

**Alternate Dispute Resolution Memorandum of  
Agreement**

**Between**

**The Department of the Air Force and Northrop  
Grumman Corporation  
16 January 2001**

**AND**

**Statement of Principles  
Between  
The Department of The Air Force  
and  
Northrop Grumman Corporation  
Concerning Use of Alternative Dispute Resolution  
Processes  
02 December 1998**

**Joint STARS Program**  
**Alternative Dispute Resolution**  
**Memorandum of Agreement**  
**Between**  
**The Department of the Air Force**  
**and**  
**Northrop Grumman Corporation**

1. The Department of the Air Force, Air Force Materiel Command, Electronics Systems Center (Air Force or JS System), and Northrop Grumman Corporation, Integrated Systems Sector, Airborne Ground Surveillance and Battle Management Systems business area (Northrop Grumman or Contractor) (collectively the Parties) have/will enter into contract(s) to acquire aircraft, related products, and services required for the Joint STARS Program. The Parties share the objective of supplying and supporting 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. These contracts contain the "Disputes" clause (FAR 52.233-1) to implement the Contract Disputes Act of 1978. However, as contemplated by FAR 33.214, and the "Statement of Principles Between The Department of The Air Force and Northrop Grumman Corporation Concerning Use of Alternative Dispute Resolution Process" dated 2 December 1998, the Parties also recognize that Alternative Dispute Resolution (ADR) procedures involving collaborative techniques can be used as an alternative to "Disputes" clause procedures in order to avoid the disruption and high cost of litigation which detracts from mission accomplishment.

2. The Parties agree that they will try to resolve all issues in controversy arising under or related to the Joint STARS Program contract(s) by negotiation and mutual agreement at the Contracting Officer's level. If negotiations reach an impasse, the Parties agree to use to the maximum extent feasible one or more of the ADR processes contemplated by FAR 33.2 to reduce or eliminate the need for litigation. The Parties further agree that any ADR process must be structured to allow sufficient time to exchange and analyze any information necessary to obtain and justify a settlement.

3. Consistent with FAR 33.214, in cases where the Parties decide to use ADR, the Parties will prepare and agree to a specific, written ADR agreement appropriate to the controversy, before the ADR process begins. The agreement should normally address the following (as appropriate): authorized representatives for each Party; ADR techniques and processes to be utilized and procedures to be followed; methods for the exchange of information; a schedule and procedures for any discovery proceedings, including how to limit discovery/factual exchange, as well as applicability of information presented/ discovered during ADR to a more formal process should the ADR process be terminated; appointment and payment of Neutrals; whether and to what extent to stay or suspend any pending litigation; possible audit requirements; confidentiality; at what point the Parties will begin negotiations; and a provision for termination of the agreement.

4. If the Contracting Officer rejects the Contractor'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. See 41 U.S.C. 605(e) and FAR 33.214(b). In any case where the Contractor rejects the government's request to use ADR proceedings, the Contractor shall inform the Agency in writing of the Contractor's specific reasons for rejecting the request.

5. It is not the intent of the Parties that this Agreement alter, supplement or deviate from the terms and conditions of any Joint STARS Program contract(s) between the Parties, or the legal rights and obligations of the Parties set forth therein. Any changes to those contract(s) must be executed in writing by authorized contracting officials.

In the event 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 efforts 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 during the ADR process.

|  |                                 |
|--|---------------------------------|
| <u>Cary Connor</u><br>JS System Program Director                                     | <u>27 Nov '00</u><br>Date       |
| <u>Richard D. Blean</u><br>JS Deputy System Program Director                         | <u>27 Nov '00</u><br>Date       |
| <u>NA Baudin</u><br>Northrop Grumman Program Director                                | <u>21 JAN '01</u><br>Date       |
| <u>M. Baggett</u><br>JS Director of Contracts  | <u>27 Nov 00</u><br>Date        |
| <u>Lisa Marie Clark</u><br>JS Deputy Director of Contracts                           | <u>27 NOVEMBER 2000</u><br>Date |
| <u>Mark A. Melnick</u><br>Northrop Grumman Director of Contracts                     | <u>16 JAN 01</u><br>Date        |
| <u>C. Wesley Douglas</u><br>Northrop Grumman Director of Program Business Management | <u>DEC 21 2000</u><br>Date      |

**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