectiveness; minimized potential for collateral damage; reduced susceptibility of munitions to countermeasures; and a migration path to net centric ops capability. Threshold aircraft is the F-15E for the Air Force and JSF for the Navy. Objective aircraft include the F/A-22, B-1, B-2, F-117, F-16, B-52, Predator B, F/A-18 E/F and the Navy Unmanned Combat Air System (N-UCAS). SDB Increment II will continue incremental development to pursue network CENTRIC interoperability. SDB Increment II is a key component of the Air Force's Global Strike Task Force CONOP.

Navy funding will provide for risk reduction activities, participation in common efforts, and development and evaluation of Navy-unique and interoperability requirements. Additionally, Navy funding is provided to conduct weapons data link message development and testing through Joint Capability Technology Demonstration (JCTD) efforts to achieve risk reduction efforts and weapons interoperability. The Joint Surface Warfare (JSuW) is one current JCTD being conducted to analyze weapons data link message development. Navy SDB II Initial Operating Capability is scheduled for FY 2016 on JSF Conventional Take-Off and Landing (CTOL) and Short Take-Off Vertical Landing (STOVL) aircraft.

B. PROGRAM CHANGE SUMMARY

Funding:	FY 2007	FY 2008	FY 2009	
Previous President's Budget:	9.983	9.832	9.818	
Current President's Budget:	<u>9.775</u>	<u>9.623</u>	<u>19.574</u>	
Total Adjustments	-0.208	-0.209	9.756	

Summary of Adjustments

Congressional Reductions				
Congressional Rescissions				
Congressional Undistributed Reductions		-0.062		
Congressional Increases				
Economic Assumptions			-0.066	
Miscellaneous Adjustments	-0.208	-0.147	9.822	
Subtotal	-0.208	-0.209	9.756	

Schedule: Not applicable

Technical: Not applicable.

EXHIBIT R-2a, RDT&E Project Justification						DATE:		February 2008																																																																			
APPROPRIATION/BUDGET ACTIVITY RDT&E,N / BA-5			PROGRAM ELEMENT NUMBER AND NAME 0604329N, SMALL DIAMETER BOMB			PROJECT NUMBER AND NAME 3072, SMALL DIAMETER BOMB																																																																					
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SDB Increment II will continue incremental development to pursue network CENTRIC interoperability. SDB Increment II is a key component of the Air Force's Global Strike Task Force CONOP.</p> <p>Navy funding will provide for risk reduction activities, participation in common efforts, and development and evaluation of Navy-unique and interoperability requirements. Additionally, Navy funding is provided to conduct weapons data link message development and testing through Joint Capability Technology Demonstration (JCTD) efforts to achieve risk reduction efforts and weapons interoperability. The Joint Surface Warfare (JSuW) is one current JCTD being conducted to analyze weapons data link message development. Navy SDB II Initial Operating Capability is scheduled for FY 2016 on JSF Conventional Take-Off and Landing (CTOL) and Short Take-Off Vertical Landing (STOVL) aircraft.</p> <p>B. ACCOMPLISHMENTS / PLANNED PROGRAM:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Contractor Risk Reduction</td> <td style="width: 10%;">FY 2007</td> <td style="width: 10%;">FY 2008</td> <td style="width: 10%;">FY 2009</td> </tr> <tr> <td>Accomplishments / Effort / Sub-total C</td> <td>4.050</td> <td>4.582</td> <td>3.514</td> </tr> <tr> <td>RDT&E Articles Qty</td> <td></td> <td></td> <td></td> </tr> </table> <p>Participate in the 42-month risk reduction phase with Boeing and Raytheon. The Navy's participation is to ensure Navy-unique requirements are included in SDB II design and development and to understand interoperability requirements.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Conduct Weapon Data Link Testing/JSuW</td> <td style="width: 10%;">FY 2007</td> <td style="width: 10%;">FY 2008</td> <td style="width: 10%;">FY 2009</td> </tr> <tr> <td>Accomplishments / Effort / Sub-total C</td> <td>2.500</td> <td>1.200</td> <td>9.900</td> </tr> <tr> <td>RDT&E Articles Qty</td> <td></td> <td></td> <td></td> </tr> </table> <p>Conduct Weapons Data Link message development and testing. This will facilitate the incorporation of these new message sets into the JSF when the aircraft becomes available. Beginning in FY08, funding is provided to accomplish Joint Surface Warfare efforts and in FY09 to accomplish Hard Target Void Sensing efforts. Both efforts will enhance Strike Warfare survivability in development of Small Diameter Bomb II.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">SDB II Support and Integration</td> <td style="width: 10%;">FY 2007</td> <td style="width: 10%;">FY 2008</td> <td style="width: 10%;">FY 2009</td> </tr> <tr> <td>Accomplishments / Effort / Sub-total C</td> <td>3.225</td> <td>3.841</td> <td>6.160</td> </tr> <tr> <td>RDT&E Articles Qty</td> <td></td> <td></td> <td></td> </tr> </table> <p>Government and Support Contractor participation in risk reduction activities to include Seeker and Other Trade Studies, Joint Strike Fighter fit checks, Shipboard Suitability, Electromagnetic Environmental Effects, System Safety, Climatic/Dynamic Environments, catapulted/arrested landings testing, and multiple weapon carriage system requirements and other risk reduction activities.</p> <p>C. OTHER PROGRAM FUNDING SUMMARY:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th></th> <th>FY 2007</th> <th>FY 2008</th> <th>FY 2009</th> <th>FY 2010</th> <th>FY 2011</th> <th>FY 2012</th> <th>FY 2013</th> <th>To Complete</th> <th>Total Cost</th> </tr> <tr> <td>USAF PE 0604329F (SDB) (Note 1)</td> <td>89.887</td> <td>144.270</td> <td>125.112</td> <td>129.864</td> <td>77.850</td> <td>79.366</td> <td>80.989</td> <td>156.905</td> <td>909.383</td> </tr> <tr> <td>Missile Procurement - USAF PE 0207327F</td> <td>98.669</td> <td>95.297</td> <td>148.142</td> <td>165.658</td> <td>138.347</td> <td>140.818</td> <td>143.706</td> <td>101.191</td> <td>1,031.828</td> </tr> </table> <p>Note 1: Costs reflect USAF PB09 submission for all project units included in the SDB PE, including SDB I, SDB II, and Focused Lethality Muntion (FLM) program.</p>										Contractor Risk Reduction	FY 2007	FY 2008	FY 2009	Accomplishments / Effort / Sub-total C	4.050	4.582	3.514	RDT&E Articles Qty				Conduct Weapon Data Link Testing/JSuW	FY 2007	FY 2008	FY 2009	Accomplishments / Effort / Sub-total C	2.500	1.200	9.900	RDT&E Articles Qty				SDB II Support and Integration	FY 2007	FY 2008	FY 2009	Accomplishments / Effort / Sub-total C	3.225	3.841	6.160	RDT&E Articles Qty					FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	To Complete	Total Cost	USAF PE 0604329F (SDB) (Note 1)	89.887	144.270	125.112	129.864	77.850	79.366	80.989	156.905	909.383	Missile Procurement - USAF PE 0207327F	98.669	95.297	148.142	165.658	138.347	140.818	143.706	101.191	1,031.828
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EXHIBIT R-2a, RDT&E Project Justification		DATE:
		February 2008
APPROPRIATION/BUDGET ACTIVITY	PROGRAM ELEMENT NUMBER AND NAME	PROJECT NUMBER AND NAME
RDT&E,N / BA-5	0604329N, SMALL DIAMETER BOMB	3072, SMALL DIAMETER BOMB
<p>D. ACQUISITION STRATEGY:</p> <p>The Air Force selected Boeing in August 2003 as the SDB Increment I prime contractor following a 24-month CAD. Currently, SDB Increment I is in Low Rate Initial Production (LRIP) after successfully achieving Milestone C in April 2005.</p> <p>The SDB Increment II acquisition strategy is to conduct a full and open competition to select up to two contractors to compete during a planned 42-month risk reduction phase prior to entering SDD. This competition began April 17, 2006 with the signature of contracts to the competing contractors: 1) Raytheon and 2) the team of Boeing and Lockheed Martin. An SDD cost-type contract is planned to be awarded early in FY 2010.</p> <p>The Navy funding will support Navy-unique efforts for SDB Phase II, such as aircraft integration, ship suitability, studies and analysis, and program management and government in-house support. These efforts will be performed on several cost-type contracts or through cost reimbursable work requests to government activities and contractors.</p>		

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Exhibit R-3 Cost Analysis (page 1)									DATE: February 2008			
APPROPRIATION/BUDGET ACTIVITY		PROGRAM ELEMENT				PROJECT NUMBER AND NAME						
RDT&E,N / BA-5		0604329N, SMALL DIAMETER BOMB				3072, SMALL DIAMETER BOMB						
	Contract Method & Type	Performing Activity & Location	Total PY s Cost	FY 2007 Cost	FY 2007 Award Date	FY 2008 Cost	FY 2008 Award Date	FY 2009 Cost	FY 2009 Award Date	Cost to Complete	Total Cost	Target Value of Contract
Cost Categories												
PRODUCT DEVELOPMENT												
Aircraft Integration	C/CPFF	Lockheed Martin, JSF	.101	.550	May 2007	.320	Feb 2008	.991	Feb 2009	38.271	40.233	40.233
Primary Hardware Development	C/CPFF	MCDONNELL DOUGLAS CORP, SAINT LOUIS, MO	6.180	1.571	Feb 2007	2.800	Feb 2008	1.716	Feb 2009	.529	12.796	12.796
Primary Hardware Development	C/CPFF	RAYTHEON MISSILE SYSTEMS CO, TUCSON, AZ	2.000	1.100	Feb 2007	2.800	Feb 2008	1.716	Feb 2009	.529	8.145	8.145
Primary Hardware Development	TBD	TBD						3.160	Feb 2009	65.408	68.568	68.568
Ship Suitability	WX	VARIOUS	.421	.377	Nov 2006	.090	Nov 2007	.650	Nov 2008	5.260	6.798	
Ship Suitability	C/CPFF	MCDONNELL DOUGLAS CORP, SAINT LOUIS, MO		.347	Feb 2007	.300	Feb 2008				.647	.647
Ship Suitability	TBD	TBD						.900	Jan 2009	8.857	9.757	9.757
SUBTOTAL PRODUCT DEVELOPMENT			8.702	3.945		6.310		9.133		118.854	146.944	

Remarks: Primary Hardware Development FY06 through FY09 includes cost for the 42-month risk reduction phase. Funding for McDonnell Douglas represents the Boeing/Lockheed Martin team. Primary HW development TBD to reflect the downselect to one contractor after risk reduction phase. FY2009 Primary HW supports the JSuW efforts.

SUPPORT												
Software Development	SS/CPFF	Various	5.990								5.990	5.990
Software Development	SS/CPFF	MCDONNELL DOUGLAS CORP, SAINT LOUIS, MO	3.435	2.500	Nov 2006						5.935	5.935
Software Development	WX	NAWCWD, CHINA LAKE CA	.465								.465	
Studies & Analyses (APL)	C/CPFF	JOHNS HOPKINS UNIV, BALTIMORE MD	2.395	.200	Mar 2007	.291	Mar 2008	.679	Mar 2009	2.870	6.435	6.435
SUBTOTAL SUPPORT			12.285	2.700		.291		.679		2.870	18.825	

Remarks: Studies and Analyses include Navy activities to define CONOPS and better define Navy-specific and interoperability requirements, such as Weapon Data Link ACTD, Seeker Trade Studies, and Data Link Trade Studies. The weapon data link software development effort develops requirements, establishes design architecture and dramatically reduces risk for integration of SDB Increment II WDLN ICD into JSF. F/A-18 H5E Software Configuration Set will be utilized as a surrogate test bed to incorporate WDLN ICD.

TEST & EVALUATION												
Developmental Test and Evaluation	TBD	TBD								12.240	12.240	
Operational Test and Evaluation	TBD	TBD						1.000	Oct 2008	12.340	13.340	
SUBTOTAL TEST & EVALUATION								1.000		24.580	25.580	

Remarks:

MANAGEMENT												
Contractor Eng Sup	C/CPFF	TBD	.195	.460	Dec 2006	.410	Dec 2007	.422	Dec 2008	7.195	8.682	8.682
Government Eng Sup	WX	NAWCWD, CHINA LAKE CA	2.054	1.110	Nov 2006	1.103	Nov 2007	1.109	Nov 2008	23.457	28.833	
Government Eng Sup	WX	VARIOUS	1.968	.860	Nov 2006	.809	Nov 2007	6.531	Nov 2008	22.298	32.466	
Program Mgmt Sup	WX	TBD		.250	Nov 2006	.250	Nov 2007	.250	Nov 2008	1.515	2.265	
Program Mgmt Sup - MSS (NON-F)	WX	VARIOUS	.409	.250	Dec 2006	.250	Dec 2007	.250	Dec 2008	1.640	2.799	
Travel	MIPR	ASC 26 OG/OGP, EGLIN AFB FL	.397	.200	Oct 2006	.200	Oct 2007	.200	Oct 2008	2.100	3.097	
SUBTOTAL MANAGEMENT			5.023	3.130		3.022		8.762		58.205	78.142	

Remarks:

Total Cost			26.010	9.775		9.623		19.574		204.509	269.491	.000
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Remarks: May not add due to rounding.

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EXHIBIT R4, Schedule Profile																									DATE: February 2008			
APPROPRIATION/BUDGET ACTIVITY									PROGRAM ELEMENT NUMBER AND NAME												PROJECT NUMBER AND NAME							
RDT&E,N / BA-5									0604329N, SMALL DIAMETER BOMB												3072, SMALL DIAMETER BOMB							
Fiscal Year	FY 2007				FY 2008				FY 2009				FY 2010				FY 2011				FY 2012				FY 2013			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Acquisition Milestones																												
Risk Reduction Phase																												
Source Selection																												
Development and Integration																												
Critical Design Review Milestone B																												
Ship Suitability																												
Test & Evaluation Milestones																												
Developmental Test/ System Flight Test																												
Production Milestones																												
Deliveries																												

* Not required for Budget Activities 1, 2, 3, and 6

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