

**Statement of Principles
Between The Department of The Air Force
and
Northrop Grumman Corporation
Concerning Use of Alternative Dispute Resolution Processes**

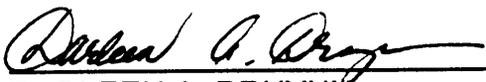
The Department of the Air Force (Air Force) and Northrop Grumman Corporation share a mutual objective to supply America's warfighters with technologically advanced and reliable equipment in a timely manner to promote swift, safe and successful accomplishment of the national defense mission. Extended litigation consumes resources and funds, detracting from the accomplishment of this mission. We recognize that for many business disputes there is a less expensive, more effective method of resolution than the traditional lawsuit – Alternative Dispute Resolution (ADR). ADR procedures involve collaborative techniques which can often spare the Air Force and Northrop Grumman Corporation the expense and disruption of litigation.

In recognition of the foregoing, we confirm our mutual commitment to use of ADR processes in accordance with the following principles:

- Conduct our existing and prospective future business in a manner that will avoid or minimize disputes.
- Following contract award, all Air Force/Northrop Grumman teams are encouraged to conduct post-award reviews to jointly assess a particular contract's goals and objectives and identify potential obstacles and risk factors to timely and effective completion. The team will periodically evaluate progress and success in overcoming these obstacles and risk factors.
- Resolve all contractual issues in controversy at the program/contract execution level whenever possible, recognizing that the best knowledge of the issues involved is generally at the program level, and that resolution of problems at the contract execution level fosters teamwork in pursuing mutually satisfactory solutions.
- In the event an issue in controversy cannot be resolved through contracting officer negotiation, ADR, which involves various collaborative techniques to facilitate resolution, should be used to settle the dispute in lieu of litigation.
- Air Force and Northrop Grumman management will be advised in a timely manner of any failure to make satisfactory progress in a dispute resolution at the

contract execution level and will work together to support use of ADR to achieve settlement.

- Consistent with FAR 33.214, specific ADR collaborative techniques, timelines, use and identification of neutrals, appropriate to the issues in controversy, will be mutually agreed to in writing before the ADR process begins.
- If it is necessary for the parties to protect information during the ADR process, the parties will enter into a confidentiality agreement to maintain such information in confidence to the extent permitted by law.
- It is not the intention of the parties to alter, supplement or deviate from the contract(s) and the legal rights and obligations of the parties set forth therein. Any changes to the contract(s) must be executed in writing by authorized contracting officials.
- In the event either party believes that a particular dispute is not well-suited to ADR, or is dissatisfied with progress being made in a particular ADR proceeding, that party may elect to forego the ADR processes and proceed as otherwise provided under contract, regulation or statute.



DARLEEN A. DRUYUN
Principal Deputy Assistant Secretary
of the Air Force (Acquisition & Management)

12-2-98
Date



Kent Kresa
Chairman, Chief Executive Officer and President
Northrop Grumman Corporation

12/1/98
Date