

HAGERSTOWN APPENDIX

HAGERSTOWN SITE AGREEMENT

Northrop Grumman Corporation, Electronic Systems sector (the Company) and Local 130, International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers/Communications Workers of America, AFL-CIO, CLC (the Union) have negotiated this Hagerstown Site Agreement with respect to the bargaining unit employees located at Hagerstown, Maryland.

The Agreement between Northrop Grumman Corporation Electronic Systems sector, BWI Site, and the Union dated August 29, 2004, shall apply to the bargaining unit employees located at Hagerstown, Maryland except that the portions listed below shall not apply:

Section II, Committee
Section VII, Checkoff
Section VIII, Wages
Section IX, Hours of Work
Section X, Overtime
Section XI, Holidays and Vacations
Section XII, Seniority
Section XIV, Grievance Procedure/Union Business Allowance
Section XIV-B, Union Business Allowance
Section XVI, Court Appearances
Section XVII, Military Service
Section XVIII, Sickness and Personal Business
Section XIX, Modification
Section XX, Termination
Appendices A, B, & C
2004 Supplement
Pension and Insurance Agreement

TABLE OF CONTENTS

SECTION II – COMMITTEE	6
SECTION VII – CHECKOFF	7
A. Dues/Service Fees Deduction Authorizations	7
B. Deduction Authorizations.....	7
1. Dues Deduction Authorization.....	7
2. Union Service Fees Authorization.....	9
C. Membership Dues and Service Fees	11
D. Notice of Changes in Dues and Service Fees.	11
E. Starting Deductions	11
F. Delinquencies	12
G. Adjustment of Errors.....	12
H. Reinstatements.....	12
I. Transfers.....	13
J. Contact with the Union	13
K. Reports and Remittances to Union.....	14
1. Union Summary	14
2. Withdrawal Report.....	14
L. State Laws	15
M. Deductions for IUE Cope.....	15
SECTION VIII – WAGES.....	17
A. Payroll Administration.....	17
B. Night Turn Adjustment.....	17
C. Four Hours of Work	17
D. Group Leaders’ Remuneration	18
1. Hourly.....	18
E. Hourly Pay Schedules	19
F. Information.....	19
G. General Wage and Salary Principles.....	20
H. Changes in Wage Payment Plans.....	22
I. Leave – Death in Immediate Family.....	23
J. Hourly Employees.....	24
1. Hourly Re-Rate Plan	24
2. Upgrading.....	25

3. Lateral Transfers and Downgrading.....	25
4. Reassignments to Jobs Previously Held...	26
SECTION IX – HOURS OF WORK.....	26
SECTION X – OVERTIME.....	28
H. Hourly Overtime.....	32
I. Required Overtime.....	33
SECTION XI – HOLIDAYS AND VACATIONS.....	34
A. Holidays.....	34
B. Vacations.....	35
SECTION XII – SENIORITY.....	39
A. Seniority Credit.....	39
B. Loss of Seniority.....	41
C. Probationary Period.....	41
D. Inactive Seniority List.....	42
E. Return of Employees to Bargaining Units.....	43
F. Decrease in Work Force.....	43
G. Special Work Force Reduction Problems.....	46
H. Notice Period.....	47
I. Increase in Work Force – Transfers/Upgrades	47
J. Changes in Shift.....	54
K. Seniority Preference.....	55
L. Return from Disability.....	56
SECTION XIV – GRIEVANCE PROCEDURE / UNION BUSINESS ALLOWANCE.....	57
SECTION XIV – B – UNION BUSINESS ALLOWANCE.....	60
SECTION XVI – COURT APPEARANCES.....	62
SECTION XVII – MILITARY SERVICE.....	62

SECTION XVIII – SICKNESS/PERSONAL BUSINESS	63
SECTION XIX – MODIFICATION	65
SECTION XX – TERMINATION.....	67
APPENDIX A	71
APPENDIX B	72
APPENDIX C	73
2004 WAGE SUPPLEMENT	74
PENSION AND INSURANCE AGREEMENT	81

SECTION II – COMMITTEE

- A. The Union has designated a committee of five (5) as its representatives, and the Company has designated a committee of five (5) as its representatives, for purposes of collective bargaining. Either party may, at any time, change its representatives, provided that neither party will be represented by more than five (5) representatives at any one time.
- B. Payment for time spent in negotiating meetings in the plant during working hours by employee members of the Union negotiating committee shall be made in accordance with the provisions of Section XIV-B of this Agreement.
- C. Either the Local or the Company, or both, may have one additional representative present at meetings of the Negotiating Committee.
- D. Sufficient copies of agreements reached shall be made available for distribution to all officers of the Local and Stewards of the Bargaining Unit. Additional copies for all members of the local shall be made available if requested by the Local.
- E. The committee will meet to discuss rates of pay, working conditions and hours of work.

SECTION VII – CHECKOFF

A. DUES/SERVICE FEES DEDUCTION AUTHORIZATIONS

For the duration of this Agreement, the Company shall deduct from each bi-weekly pay Union dues, or equivalent service fee, and promptly remit same to the Local for those employees in the bargaining unit whose written and signed authorizations are received by the Company. Such authorizations shall be valid only if submitted on one of the forms set forth in paragraph B. of this Section, or on one of the forms in use in the bargaining unit prior to March 1, 1996.

B. DEDUCTION AUTHORIZATIONS

1. Dues Deduction Authorization

Bi-Weekly deductions shall commence in the first pay period ending thirty (30) days or more after the Local initially presents Management with signed bi-weekly dues deduction authorizations. The following bi-weekly dues deduction authorization form, with all blanks properly filled in, will be used:

Name (Print)

_____ (First)

_____ (Middle Initial)

_____ (Last)

Effective Date _____ Badge No. _____

TO NORTHROP GRUMMAN CORPORATION

Please deduct from my pay each bi-week my bi-weekly dues as a member of Local 130, International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers/Communications Workers of America, A.F.L.-C.I.O.-C.L.C., in the amount certified to you as being the membership dues of such Local. Remit the amount so deducted to such Local in accordance with this authorization and assignment. In addition, please deduct my initiation fee of \$_____ as part of the first bi-weekly deduction of membership dues and remit same to said Local.

I further authorize the deduction of any delinquent dues as determined by the Union from any of my paychecks.

This assignment and authorization shall be irrevocable, except that it may be revoked by my giving written notice to you by individual registered mail postmarked, or received by the Company, either (a) during a period from the first June 4 to the first June 11, both inclusive, after the effective date of this authorization, (b) during the same period of each year thereafter, or (c) after the termination date of the Agreement (dated August 29, 2004) between Northrop Grumman Corporation, Electronic Systems sector, California Microwave Systems Hagerstown Site and Local 130 of the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers/Communications Workers of America, A.F.L.-C.I.O.-C.L.C.

This assignment and authorization supersedes all authorizations and assignments previously signed by me with respect to union dues and/or initiation fees.

I agree to waive any claim against the Company, other than one based upon a clerical error that may arise because of this assignment and authorization.

Employee's Signature _____ Date: _____

Address: _____ Zip Code: _____

Home Phone: _____ Work Phone: _____

Hire Date: _____

2. Union Service Fees Authorization

The Local, upon written notice to Management, may elect to have equivalent service fees for employees who are not members deducted on a bi-weekly basis from the wages of employees. Such bi-weekly deductions shall commence in the first pay period ending thirty (30) days or more after the Local initially presents Management with signed bi-weekly service fee deduction authorizations. The following bi-weekly service fee deduction authorization form, with all blanks properly filled in, will be used:

Name (Print)

_____ (First)

_____ (Middle Initial)

_____ (Last)

Effective Date _____ Badge No. _____

TO NORTHROP GRUMMAN CORPORATION

Please deduct from my pay each bi-week my bi-weekly service fees to Local 130, International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers/Communications Workers of America, A.F.L.-C.I.O.-C.L.C., in the amount certified to you as the membership dues of such Local. Remit the amount so deducted to such Local in accordance with this authorization and assignment. In addition, please deduct the equivalent of the initiation fee of \$_____ as part of the first bi-weekly deduction of service fees and remit same to said Local. I further authorize the deduction of any delinquent service fees as determined by the Union from any of my paychecks.

This assignment and authorization shall be irrevocable, except that it may be revoked by my giving written notice to you by individual registered mail postmarked, or received by the Company, either (a) during a period from the first June 4 to the first June 11, both inclusive, after the effective date of this authorization, (b) during the same period of each year thereafter, or (c) after the termination date of the Agreement (dated August 29, 2004) between Northrop Grumman Corporation, Electronic Systems sector, California Microwave Systems Hagerstown Site, and Local 130 of the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers/Communications Workers of America, A.F.L.-C.I.O.-C.L.C.

This assignment and authorization supersedes all authorizations and assignments previously signed by me with respect to union fees.

I agree to waive any claim against the Company, other than one based upon a clerical error that may arise because of this assignment and authorization.

Employee's Signature _____ Date: _____

Address: _____ Zip Code: _____

Home Phone: _____ Work Phone: _____

Hire Date: _____

C. MEMBERSHIP DUES AND SERVICE FEES

Within the meaning of the dues and service fees deduction authorizations, membership dues and service fees will include only that regular payment required equally of all members which has been designated as membership dues, pursuant to appropriate Union and Local constitutions and by-laws. All such authorizations will be in the same dollar and cents amount. Excluded specifically from such authorizations are fines, penalties, contributions, assessments, strike assessments, taxes of any kind, or any other type of payment.

D. NOTICE OF CHANGES IN DUES AND SERVICE FEES

The Local shall notify Management by certified mail of any change in the sum of money to be deducted as dues or service fees pursuant to the authorizations set forth in Paragraph B. above.

E. STARTING DEDUCTIONS

Deductions for employees whose bi-weekly authorizations are received after the effective date of this Agreement will commence with the second week starting after receipt of the respective authorizations. The date of receipt will be recorded on the authorization by the Company, and such record shall be conclusive on all parties concerned. All weekly authorizations received by Friday in any week will be

included in the deduction for the second week following. Collection of any back dues or service fees owed at the time of starting deduction for any employee will be the responsibility of the Union.

F. DELINQUENCIES

If an employee does not have sufficient earnings for payment of dues or service fees after other deductions, dues or service fees for that week will not be deducted by the Company from pay in any subsequent week, unless notified by the Union.

G. ADJUSTMENT OF ERRORS

Except where the Company has made a clerical error in the deduction of dues or service fees which will be adjusted promptly by the Company, any question as to the correctness of the amount deducted shall be settled between the employee and the Local; and the International and Local shall jointly and severally indemnify the Company and save it harmless against any and all suits, claims, demands and liabilities that shall arise out of or by reason of any action that shall be taken by the Company for the purpose of complying with the provisions of this Section VII or in reliance on any authorization form or information furnished to the Company under such provisions.

H. REINSTATEMENTS

Employees who return to the active payroll from sickness, leave of absence, or who are recalled from the Inactive Seniority List shall have dues or service fees deductions

automatically reinstated upon return to work, providing their individual written and signed authorizations for the deduction are still in effect. When an employee is rehired but not from the Inactive Seniority List, his deduction authorization (if in effect at time of separation) shall be reinstated only if he signs a request for continuation of such deductions on the reverse side of the authorization form. In all cases, however, reinstatement of the dues or service fees deduction authorization will be made only if the authorization form previously signed is that which is currently in use in the bargaining unit.

I. TRANSFERS

Deductions will be automatically discontinued when an employee is transferred to work outside of the bargaining unit covered by this Agreement; except that where the transfer is to a newly created position at the Hagerstown Site which the Local considers to be a part of the existing bargaining unit, the deduction will be continued until a determination has been made as to whether or not the new position is in the bargaining unit.

J. CONTACT WITH THE UNION

One (1) employee in the Accounting Department will be designated to confer with an individual designated by the Local and clear all questions regarding the detail of record and reconciliation of deduction of dues or service fees.

K. REPORTS AND REMITTANCES TO UNION

On or before the twentieth (20th) day of each month a check for the total deductions made since the last remission shall be sent to the Local together with a substantiating list. Each list sent to the Local shall show for all employees on the active roll from whom deductions have been made: (1) name, (2) shop location, (3) social security number, (4) amount of deduction from each individual employee for the period covered, and (5) reason for non-deduction if known. Attached to the list will be a summary indicating the total amount deducted and the number of employees from whom dues or service fees deductions were made.

1. Union Summary

A summarization of local remittance summaries will be forwarded on or about the twentieth (20th) of the following month to the International Union of Electronic, Electrical, Salaried, Machine, Furniture Workers and Communications Workers of America A.F.L.-C.I.O.-C.L.C. in Washington D.C. The street address will be provided by the IUE-CWA Local 130, AFL-CIO, CLC.

2. Withdrawal Report

On or before June 18 of each year, Management will furnish the Local with a list of employees who have revoked their deduction authorization during the preceding revocation period of June 4 to June 11.

L. STATE LAWS

This Section shall apply only to the extent that its provisions are consistent with applicable State laws.

M. DEDUCTIONS FOR IUE COPE

For the duration of this Agreement, the Company will deduct from each week's pay voluntary contributions to IUE COPE for those employees where signed authorizations for such deductions in the form set forth below are received by the Company. The Company will transmit to the Union on a monthly basis, in one check, the total amount deducted along with the name of each employee on whose behalf a deduction is made and that amount deducted from the employee's paycheck.

The following is the form of authorization:

**TO NORTHROP GRUMMAN CORPORATION
IUE COPE**

Name (Print)

Badge Number

Street Address

City/State Zip

I hereby voluntarily assign to IUE COPE, from any wages earned or to be earned by me as your employee, the bi-weekly sum of: (check one)

\$.50 \$1.00 \$1.50

\$2.00 \$2.50

Other \$ _____ (whole dollars)

each pay cycle. I hereby authorize and direct you to deduct such amounts from my pay and remit same to IUE COPE at such times and in such manner as may be agreed upon between you and the IUE at any time while this authorization is in effect.

I understand that IUE COPE will use the money it receives to make political contributions and expenditures in connection with Federal, State and Local elections.

This authorization is revocable upon two weeks advance written notice to: Northrop Grumman Corporation

Signature

Date

SECTION VIII – WAGES

Wage schedules applicable to employees in the Hagerstown bargaining unit, and changes therein during the term of this Agreement, are set forth in Appendix B.

A. PAYROLL ADMINISTRATION

If an employee receives a paycheck for less than the equivalent of eighty hours in a two week period and there is a shortage in such paycheck, the employee may, if he so desires, request an advance for the shortage.

B. NIGHT TURN ADJUSTMENT

Employees working night turn will receive an extra compensation of ten percent (10%) of their earnings on night turn when the regular quitting time of their assigned shift is after nine o'clock in the evening (9:00 P.M.) and up to and including nine o'clock (9:00 A.M.) of the following day. Work performed outside of his/her regular scheduled shift hours by an employee assigned to a day shift shall not receive night-turn adjustment for such work.

C. FOUR HOURS OF WORK

Hourly employees who report to work at the regular starting time of their shift and have not been advised at least ten (10) hours beforehand not to report, and those who report to work at other times at Management's request, will be guaranteed four (4) hours work at their guaranteed rate or the rate of pay for the job on which they work, whichever is higher. If work is not

provided during some or all of such four (4) hours, the employee will be paid at his keysheet rate for such period. If the employee has qualified for overtime in accordance with the overtime provisions of this Agreement, overtime rates based on the provisions of this Agreement (Section X - Overtime) will be paid for hours not worked.

NOTE: The foregoing provisions will not apply in the case of an emergency such as fire, flood, power failure, or work stoppage by employees in the plant.

D. GROUP LEADERS' REMUNERATION

A group leader is a non-supervisory employee who is a working member of a group, without disciplinary authority, who works under a minimum of supervision, who regularly leads, instructs, and guides employees in the group. Group leading is in addition to an employee's regular assigned job, and the deciding factor in their selection will be that of the senior employee who has the ability to organize and direct a group.

1. Hourly

The remuneration for hourly group leaders depends for the most part on the work performed and the size of the group. Additional compensation paid for hourly group leaders is set forth in the schedule below.

SCHEDULE

Size of Group Exclusive of the Leader	Addition to Base Rate
2 to 5	5%
6 to 10	7.5%
11 to 20	10%

E. HOURLY PAY SCHEDULES

1. Wages will be paid according to the schedule set forth in Appendix B.
2. At the request of the Union, Salary reviews will be held every July to review only those employees not at the top of the rate range.

F. INFORMATION

The Local will be furnished a schedule of rates or keysheets, applying to the employees in the bargaining unit. The Local will be furnished bi-weekly a list of transfers, hires, rehires, and releases, with the employee number and, department for each name on such list. Job descriptions will be made available, upon request, for examination by Local representatives. New or revised job descriptions, including the classifications by labor grade or rate range of the job and the seniority unit designation, will be furnished to the Local at least ten (10) working days prior to making such job descriptions effective. During such ten(10) day period, management will, at the request

of the Local, meet to discuss the job description and its evaluation. Any dispute as to the classification or code level of a new or revised job description may be made the subject of a grievance.

G. GENERAL WAGE AND SALARY PRINCIPLES

1. The principle of a fair day's work for a fair day's pay is recognized by the Union, the employees and the Company. Where production standards are established, they will be in line with the foregoing principle and will be based on established methods, remaining on the job for the normal periods during the entire shift, subject to all customary allowance time, and the application of effort equivalent to the normal and reasonable capacity of normal operators working on the job under the prevailing conditions. In grievance and arbitration proceedings resulting from claims that any such production standard is unreasonable or unsound, the principles and yardsticks set forth in this paragraph will be controlling.
2. Surveys and time studies may be made for measuring or improving production, methods analysis or for budget purposes. The Company may apply individual production standards only to direct dayworkers. Direct dayworkers are those engaged directly in the making or building of a product of a factory department or section, together with such others as may be agreed upon. All other dayworkers in a plant are indirect workers.

3. Management agrees to keep the appropriate local Union representatives informed in advance, so far as possible, of the programming and purpose of such studies.
4. Any grievance claiming that an individual employee has been disciplined or downgraded for failure to meet production standards established for productive daywork operations will be subject to arbitration under the provisions of Section XIV-A. The arbitrator shall not have authority to modify production standards; but in deciding whether there was just cause in a case arising under this paragraph, he may consider whether the standard involved is proper under the fair day's work or pay principle mentioned above. If the arbitrator sustains the grievance on the ground that the standard involved is not proper, Management will review it with the appropriate Local representative. Unless and until such standard is revised in accordance with the arbitrator's decision or is accepted by the Local, no employee shall be subject to discipline or downgrading for failure to meet such standard.
5. If any grievance is filed claiming that a production standard established for an employee's work is unreasonable, and the foreman is unable to adjust the matter, the standard will be reviewed, and re-studied within a reasonable time if the operation is continuing, and if the standard is incorrect it will be revised. If, after such review and re-study, the employee still protests the standard, the supervisor, upon request of

the steward, will review with the steward the facts of the case, including the time study, review or re-study, or other basis for the standard. If the matter is not adjusted, the steward may, together with one other union representative, observe the operations to determine whether the standard conforms to the guides and principles of Paragraph G.1. above. If there is still a question concerning such standard the question may be handled in accordance with the grievance and arbitration procedures, leading to final and binding decision in arbitration. An arbitrator with industrial engineering qualifications will be selected from panels of the American Arbitration Association.

6. If any grievance is filed concerning a job on which no production standard has been established, claiming that the pace at which an employee is working does not conform with the principle of a fair day's work for a fair day's pay, such a grievance will be handled in accordance with the grievance procedure set forth in Section XIV.

H. CHANGES IN WAGE PAYMENT PLANS

When the established plan of payment of employees is to be changed, it will be a matter of negotiations. If in any instance the Local unreasonably withholds its consent to the proposed change, then after a period of negotiations of not less than two (2) weeks, Management may elect to put the change into effect, but the Local will thereupon have the right to strike over this issue.

I. LEAVE - DEATH IN IMMEDIATE FAMILY

An hourly paid employee with thirty (30) days' continuous service who is absent from work because of the death of a foster child residing in the home, or of the employee's parent, brother, sister, child, spouse, mother-in-law, father-in-law, brother-in-law (which includes the employee's sister's husband, the employee's spouse's brother, and the husband of the employee's spouse's sister), sister-in-law (which includes the employee's brother's wife, the employee's spouse's sister, and the wife of the employee's spouse's brother), son-in-law, daughter-in-law, grand-parent, grandparent-in-law, stepparent, stepbrother, stepsister, stepchild or grandchild will be compensated for time lost by reason of such absence from his regularly scheduled straight-time shift hours during Monday to Friday of his work week, excluding holiday, and furlough days, up to a maximum of three (3) days for each such absence. Such paid leave will be limited to three (3) regular work days within a period of five (5) days starting on the day immediately following the day of death. In no case shall payment be made for more than the three (3) days described above; provided, however, that in the event an employee meeting the requirements listed above is absent from work because of the death of a foster child residing in the home, or of the employee's child, spouse, or stepchild, he will be compensated for an additional two (2) work days for time lost by reason of each such absence within a period of seven (7) days starting on the day

immediately following the day of death. In the case of an employee on swing, rotating or continuous shift, the above payment will be made for time lost during the employee's established five-day week. Employees will be compensated on the basis of their rate of record on the date before such absence.

In all cases, the above payments shall be calculated on straight-time hours and shall not include any overtime premium payments.

The in-law relationship will terminate for purposes of this Paragraph I. upon divorce or annulment (i.e., legal dissolution) of the connecting marriage which creates the in-law relationship to the employee; and the in-law relationship will terminate upon death and remarriage - that is, in the event of the death of the party with the connecting in-law relationship to the employee, the in-law relationship will not terminate until the remarriage of the surviving spouse.

J. HOURLY EMPLOYEES

1. Hourly Re-Rate Plan

Hourly employees who have demonstrated satisfactory performance on their assigned jobs will have their pay increased to the next higher step within the labor grade of the job every year, twelve (12) months from the date of hire or date of upgrade, until the maximum of the keysheet for that grade has been attained. If performance is unsatisfactory during this period, the supervisor will discuss the case with the Section Steward with regard to transfer to an

open job, extension of time on his existing rate, displacing the least senior employee on the job he held immediately prior to being upgraded provided he has sufficient seniority, decrease in work force procedure, or release.

2. Upgrading

If an employee, during his probationary period, is upgraded to a job of a higher classification, the employee will receive the commensurate rate of the higher classification, in which the new job falls but in no event will be lower than the rate he was receiving prior to being upgraded.

3. Lateral Transfers and Downgrading

(a) To a Different Occupation. Employees assigned for any reason to a different occupation of the same or lower labor grade shall receive the same rate that other employees with similar skill and experience would be paid, but not less than the corresponding step of the key sheet, such as A, B, C, D.

(b) Within the Same Occupation. Employees downgraded in the same occupation for any reason other than inability to perform the job will receive the highest step of the lower grade which does not exceed their present hourly rate. Before determining the rate to be paid to an employee downgraded because of inability to perform a job, the Supervisor will discuss the matter with the Section Steward.

4. Re-assignments to Jobs Previously Held

An employee returning to a job previously held will normally again be paid at the last rate level he/she held on such job. If Management believes a lower rate is more appropriate, the matter will be discussed with the Section Steward before such lower rate is made effective.

SECTION IX - HOURS OF WORK

- A. The basic workweek will be forty (40) hours, five consecutive days, Monday to Friday inclusive.
- B. The regular shifts in the plants covered by this Agreement are as follows:

SHIFT SCHEDULES

A	6:45 A.M.	3:15 P.M.
B	3:15 P.M.	11:45 P.M.
C	10:45 P.M.	7:15 A.M.
D	7:00 A.M.	3:30 P.M.
E	3:00 P.M.	11:30 P.M.
F	11:00 P.M.	7:30 A.M.

NOTE: (a) Schedules for employees assigned to swing shifts will be published for two (2) weeks at a time. (b) One-half hour lunch period for shifts A, B, C, D, E and F will be assigned.

- C. Shifts and/or work weeks other than the above (including Rotating, Fixed, or Swing Shifts), will be covered through negotiations and where application of such special shifts becomes necessary, such will not be made until a minimum of one week after the start

of negotiations. Disagreement with the shift so established may be raised under the grievance procedure.

- D. When production conditions require, the supervisor may request the employees to work hours differing from any established shift schedule. The Section Steward, or in his absence, the Local Representative next in line, will be notified of the conditions as quickly as possible after they are known.
- E. Before assigned lunch periods are changed, the Local will be notified.
- F. Management will notify employees of permanent shift changes at least one (1) week prior to the start of the newly assigned shift.
- G. Any employee who is voluntarily or involuntarily absent without advance permission or notification to the employee's supervisor must report the absence within one (1) hour after the start of the employee's assigned shift on the day of the absence so that Management can reassign/reschedule work assignments. Any employee who fails to adhere to this policy may be addressed through the established progressive disciplinary procedures unless the employee can demonstrate extenuating circumstances, which made it impossible to comply with this procedure. Management will provide telephone numbers which

employees are required to call in order to satisfy their obligations under this provision.

- H. Employees may make-up missed time under the following conditions:
 - 1. The employee must have received approval from Management prior to the start of his scheduled start time and Management shall have the discretion to deny such requests.
 - 2. The make-up time must be worked in the same workweek.
 - 3. Make-up time shall only be permitted for occasional non-recurring situations; it is not the intent of this provision to permit flextime.

SECTION X – OVERTIME

- A. For overtime purposes the average earned rate will consist of straight time earnings, including key sheet rate of record, night turn bonus, group leader remuneration, and incentive payments.
- B. Overtime shall be equitably distributed as far as practicable on a shift among employees in the same section who are in the same job classification. Overtime shall be distributed as equitable as practicable between shifts.

1. When requested, supervisors will advise the steward of the section involved of the names of employees scheduled to work overtime.
 2. The supervisor shall maintain a record of overtime in the section and will periodically review the record with the steward.
- C. All hours worked in a regular work week in excess of 8 hours per day will be paid at overtime rates.
- D. The following will apply to assure a uniform maintenance of overtime records:
1. If, at least two (2) hours advance notice is given and the overtime is refused, it will be considered as overtime hours worked for the purpose of overtime equalization.
 2. Employees should also be given two (2) hours advance notice for Saturday and Sunday overtime hours (i.e., two hour before the end of the shift on Friday) before they can be charged with overtime hours refused.
 3. If an employee is absent due to illness or any other reason, he will be charged for overtime hours that would have normally been requested of him if he had been actively at work.

4. All overtime hours worked or accepted will be recorded regardless of section on the employee's overtime record.
- E. The maintenance of overtime records of employees reassigned to another overtime distribution group and the assignment of newly hired employees to an overtime distribution group, shall be as follows:
1. Newly hired employees will be charged with overtime hours equivalent to the average overtime hours of the overtime distribution group at least by the end of the employee's second week of active employment in the group.
 2. Employees transferred into an overtime distribution group, or classification will be charged with overtime hours in the following manner:
 - a. If the employee has less overtime hours charged to his or her record than the employee of the group with the lowest number of hours of overtime, the "transferred-in" employee will then be charged with having the same number of hours as the employee of the group with the lowest overtime hours.
 - b. If the employee has more overtime hours charged to his record than the employee of the group with the highest number of overtime hours, the "transferred-in" employee will be

charged with having the same number of hours as the employee of the group with the highest overtime hours.

c. If the employee enters the overtime distribution group with overtime hours charged to their record, that fall between the lowest and highest charged overtime of the group, the employee will be charged with overtime hours as recorded and slotted accordingly.

F. At the end of each calendar year overtime records for all employees will be reduced to zero (0).

G. 1. An employee who agrees to work overtime on weekends and holidays and does not work at least five (5) of the overtime hours accepted will be credited with twice the number of hours rounded to the nearest one-half (1/2) for all hours not worked.

2. It is further agreed that at the time an employee is asked to work overtime on weekends or holidays, he/she will indicate whether a 5-hour pass should be issued (for which he/she will be charged 8 hours if offered, for purposes of overtime equalization), which does not include lunch, or an 8-hour pass which will include a lunch period. It is clearly understood that anyone working more than five (5) hours on weekends or holidays is required to take a lunch period.

H. HOURLY OVERTIME –

Overtime payment will be made to hourly-paid employees under the following conditions:

1. Time and one-half i.e., hourly earnings plus one-half (1/2) the employee's hourly rate for the payroll period involved for:
 - a. All hours worked in excess of eight (8) hours in any day
 - b. All hours worked on Saturday
 - c. All hours worked less than eight (8) on observed holidays for which the employee received additional payment under Section XI.
2. Double time – i.e., hourly earnings plus the employee's hourly rate for the payroll period involved for:
 - a. All hours worked on Sunday provided a minimum of two (2) of the accepted hours are worked on Saturday. If at least two (2) of the accepted hours are not worked Saturday for the payroll period, then the rate of pay for Sunday will be time and one-half (hourly earnings plus one-half (1/2) the employee's hourly rate).
 - b. All hours worked on observed holidays for which the employee is not eligible for payment under Section XI.

- c. All hours worked on observed holidays after eight (8) hours for which the employee receives additional payment under Section XI.
3. Sick, personal, and vacation hours do not count as hours worked for overtime purposes.

I. REQUIRED OVERTIME

The Union and Company agree that when overtime is required, supervision will advise the Union of the area involved, along with the names of employees scheduled to work.

1. If the scheduled employees are unable to work, the overtime will then be offered to other qualified employees
2. The company will make a request for volunteers.
3. The least senior qualified employee will be required to work overtime.

If scheduled employees are absent during the required overtime, they must follow Section IX, Paragraph G.

SECTION XI - HOLIDAYS AND VACATIONS

A. HOLIDAYS

1. Holidays observed by the Company will be New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, day after Thanksgiving, Christmas, and the day before Christmas and two days designated each year by Management in accordance with Paragraph 3 below. Holidays except for the day before Christmas falling on Sunday will be observed on Monday. If the day before Christmas falls on Saturday, or Sunday, the last regular working day before Christmas shall be the designated holiday. Effective January 1st following the year that the Hagerstown site is transitioned to SAP, there will be an additional two (2) holidays observed by the Company for a total of 12 holidays. The two (2) additional holidays include Good Friday and New Year's Eve Day.

2. In any calendar year in which one or more of such holidays fall on Saturday, such holiday or holidays will not be an observed holiday in such year within the meaning of this Agreement, but another day or days between Monday and Friday, both inclusive, will be observed during such year in place of the Saturday holiday or holidays. Management shall be required to designate such alternative day or days before January 1 of such calendar year after the matter has been discussed between the Local and Management.

3. Management will, prior to January 1, of each calendar year, designate the days that the two elective holidays will be observed during the following year. Such holidays will be designated by Management pursuant to the procedures for designating an alternate day when a scheduled holiday falls on Saturday as set forth in Paragraph 2 above.

4. Employees will be paid for holiday hours on the basis of their rate of record, and in addition night turn bonus and group leader remuneration where applicable, on the date immediately preceding the holiday.

5. The above payment will be made only to hourly paid employees who are on the active roll, which in no case includes the disability roll, and must be in a full or partially paid status the day preceding and following a scheduled holiday. Holiday pay will be considered as hours worked for the purpose of the overtime calculations. When actual work is performed on a company holiday, hourly employees will receive regular holiday pay plus regular pay for hours actually worked that day. The total number of hours for which pay is received will then be considered as worked time.

B. VACATIONS

1. The Company will permit vacations to be taken as desired by employees as far as practical, consistent with efficient operations and subject to the following rules: Employees may not retroactively designate time off work as vacation after they return to work. Vacation time of three days or more must be scheduled and approved at least

five (5) working days in advance. Employees shall whenever practicable provide notice at least twenty-four hours prior to the start of their regularly scheduled shift time of vacation of less than three consecutive days, and if an employee fails to notify his immediate supervisor of such vacation within one hour after the start of his shift, the Company shall have discretion to deny vacation pay for such absence.

2. a. Management may schedule vacation shutdowns for vacation purposes for all or a portion of the Hagerstown operations. The Company will notify the Union of vacation shutdowns of four (4) days or less; vacation shutdowns of five (5) days or more will be a matter for negotiations. Vacations will run concurrently with the vacation shutdown periods. Employees who become eligible for vacations subsequent to the vacation shutdowns, but before the end of the year, will be granted vacation pay, when they become eligible, if they were absent during the vacation shutdown periods, without additional time off. It is recognized that some employees will be requested to work during the vacation shutdown periods. Management shall be required to designate the time of the vacation shutdown or shutdowns before January 1 of the vacation year. Except as may otherwise be agreed between the Local and Management, the total of all periods of vacation shutdowns in any vacation year shall not exceed ten (10) working days (exclusive of Saturdays, Sundays, and observed holidays).

b. Employees entitled to vacation pay during a vacation shutdown, who are on the disability roll on the last working day prior to the vacation shutdown and are receiving Disability Benefits under the Northrop Grumman Insurance Plan shall not be placed on vacation for the period of the scheduled shutdown unless the individual employee makes a request for said vacation period in writing prior to the shutdown. If such a request is made, Disability Benefits will be suspended during the vacation shutdown. Under no circumstances, except where mandated by law, will an employee receive both vacation and Disability Benefits for the same period, and if necessary before the end of the calendar year the payment of Disability Benefits to the employee will be suspended for the period of vacation remaining to the employee and he will receive vacation pay in lieu thereof. Vacation payment shall be at the rate effective at the time the employee became disabled plus any intervening keysheet changes.

3. Where an employee is terminated from employment for any reason, payment for vacation not taken for the current year will be made if the employee has qualified for vacation.

4. The right to vacation with pay shall vest as follows:

Eligible employees will be credited with accrued vacation for each full fiscal month of active service, including periods of approved leave of absence, which does not include disability, when the employee remains in a

paid status. An employee must be in an active paid status at least fifteen (15) calendar days of the month to be eligible for accrual. New hire service that begins the 1st to the 15th of that month render the employee eligible for accrual; all other hire dates preclude accrual during the first month of service.

5. Employees taking an approved leave of absence, which in no way includes disability, may elect to use accrued vacation during such leave. Vacation accrual is suspended when an employee on leave of absence is no longer receiving pay from the Company. In the event an employee is receiving money from other sources, including disability and Worker's Compensation benefits, accrued vacation may be utilized only to provide the balance of the employee's regular pay. If an employee receives salary continuation benefits due to a workforce reduction, vacation accruals terminate.

6. Hourly Employees

Employees may charge only the appropriate number of vacation hours in any workday that will provide a maximum of 8 hours of paid time on the same day. Vacation hours will not be considered as worked time for the purposes of daily (8 hours) overtime calculation. The Company will grant vacations to hourly employees as follows:

# Months Of Svc.	Vacation Hrs./Mo	Vacation Days/Yr.
01-60	6.7	10
61-120	10	15
121	13.4	20

Effective January 1st following the year that the Hagerstown site is transitioned to SAP, vacation will be granted to hourly employees as follows:

Length of Svc.	Annual Vacation Accrual Rate	Vacation Days/Yr.
Less than 10 yrs.	1.85 hrs./wk	12
10 – 19 yrs.	2.31 hrs./wk	15
20 yrs or more	3.08 hrs./wk	20

Vacations will be paid on the basis of an employee's rate of record, and in addition night turn bonus and group leader remuneration where applicable, on the date immediately preceding such vacation or such other date as may be agreed upon. Vacation hours will be based upon the number of hours regularly scheduled in the basic workweek, Monday to Friday inclusive.

SECTION XII – SENIORITY

A. SENIORITY CREDIT

For purposes of applying the increase and decrease in force procedures of this Agreement, determining vacation entitlement, exercising shift preference and for other purposes not directly related to determination of rights or entitlements under any negotiated benefit plan, seniority

(accumulated length of service) is defined as follows for employees covered by this Agreement:

1. The total number of years, months and days of employment by the Company in any position in or out of a bargaining unit covered by this Agreement, including all time spent on the active roll; the disability roll up to a total of one (1) year; on disciplinary or other furlough; and on military leave up to the maximum required by law.

2. Consistent with Paragraph 1., above, an employee laid off is not on the active roll, will not accumulate seniority while laid off, and is for all purposes considered as separated from the employ of the Company, but will have the right to be placed on the Inactive Seniority List and such other rights as are provided in this Section.

3. An effective seniority date for each employee will be established at the time of the employee's re-employment, recall or transfer to a bargaining unit covered by this Agreement.

4. In cases where two or more employees have the same seniority date, the most senior will be that individual with the highest last number in his social security number (zero being the lowest). If their last number comparison produces a tie among all employees being so compared, then the next-to-last numbers will be compared, and so forth, until the tie is broken.

5. A record of the seniority status of each active employee, and of the Inactive List,

shall be maintained in the Human Resources Department.

B. LOSS OF SENIORITY

An employee will lose all seniority if separated from employment for any of the following reasons: discharge for cause; quit; failure to return to work from a leave of absence of any kind at or before the end of such leave; after two (2) years on the disability roll; acceptance of any severance or layoff benefit which by its terms extinguishes all previously earned seniority; and removal from the Inactive Seniority List pursuant to Paragraph D.3. below. Seniority lost pursuant to this paragraph will not be restored upon any subsequent return to employment with the Company.

C. PROBATIONARY PERIOD

1. The initial one hundred twenty (120) calendar days of employment for newly hired employees shall be considered as a probationary period. This period shall also apply to any rehired employee who experienced a break in service from the Company of one (1) year or greater.

2. Probationary employees will not normally be eligible to apply for posted jobs during their probationary period, unless the employee's background and experience indicate they can perform the job with only such familiarization as an employee with previous experience on such a job would require.

3. During the probationary period, the company retains the right to terminate or

discipline employees without recourse to the grievance procedure.

D. INACTIVE SENIORITY LIST

1. The names of those laid off will be placed on the Inactive Seniority List.

2. The names of employees who voluntarily quit, who are released, or who are discharged will not be placed on the Inactive Seniority List.

3. Employees who are not probationary employees who are laid off after August 8, 2000 shall be retained on the inactive seniority list and be eligible for recall for a period of two (2) years following their layoff.

4. A former employee will be removed from the Inactive Seniority List when he is not rehired within two (2) years from the date of layoff, or on being called during this period, fails to reply within five (5) working days from the date of mailing an expressed letter to his last known address, or refuses to report for work within five (5) working days thereafter unless an extension of time is agreed upon by the Company. An employee's name will be removed from the Inactive Seniority List if he refuses a job in an equal or higher labor grade than that from which he was laid off. An employee will have the right to refuse any job on recall that he had originally refused during the decrease in working force procedure. The Union will be notified when a former employee's name is removed from the Inactive Seniority List for any reason.

5. Employees to be recalled will be notified in writing by express mail addressed to the

last address on file with the Employment Office and the position will be held open for five (5) days from the date of mailing of the notice. Employees shall be responsible for keeping a current address on file.

E. RETURN OF EMPLOYEES TO BARGAINING UNITS

The Union will not oppose the return of supervisory employees to a bargaining unit provided that at the time of promotion they worked on a job that is in the bargaining unit at the time of such return. Such right of return shall be limited to a one (1) year period following the date of promotion. Seniority credit of such employees will include the period the employee spent as a supervisor. The employee will be returned to a job, if any, in the bargaining unit to which his seniority entitles him.

The question of whether or not non-supervisory employees may return to the bargaining unit is a matter for negotiations.

F. DECREASE IN WORKING FORCE

1. It is mutually recognized that to operate a plant or any part thereof, at a schedule that gives employees less than a full week of work is unsatisfactory to both the employees and the Company. Temporary reductions in production may be bridged by the furloughing of employees following discussion with the Union. When there is a definite reduction in the production schedule for a group or section, employees will be laid off to maintain a full workweek. The parties may negotiate at any time temporary modifications of this procedure and the

periods of time during which they will be in effect.

2. In cases of temporary reduction, furloughs may take place among employees on the same shift, classification and labor grade who normally perform the work affected by the reduction. Unless otherwise agreed upon, furloughs shall not exceed a period of four weeks and will be based on seniority provided the remaining employees can do the job.

3. At the time of layoff, an employee on personal leave of absence or on the disability roll will be laid off and his name will be added to the Inactive Seniority List when, because of his seniority status under the established seniority procedure, he would have been laid off if he were actively at work.

Notice of such layoffs will be given to the Union and to the employee involved at his last known address, but the usual notice periods outlined below in Paragraph H. shall not apply. Any objection to such layoff must be made by filing a grievance within two (2) weeks following the giving of such notice to the Local. Layoffs pursuant to this provision shall not affect any right to benefits or coverage under the Northrop Grumman, California Microwave Systems Insurance Plan to which the employee has already become entitled prior to the layoff, either for himself or his dependents, by reason of his disability or leave of absence. It shall be the obligation of such disabled employee to notify the Company of his availability for

reemployment, and until such notification, the Company will have no obligation to offer such disabled employee reemployment. Such disabled employee on the Inactive Seniority List who is still disabled at the time he is recalled will be returned to the disability roll if he so requests at that time. The period on disability prior to layoff and the period during which he is returned to the disability roll will be considered as a single continuous period.

4. An employee up for disposition shall displace the least senior employee occupying a job previously held by the more senior employee (including a successor job to a superseded job previously held by the more senior employee), under one of the following options as set forth below, providing he can still perform the duties of the job with only such training as an employee with previous experience on such job would require. In addition, a senior employee shall have displacement rights to a job he has not previously held if (a) his personnel action notice form indicates he has previously performed the same or a substantially similar job, and (b) he successfully demonstrates during an interview with management that he can perform the duties of the job with only such training as an employee with previous experience on such job would require. Employees will be able to review their work history cards to make sure they are up to date.

- same seniority unit; same grade

- same seniority unit; any grade
- any seniority unit; any grade

5. Prior to involuntary disposition, an employee up for disposition may elect to be transferred to open jobs of the same grade, for which he is qualified, which are available following application of the posting procedure.

6. If the employee has exhausted his moves and is not placed in the above procedure, he shall be laid off and his name added to the Inactive Seniority List.

7. An employee who refuses a job for which he is eligible under the terms of this seniority procedure shall not be considered to have involuntarily separated, but his name will be added to the Inactive List. However, he will not be considered for recall to a job of lower labor grade than that which he indicates he will accept at the time he refuses downgrading.

8. It is understood and agreed that in all cases of layoffs due to decreasing forces, accumulated length of service will govern, and employees will be permitted to displace other employees only if the employee can perform the duties of the job with only such training as an employee with previous experience on such job would require.

G. SPECIAL WORK FORCE REDUCTION PROBLEMS

In reductions in force involving the reclassification or separation of a number of

employees having similar seniority moves, the Local will recognize the problems incident to such a reduction and at the request of Management will discuss with Management a procedure through which the reduction can be accomplished with the minimum number of moves consistent with the principles provided in this agreement.

H. NOTICE PERIOD

1. Employees released, or selected for layoff because of lack of work, shall be advised of the reason therefore at least three (3) working days before such release or layoff becomes effective. The Steward shall be so notified before the notice is given to the employee involved. Such employees will be given three (3) days work, or pay if work is not provided.

2. The provision in the last preceding paragraph does not apply in case of discharge due to a serious infraction of Company rules. The steward and the Local's office will be notified with the reasons therefore within one (1) working day.

3. In cases where conditions require furloughing of employees, the steward will receive reasonable advance notice in accordance with conditions as they arise, before the employees involved are notified. The employee will be given as much advance notice as practicable.

I. INCREASE IN WORKING FORCE-- TRANSFERS AND UPGRADING

1. Open jobs will be filled by upgrading, posting and then transfers among all qualified active

roll employees. Only after these processes have been exhausted will employees on the Inactive Seniority List be recalled. Seniority will govern if the employee's experience, although not necessarily on the same type of work, indicates that he can do the job (i.e., the employee must presently possess the minimum skill and knowledge necessary to perform the job, although some training may be required to adapt these skills to the particular job requirements).

2. The process for filling open jobs shall be as follows:

a. Upgrades. The first step is to upgrade the most senior qualified employee from a job in lower labor grades in the seniority unit in which the available job exists. By mutual consent, qualified employees, absent due to illness, will be given consideration at the time upgrading takes place.

b. Posting. When an opening occurs in the lowest labor grade in a seniority unit, or if a job cannot be filled in Step 1 noted in 2.a. above, it will be posted on the plant bulletin board for two (2) working days. All non-exempt active roll employees will be eligible to bid on posted jobs. The most senior, qualified active employee who bids on the job during the two (2) day period of posting and who is eligible for transfer, will be considered for the job. Employees represented by the IUE-Hagerstown will be considered for posted openings first. If there are no qualified IUE-Hagerstown represented employees, then IUE-Baltimore employees will be considered for the

openings. If there are no qualified IUE-Baltimore employees, then all non-exempt employees would be considered. Employees who bid on the job and are accepted will be placed on the job. The job to be filled will be identified by job title, job number, labor grade, shift and seniority unit number.

(1) When an employee applies on a posted job and his request for transfer cannot be granted because of inability of remaining employees to perform the job, the Company will, if the request involves a change in occupation and/or upgrading, endeavor to provide as quickly as practicable a suitable replacement, so that a future application on a posted job by the same employee will not have to be rejected.

(2) Whenever a specified job in the Plant is posted and the number of qualified applicants is fewer than the number of jobs posted, the same job will not again be posted for the remaining number of openings on that posting during the ensuing ninety (90) calendar days. Additional openings for the specified job will be posted.

(3) Any employee who has been granted a transfer through the posting procedure shall not be eligible to file another application for transfer for a six-month period except if an employee's previous experience indicates he can satisfactorily perform a higher grade job that later becomes open.

(4) Management will place on the bulletin board the name and seniority date of employees selected.

c. Transfer. If the open job is not filled through upgrade or posting, it may then be filled by transferring an employee up for disposition pursuant to Paragraph F.5 of the Decrease in Working Force Procedure.

3. Recall From the Inactive Seniority List.

If the job is not filled through the application of Paragraph 2. above the Company will seek recall candidates from the Inactive Seniority List but if there are none, may fill the job with other qualified candidates.

4. Transfers of Work and Employees into the Bargaining Unit

a. The Union acknowledges that management is actively seeking new work, including the transfer of work performed elsewhere by Northrop Grumman, into the Hagerstown complex. The Company agrees that the employees performing such work, who may be transferred to the complex, will be covered by this Agreement if performing work of a type and at a location, performed by members of the bargaining unit.

b. The Union agrees that such employees have a preferential right for transfer into the bargaining unit and shall be granted seniority equivalent to the accumulated service definition of Section XII Paragraph A.

c. The Increase in Work Force Procedures shall apply, in full, to those open positions

available after the transfer of employees previously performing such work has been completed.

d. The Union agrees that such employees already performing work transferred into the unit covered by this Agreement will have a preferential right to transfer into the bargaining unit and shall be granted seniority (as defined in the opening paragraph of this Article) for all purposes except for the provisions of their Article governing decrease in force. With respect to seniority for purposes of decrease in force, the Company and the Union will bargain this issue in good faith at the time that the movement of work and employees is contemplated to occur. In the event the parties are unable to reach agreement, employees transferred to the Hagerstown complex will not be credited with their previous Company seniority for their first four (4) years of employment at the BWI complex. Transferred employees will, however, accrue seniority during this four (4) year period. At the end of this (4) four year period, employees transferred under XII -I-4 will be credited with all their Company service for all purposes as defined in the opening paragraph of this Article.

5. Temporary Loans of Employees Into and Out of the Bargaining Unit

In order to bridge fluctuations in workload, Management may temporarily loan employees not covered by this Agreement to staff such work, under the following conditions:

a. Such temporary loans will not exceed one (1) year without further discussions with the Union. At the end of one year the Company may post the job, in which case, the loaned employee may continue to perform the work for sufficient time to train the employee who successfully bid on the job through the posting process. If the Company does not post the job at the end of twelve months, it will not have any loaned employee perform the job for at least three months following the end of the initial twelve months; provided, however, that by mutual agreement between the Company and the Union, a loaned employee can continue to perform the job when there are extenuating circumstances.

b. Employees so loaned will not displace any employees covered by this Agreement and such loans will not be used to avoid the promotions or upgrade of qualified employees covered by this Agreement.

c. Employees so loaned will be paid their regular rate or the rate commensurate with the position whichever is higher.

d. The representation status of such employees will not change as a result of such temporary loan.

e. The Union will be notified, in advance, of the number of employees to be loaned, the expected duration of the loan and the reason therefore, as well as, any changes as may occur, in the status or duration of such assignment. The union reserves the

right at any time during the loan period to hold discussions on the loan.

f. Any employee assigned for more than 30 days pursuant to this provision who is not represented by a Union shall be subject to the provisions of Section VII - Checkoff, for the duration of the loan excess of 30 days.

g. Management may also temporarily loan IUE represented employees to work at locations outside of the Hagerstown Building. If such location is outside the Hagerstown complex, Management shall first seek volunteers for the assignment; if there are no volunteers, Management shall select the least senior employee in the affected job. Otherwise, if such location is within the Hagerstown complex, Management shall have the discretion to select which employee shall be temporarily loaned; provided, however, that if such location is within the Hagerstown complex but involves a change in the loaned employee's shift, Management shall first seek volunteers, and if there are no volunteers shall select the least senior employee. For purposes of this paragraph, shift change is defined as first, second, or third regardless of starting times.

6. Flexibility and Mobility Within the Bargaining Unit

a. In order to meet production schedules, or to cover emergency situations, or lack of work, it may be necessary to temporarily reassign an employee from his regular job and work assignment to another job in a different job classification.

b. Temporary assignments will not exceed twelve (12) months. The Company retains the right to select employees based on availability, taking into consideration employee skills and production schedules in an effort not to disrupt ongoing operations and the efficient flow of work. If the temporary assignment exceeds the twelve (12) month period and the Company and the Union do not mutually agree on an extension, the employee will be returned to the original department.

c. Whenever such temporary assignment is to be made, the Local Steward shall be notified in advance.

d. When Management assigns an employee temporarily to a job other than his regular job, when his regular job is available, he will be paid a rate determined in advance of the assignment which takes into consideration his rate of record, or the rate of the job whichever is higher.

J. CHANGES IN SHIFT

When filling job openings in a seniority unit, shift preference may be exercised on the basis of seniority within the seniority unit and job classification by first realigning the seniority unit in which the available job exists. Upgradings will then take place in accordance with the increase in working force procedure. Shift preference cannot be exercised on posted jobs. By mutual consent, qualified employees absent due to illness will be given consideration at the time shift realignment takes place.

K. SENIORITY PREFERENCE

1. At the written request of the Local, no more than three (3) elected shop stewards will be given seniority preference at the time when layoffs take place within the section, department or division for which he is acting as steward. Such seniority preference will be granted only to the extent necessary to enable him to retain a job within the section, department or division for which he is acting as steward provided such steward is otherwise entitled to such job by operation of the seniority provision of this Agreement.

If their duties qualify them under the law, elected officers, upon written request of the Local, will be given at the time of reduction in working force similar seniority preference within the bargaining unit in which they are employed.

2. a. A group of employees not to exceed 1% of the active seniority list, but not less than two (2) employees will be given preference as set forth below due to special skill in key occupations, outstanding ability in certain work or because of unusual ability for training purposes to fill key jobs either at the Hagerstown site or other locations. The list of employees to be given such seniority preference and the reasons therefore will be supplied to the Local and will be kept up-to-date by Management. The list will be discussed with the Local prior to being made effective. Objections by the Local are subject to the grievance procedure.

b. Employees on this list may be upgraded or transferred to an open job for the purpose of specialized training. In case of competitive bidding with other employees for the open job, skill and ability will be the determining factor.

c. An employee on this list will be given seniority preference at the time when layoffs take place within the section, department or division in which he is employed. Such seniority preference will enable him to retain his job within the section, department or division so long as such job remains, and when the job no longer exists he will be given preference for another job in the same labor grade or successively lower labor grades if he has had training for such jobs.

L. Return from Disability

1. An employee who is returned from disability, if physically able, shall replace the least senior employee on the job held at the time of commencement of the disability, seniority permitting. Otherwise, the employee will be placed in accordance with reduction in work force procedures.

2. On any question of an employee's physical ability to perform his/her work assignment, the recommendation of the employee's physician will be followed and reassignment shall be considered. If it is determined that the employee should be removed from his/her job, he/she shall be permitted to exercise his seniority privileges in accordance with the procedure for decrease in work force to a job for which he/she is qualified.

SECTION XIV - GRIEVANCE PROCEDURE/UNION BUSINESS ALLOWANCE

The procedure for the settlement of disputes handling of grievances is as follows:

1. **Step One.** The first step shall involve a steward and the grievant's supervisor. Before a steward leaves work to investigate a grievance or to attend a meeting with management, the steward will first request permission from his supervisor. His supervisor will issue the appropriate time report, indicating the time the steward left his job and the employee or employees the steward intends to contact. Upon return to work the steward will sign the time report and return it to his supervisor, who will record the stopping time and complete the form, giving the white copy to the steward and the remaining copies to the timekeeper.

If the problem is not settled in oral discussions between the steward and the grievant's supervisor, a written grievance may be presented. The supervisor will arrange for a meeting to discuss the written grievance promptly, but no later than five (5) days after receipt of the written grievance. The supervisor shall return a written Step 1 response to the Steward promptly following this meeting, but no later than five (5) working days after the meeting has concluded.

2. **Step Two.** If the Vice President, or equivalent desires to process the grievance further, he will forward the grievance to the Manager of Labor Relations or designated

representative within fourteen (14) working days of presentation to the Steward. The Labor Relations Manager or designated representative will arrange for a meeting promptly, but within ten (10) working days to include the Union representatives present at step one and such others, not exceeding five in total, as the Local feels can contribute to the constructive discussion of the issues involved. The Company representatives at step two, shall include those present at step one together with the Manager of Manufacturing, or equivalent, and the Labor Relations Manager or designated representative, not exceeding five in total. The reply by the Labor Relations Manager or designated representative shall be delivered to the President of the Local promptly, but within ten (10) working days following the meeting.

3. Appeal Level. The appeal level shall involve the President and the Vice President of the Local. If the Local desires to process the grievance further, the Union must forward the grievance to the Company's Union Relations Director within thirty (30) working days of the Local's receipt of the step two response. The Union Relations Director will arrange for an Appeal meeting promptly, but no later than thirty (30) calendar days following the receipt of the grievance. A meeting will be held at a mutually agreed location and time. At the Appeal meeting, the Union and the Company may have up to four (4) representatives each. The Union Relations Director will provide a written Appeal

response to the President of the Local promptly, but no later than twenty (20) working days following the Appeal meeting.

4. It is expected that meetings and answers at all levels will occur as soon as possible within the time limits specified unless there is a mutual agreement in writing to extend the time limits.

5. The Company's reply to a grievance will be considered final at any level of the grievance procedure and the grievance closed, if written notification to the contrary is not received within forty-five (45) working days of the date such reply is delivered to the Local.

6. Should the parties fail to resolve any grievance after exhausting the grievance procedure, the provisions of Section XIV-A shall apply.

7. Failure to present an argument at any step of the grievance procedure shall not prejudice either party at a later step of the grievance procedure or in the arbitration procedure.

8. Where the Company or the Union believes that an emergency grievance dispute exists, following exhaustion of the local grievance procedure, an appeal level grievance meeting will be held within five (5) five working days of the communication between the respective Company and Union officials that such emergency exists, and a written answer will be given to the Union within three (3) working days following the conclusion of the meeting.

SECTION XIV - B - UNION BUSINESS ALLOWANCE

A. The Plant Rep will be paid his/her regular rate of pay for the performance of the following functions:

1. Receiving complaints and the investigation, handling and adjustment of grievances;
2. Attendance at meetings with Management within the employee's basic working hours;
3. Attendance at meetings with management outside the employee's basic working hours where attendance is mandatory;
4. Attendance at meetings with management for the purpose of collective bargaining; and
5. Attendance at meetings held within the plant during regular working hours involving employee discipline at which the Steward is entitled to attend.

B. The Union shall have the right to designate employees as Stewards. In addition to his/her regular assigned tasks as an employee, the Stewards shall have the right to receive complaints or grievances and to discuss and assist in the adjustment of the same with the employees' appropriate supervisor.

C. Union hours will be calculated in determining overtime.

D. The Company will pay a maximum of 12 hours per week for Union Business Allowances, except for additional meetings at the request of Management.

E. Stewards will not conduct any form of union business during working hours except after they have been granted permission to do so, as provided below. Before leaving work to conduct the type of union business described in Paragraph F below, the steward will report to his supervisor or foreman and request permission to leave his job, which will be granted unless his departure would cause interference with operations. In such cases, the foreman or supervisor will make arrangements for the steward to leave his job as promptly as possible if warranted by the circumstances.

F. Stewards who request release from work under Paragraph G, below must secure a time report from their respective supervisor when released for purposes of authorized union business and must return the report to the supervisor when the authorized union business is concluded. Such time will be considered as hours worked for the purposes of determining overtime.

G. In addition to the above, the Company will provide payment for one Union representative to meet with an OSHA or MOSHA Inspector for on-site inspections of areas in which employees covered by this agreement are assigned to work. Payment will be provided for the pre-inspection conference, to accompany the Inspector during the inspection and to participate in the final conference.

SECTION XVI - COURT APPEARANCES

A. When called for jury duty, employees will be paid as if the employee has worked his regularly scheduled straight time hours in the period involved exclusive of overtime but including group leader or night turn remuneration, where applicable. No wages will be paid for jury service during non-scheduled workdays, furloughs or days that would have been furloughs.

B. Employees will be reimbursed in the manner set forth in Paragraph A of this Section when time is lost because of attendance at a proceeding of a court or governmental agency at the request of the Company or in response to a subpoena served on the employee. However, when subpoenaed by other than the Company, the employee will not be reimbursed if the employee, the Company or the Local is a party in the case, or the employee has any direct interest or financial interest in the case.

SECTION XVII - MILITARY SERVICE

IUE represented employees shall be subject to the Company's Military Service and Training Procedure H252. Management retains the authority to alter, amend, modify or terminate Procedure H252 and any such change will not be subject to the grievance procedure. To the extent that such actions affect the eligibility of IUE represented employees, the IUE shall be provided notice of any such change prior to its implementation.

SECTION XVIII - SICKNESS AND PERSONAL BUSINESS

A. Employees will accrue sick/personal time at the rate of 6.7 hours per month (10 days per year). Sick/personal time will accrue for each full fiscal month of active service, including periods of approved absence when the employee remains in a paid status. An employee must be in an active paid status at least fifteen (15) calendar days of the month to be eligible for accrual. New hire service that begins the 1st to the 15th of that month render the employee eligible for accrual; all other hire dates preclude accrual during the first month of service. At the request of the supervisor, an employee must furnish a doctor's certificate for absences exceeding three (3) business days. Employees taking an approved leave of absence may elect to use accrued sick/personal time during such leave.

Sick/personal accrual is suspended when an employee on leave of absence is no longer receiving pay from the Company. In the event an employee is receiving money from other sources, including disability and Worker's Compensation benefits, accrued sick/personal time may be utilized only to provide the balance of the employee's regular pay. Upon termination of employment, accrued sick/personal time is forfeited. Employees may charge only the appropriate number of sick/personal hours in any workday that will provide a maximum of 8 hours of paid time on the same day. Sick/personal hours will be considered as worked time for the purposes of the weekly (40 hour) overtime calculation.

B. NOTIFICATION OF ABSENCES

An employee is expected to notify the Supervisor in advance of the absence whenever possible, but in no event later than one (1) hour after the start of the employee's shift, in accordance with Section IX, Paragraph G., in order that Management may have an opportunity to arrange for a replacement or to reschedule the work.

C. An employee who has any unused benefits under this Section remaining at the end of any calendar year, may have such unused benefits carried forward to the following calendar year for use in the event of absences of the type described in Paragraph A. above.

D. Reimbursement under this Section will not be made for any day or days for which the employee receives any other type of monetary benefits from the Company.

E. UNREPORTED ABSENCE

1. An employee absent without permission is obligated to notify his supervisor of the reason for his absence.
2. Any employee who is absent without permission for a period of three (3) working days without having during that time reported a reason for his absence to the Company at his place of employment shall be considered as having "quit without notice," unless at the time of his return he can show extenuating circumstances which made it impossible for him to so report.

SECTION XIX – MODIFICATION

A. This Agreement expresses the complete understanding of the parties in respect to all matters deemed by them to be applicable to the collective bargaining unit at Hagerstown, Maryland and it will not be changed, modified or varied except by a written instrument signed by duly authorized agents of the parties hereto, and any negotiations relating to proposed changes in such provisions will be carried on between representatives as outlined in Section II.

B. The parties acknowledge that all agreements arrived at by them during the negotiations concluded by this Agreement are set forth herein. Therefore, except as hereinafter specifically provided in this Section XIX, the Company and the Union, for the life of this Agreement, each voluntarily and unqualifiedly waives the right, and each agrees that the other shall not be obligated, to bargain collectively with respect to any subject or matter referred to or covered in this Agreement, or with respect to any subjects or matters not specifically referred to or covered in this Agreement which were discussed during the negotiation of this Agreement.

C. Except as herein before provided in this Section XIX, the Company and the Union agree that neither of them will request consideration of any proposed changes in or additions to this Agreement, including any general wage or salary adjustments, before July 1, 2009. If this Agreement continues in effect for any subsequent contract term or

terms beginning on or after August 30, 2009, the provisions of the last sentence above shall apply (substituting the year to which this Agreement is renewed for the figures "2009" wherever they appear). When any such request is received, a conference will take place within fifteen (15) calendar days for the purpose of considering it.

D. If the parties do not reach agreement prior to August 30, 2009, with respect to any requested contractual changes or additions or wage and salary adjustments submitted on or after July 1, 2009, or if the parties do not reach agreement prior to the end of any subsequent contract term, with respect to any requested contractual changes or additions or wage and salary adjustments submitted on or after July 1 of such subsequent contract term, the Union may strike after the beginning of the next succeeding contract term in support of any such requests made by it. Such strike shall not be a violation of Section V or any other provision of this Agreement, but either party may, upon not less than one (1) day's written notice given to the other during such strike, thereupon terminate this Agreement.

SECTION XX – TERMINATION

This Agreement constitutes the Complete Agreement between the Parties. This Agreement is in full force and effect until August 30, 2009 and such succeeding periods of one (1) year being sometimes referred to herein as a "contract term", provided that either party may terminate this Agreement as of midnight, August 30, 2009, or at the end of any succeeding contract term, by giving the other party written notice of such termination not more than sixty (60) days and not less than thirty (30) days before the termination date.

Dated and signed August 29, 2004. As otherwise herein provided effective as of August 29, 2004.

NORTHROP GRUMMAN CORPORATION
ELECTRONIC SYSTEMS
HAGERSTOWN SITE
(cont'd)

By: /s/ Sheldon R. McWilliams

 Vice President, Operations
 California Microwave Systems

By: /s/ Richard A. Woodring

 Director, Maintenance
 California Microwave Systems

By: /s/ Mina M. Davis

 Human Resources
 California Microwave Systems

APPENDIX A

The Company agrees to recognize the Union as the exclusive bargaining representative for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment, for employees in the following bargaining unit:

All full time production and maintenance employees, including warehouse employees, employed by the Company at its Hagerstown, Maryland facility but excluding all office clerical employees, professional employees, guards, and supervisors as defined in the Act.

**Appendix B – CMS Hagerstown IUE
Keysheet
August 30, 2004**

Labor Grade	Job Title	Job Code	A	B	C	D
1			10.47	10.85	11.23	11.61
2	Maintenance Custodian	6801-U	11.05	11.42	11.80	12.18
3	General Production Technician	5205-U	11.73	12.29	12.88	13.44
4	Ground Support Equip. Technician	1100-U	14.00	14.38	14.75	15.14
4	Material Clerk	2003-U	14.00	14.38	14.75	15.14
5	Maintenance Mechanic	6803-U	14.57	15.22	15.88	16.56
6			14.85	15.71	16.56	17.35
7	Production Planner	6809-U	16.33	17.08	17.80	18.56
8	Structural Aircraft Technician	1127-U	17.42	18.42	19.41	20.40
8	Electrical Aircraft Technician	1126-U	17.42	18.42	19.41	20.40
8	QA Technician	2603-U	17.42	18.42	19.41	20.40
8	Machinist	1956-U	17.42	18.42	19.41	20.40
8a	A&P Technician	1120-U	19.26	20.21	21.21	22.24
8b	QC Inspector	6855-U	21.10	22.15	23.25	24.38
9			22.52	23.43	24.32	25.22

APPENDIX C

LETTERS OF UNDERSTANDING

August 29, 2004 Personal/Sick Time Accrual

2004 Wage Supplement

to

Agreement Dated as of

29th Day of August 2004

Between

**Northrop Grumman Corporation Electronic
Systems Sector
Hagerstown Site**

And

IUE CWA Local 130

**International Union of Electronic, Electrical,
Salaried, Machine and Furniture
Workers/Communications Workers of
America
AFL-CIO, CLC**

Northrop Grumman Corporation Electronic Systems sector (herein called the "Company") and International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers/ CWA Local 130 (AFL-CIO, CLC) (herein called the "Union") hereby mutually agree to supplement the Agreement made and entered into by them as of the 29th day of August 2004, as follows:

1. WAGE AND SALARY ADJUSTMENTS

a. (1) Effective August 30, 2004, all eligible employees will receive a Special Wage or Salary Bonus of SEVEN HUNDRED FIFTY DOLLARS (\$750).

For purposes of this Bonus Payment, eligible employees are those on the Active Roll as of August 27, 2004 and those returning to the Active Roll between August 27, 2004 to and including August 27, 2005 from the Disability Roll, * Inactive Seniority List or leave of absence within one (1) year from their last day worked. Employees eligible by reason of their timely return to the Active Roll hereunder will receive their Bonus Payment as soon as practical following their return.

(2) Effective August 28, 2006, all eligible employees will receive a Special Wage or Salary Bonus of FIVE HUNDRED DOLLARS (\$500).

For purposes of this Bonus Payment, eligible employees are those on the Active Roll as of August 25, 2006 and those returning to the Active Roll between August 25, 2006 to and including August 25, 2007 from the Disability Roll, * Inactive Seniority List or leave of absence within one (1) year from their last day worked. Employees eligible by reason of their timely return to the Active Roll hereunder will receive their Bonus Payment as soon as practical following their return.

(3) Effective August 25, 2008, all eligible employees will receive a Special Wage or Salary Bonus of FIVE HUNDRED DOLLARS (\$500).

For purposes of this Bonus Payment, eligible employees are those on the Active Roll as of August 22, 2008 and those returning to the Active Roll between August 22, 2008 to and including August 22, 2009 from the Disability Roll, * Inactive Seniority List or leave of absence within one (1) year from their last day worked. Employees eligible by reason of their timely return to the Active Roll hereunder will receive their Bonus Payment as soon as practical following their return.

*Hourly paid employees are considered to be on the Disability Roll as of the time they are eligible to receive Short Term Disability Benefits due to injury or illness.

b. The guaranteed keysheet rates and pay of hourly paid daywork employees will be increased according to the schedule below and applied to the rates indicated:

Increase	Effective Date	Applied to Rates In Effect on
Three and one-half percent (3 ½%)	August 30, 2004	August 27, 2004
Three and one-half percent (3 ½%)	August 29, 2005	August 26, 2005
Three and one-half percent (3 ½%)	August 28, 2006	August 25, 2006
Three percent (3%)	August 27, 2007	August 24, 2007
Three percent (3%)	August 25, 2008	August 22, 2008

(1) The guaranteed keysheet rates and pay of hourly paid daywork employees will be rounded to the nearest one-half (1/2) cent.

c. Cost-of-Living Adjustments will be made to the guaranteed keysheet rates and pay of hourly paid employees and to the salary schedule maximums and minimums and pay of salaried employees as follows:

(1) The term "Consumer Price Index" as used herein shall mean the National Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W; Base 1982-84 = 100) as published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor.

(2) Cost of Living Adjustments effective on the date shown below in the amount of one (1) cent per for each full one and one-quarter tenths of one percent (0.125%) by which the Consumer Price Index increases in the applicable measurement period.

Effective Date	Measurement Period
May 30, 2005	November 2004 through March 2005
November 28, 2005	March 2005 through September 2005
May 29, 2006	March 2005 through March 2006*
November 27, 2006	March 2006 through September 2006
May 28, 2007	March 2006 through March 2007**
November 26, 2007	March 2007 through September 2007

Effective Date	Measurement Period
May 26, 2008	March 2007 through March 2008***
November 24, 2008	March 2008 through September 2008
May 25, 2009	March 2008 through March 2009****
<p>*Note: While the measurement period for the Cost-of-Living Adjustment effective May 29, 2006 includes the entire measurement period from March 2005 to March 2006, the adjustment shall be the difference between the full amount calculated for the period and the amount of the Cost-of-living Adjustment paid in November, 2005.</p>	
<p>**Note: While the measurement period for the Cost-of-Living Adjustment effective in May 28, 2007 includes the entire measurement period from March 2006 to March 2007, the adjustment shall be the difference between the full amount calculated for the period and the amount of the Cost-of-living Adjustment paid effective November 27, 2006.</p>	
<p>***Note: While the measurement period for the Cost-of-Living Adjustment effective in May 26, 2008 includes the entire measurement period from March 2007 to March 2008, the adjustment shall be the difference between the full amount calculated for the period and the amount of the Cost-of-Living Adjustment paid effective November 26, 2007</p>	
<p>****Note: While the measurement period for the Cost-of-Living Adjustment effective in May 25, 2009 includes the entire measurement period from March 2008 to March 2009, the adjustment shall be the difference between the full amount calculated for the period and the amount of the Cost-of-Living Adjustment paid effective November 24, 2008.</p>	

(3) In the event the Consumer Price Index defined in 1.c.(1) above shall be discontinued, changed, or otherwise becomes unavailable during the term of this Agreement, and if the Bureau of Labor Statistics issues a conversion table by which changes in the present index can still be determined, the parties agree to accept such conversion table. If no such table is issued, the parties will promptly undertake negotiations solely with respect to agreeing upon a substitute formula for determining a comparable Cost-of-Living Adjustment. If after such negotiations the parties fail to reach agreement, the Union shall, upon giving ten (10) days written notice, have the right to strike solely with respect to such issue.

d. The wage and salary increases referred to in Paragraphs 1.b and c. above establish the amount and manner by which hourly daywork keysheets and pay shall be increased, and will be applied for purposes of overtime, vacations, and night-turn bonus.

2. GENERAL PROVISIONS

a. On the basis of the 2004 negotiations held between the Company and the Union pursuant to the modification provisions outlined in Article I of the Agreement dated August 29, 2004, as modified, which negotiations have been concluded by this Agreement (except to the extent they are set forth in the Pension and Insurance Agreement between the Company and the Union), all provisions of such Agreement as modified and amended, shall remain in full force and effect as modified herein.

b. The parties hereto agree that the Agreement dated August 29, 2004, as modified and amended, including the changes therein referred to in this Wage Supplement, shall be deemed to have been re-executed as a single document by the parties hereto contemporaneously with the execution of this Wage Supplement.

**PENSION AND INSURANCE
AGREEMENT**

Between

**NORTHROP GRUMMAN CORPORATION
ELECTRONIC SYSTEMS SECTOR
HAGERSTOWN SITE**

and

**INTERNATIONAL UNION OF ELECTRONIC,
ELECTRICAL, SALARIED MACHINE AND
FURNITURE WORKERS/COMMUNICATIONS
WORKERS OF AMERICA, AFL-CIO, CLC**

IUE-CWA LOCAL 130

August 29, 2004

INTRODUCTION

AGREEMENT made and entered into as of the 29 day of August, 2004, by and between NORTHROP GRUMMAN CORPORATION, ELECTRONIC SYSTEMS SECTOR, HAGERSTOWN SITE, hereinafter called the "COMPANY," and Local 130 of the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers/Communication Workers of America, AFL-CIO, CLC, hereinafter referred to as the "Union."

ARTICLE I

GENERAL

Section 1

The term "employees" as used herein means, unless otherwise clearly indicated, all employees of the Company who are within a bargaining unit which is or becomes and continues to be covered by this Agreement, as herein provided.

Section 2

(a) Subject to compliance with such laws and governmental regulations as the Company deems applicable, and receipt of such rulings and approvals of governmental agencies as the Company deems necessary or advisable, the Company and the Union agree that (i) the Northrop Grumman Electronic Systems Sector ("ES") Benefits Plan providing for medical, dental, and life insurance benefits for active employees ("Current Benefits Plan") in effect for employees covered by this Agreement as of August 29, 2004 shall be continued in effect until June 30, 2005, and (ii) effective July 1, 2005, and for the remaining duration of this Agreement, medical, dental, and life insurance benefits for active employees shall be provided pursuant to the New Welfare Benefits Plan set forth in Article II of this Agreement. Both the Current Benefits Plan and the New Welfare Benefits Plan shall be subject to variations because of State law as described in Article II.

(b) Subject to compliance with such laws and governmental regulations as the Company deems applicable, and receipt of such rulings and approvals of other governmental agencies

as the Company deems necessary or advisable, the Company and the Union agree that the Northrop Grumman ES Union Represented Pension Plan ("Pension Plan") in effect for Pension Plan participants covered by this Agreement shall, subject to Section 4(b) of Article I hereof, be continued in effect for the duration of this Agreement as to those participants first hired at the Hagerstown site prior to January 1, 2005, with the changes summarized on Exhibit A hereto. Effective January 1, 2005, the Pension Plan will be amended to provide the following Pension Plan participants with a new benefit formula ("Benefit Formula") in lieu of the existing Pension Plan formula: Pension Plan participants covered by this Agreement who are first hired or rehired at the Hagerstown site on or after January 1, 2005. The Benefit Formula will be the same as the standard benefit formula under Section 7.20(a)(1) of the July 1, 2003 Restatement of the Northrop Grumman Corporation Pension Plan.

(c) Subject to compliance with such laws and other governmental regulations as the Company deems applicable, and receipt of such rulings and approvals of governmental agencies as the Company deems necessary or advisable, the Company and the Union agree that (i) the Northrop Grumman ES Savings and Investment Program ("Current Savings Plan") in effect for employees covered by this Agreement as of August 29, 2004 shall, subject to Section 4(c) of Article I hereof, be continued in effect through October 24, 2004, and (ii) effective October 25, 2004, and for the remaining duration of this Agreement, the new savings plan benefit for employees set forth in Article IV of this

Agreement ("New Savings Plan") shall, subject to Section 4 (c) of Article I hereof, be continued for the duration of this Agreement.

(d) The Company and the Union agree that the following benefit plans in effect for employees covered by this Agreement as of August 29, 2004 shall be continued through June 30, 2005, except as provided in Section 6 of Article II: the Northrop Grumman ES Personal Accident Insurance Plan (the "Personal Accident Insurance Plan"), the Northrop Grumman ES Long Term Disability Benefits Plan (the "Disability Benefit Plan"), the Northrop Grumman ES Dependent Life Insurance Plan (the "Dependent Life Insurance Plan"), the Northrop Grumman ES Dental Assistance Plan ("the Dental Assistance Plan"), and the Northrop Grumman ES Long Term Care Insurance Plan (the "Long Term Care Insurance Plan"). In addition, the Company and the Union agree that the Northrop Grumman Retirement Health Care Security Fund For Represented Employees (the "Retirement Health Care Security Fund For Represented Employees"), the Northrop Grumman ES In-Hospital Indemnity Plan ("the In-Hospital Indemnity Plan"), and the Basic Severance Pay Plan under the California Microwave Benefits Program shall be continued as provided for in Article II and Article V.

Section 3

(a) It is agreed that the benefit plans provided for in this Agreement are accepted by the Union, for the duration of this Agreement, as a complete insurance, pension, severance and savings program. It is further agreed that both parties have had the unlimited right and

opportunity to make demands and proposals, and otherwise bargain collectively with reference to all matters pertaining directly or indirectly to insurance, pension, savings, and severance, and, subject to the provisions of Section 5 of Article II and Section 3 of Article VII of this Agreement, the parties unqualifiedly waive any rights they may now have, or hereafter acquire, to bargain collectively with respect to anything covered by any of the benefit plans referred to herein or with respect to any benefits, the payment of which could or might be insured by the Company, whether or not such matters were within the knowledge or contemplation of either of the parties at the time of negotiation or execution of this Agreement. The Union also agrees that, during the term of this Agreement, there shall be no strike, slowdown, sitdown, or other form of stoppage of work arising out of or conducted in connection with any effort to induce modifications of or amendments or additions to the insurance, pension, severance and savings programs or of other benefits provided for by this Agreement, or the terms or conditions under which such benefits and programs are provided.

(b) It is further understood that no matter respecting any plan provided by this Agreement or any differences arising under any such plan, or arising concerning any benefits payable by the Company under any such Plan or any benefits the payment of which could or might be insured by the Company, shall be subject to any grievance or arbitration procedure which may be established by agreement between the Company and the Union, or otherwise.

(c) Claims of employees concerning their rights under any plan provided by this Agreement may be presented in writing in accordance with the applicable claims review procedures of the various plans. Nothing herein shall be construed to deny an employee the assistance of the Union or the Local in the presentation of such claims. Payment for time spent for the above purpose by Local representatives (who are in the active employ of the Company) within the Plant during their regular working hours while meeting with the representative designated by Management shall be made in the same manner, and such time shall for all purposes be considered in the same category, as time spent in the handling or adjustment of grievances. Neither the Union nor the Company shall have the right to strike or lock out with respect to any claims of employees under any of the Plans provided by this Agreement.

(d) Nothing in this Agreement shall be deemed to prevent the Company from making any of the benefits plans identified herein, in whole or in part, available to other represented employees of the Electronics Systems sector as may be determined or negotiated by the Company.

Section 4

The Company agrees that, during the term of this Agreement, as to employees covered by this Agreement:

(a) Subject to Section 2 of this Article and to Article II, it will not amend or terminate the Current Benefits Plan or the New Welfare Benefits Plan; and

(b) Subject to Section 2 of this Article and to Article III, it will not discontinue the Pension Plan or make any amendment which would adversely affect the rights thereunder of the employees, nor suspend or reduce the payment of Company contributions to the Pension Plan below the level required by applicable law.

(c) Subject to Section 2 of this Article and to Article IV, it will not discontinue the Current Savings Plan or the New Savings Plan or make any amendment to the Plan which would adversely affect the rights of employees under either of these plans; provided, however, that such amendments of the Current Savings Plan or the New Savings Plan may be made by the Company as it deems necessary or advisable to secure the approval of the Commissioner of Internal Revenue and to obtain the rulings and approvals of other governmental departments, commissions and agencies and to comply with laws and regulations as referred to in Article I, Section 2(c) above; provided further, that the Company may make any amendments to the New Savings Plan as it deems desirable as long as such amendments (i) apply equally to both union represented and non-union represented employees participating in such plans, and (ii) do not adversely affect the Company match or vesting schedule for employees covered by this Agreement.

(d) Subject to Section 2 of this Article and to Article V, it will not discontinue the Basic Severance Pay Plan under the California Microwave Benefits Program or the Northrop Grumman Corporate Severance Plan or make any amendment to the Plan which would

adversely affect the right of employees under either of these plans; provided, however, that such amendments of the Basic Severance Pay Plan under the California Microwave Benefits Program or the Northrop Grumman Corporate Severance Plan may be made by the Company as it deems desirable as long as such amendments apply equally to both union represented and non-union represented employees participating in such plans.

ARTICLE II WELFARE BENEFIT PLANS

Section 1 – Current Welfare Benefits Plan

Except as otherwise provided in this Agreement, employees will continue to be eligible for benefits under the following welfare benefit plans from the effective date of this Agreement through June 30, 2005: the Current Benefits Plan, the Northrop Grumman ES Dental Assistance Plan (the “Dental Assistance Plan”), the Personal Accident Insurance Plan, the Disability Benefit Plan, the Dependent Life Insurance Plan, and the Long Term Care Insurance Plan. These plans are collectively hereafter referred to as the “Current Welfare Benefits Plan.” Employee premium costs for the Current Welfare Benefits Plan are set forth on Exhibit B.

Section 2 – New Welfare Benefits Plan

Effective July 1, 2005, employees shall no longer be eligible for benefits under the Current Welfare Benefits Plan, but instead shall have the opportunity to enroll in and receive benefits

pursuant to a New Welfare Benefits Plan, the components of which are described on Exhibit C. Employee premium costs for the New Welfare Benefits Plan are set forth on Exhibit C.

Section 3 – Retiree Benefits

The Retirement Health Care Security Fund for Represented Employees and the In-Hospital Indemnity Plan shall be continued in effect for the duration of this Agreement. However, no new participants will be permitted to enroll in the Retirement Health Care Security Fund for Represented Employees after August 31, 2004. Employee premium costs for these two plans are set forth on Exhibit D.

Section 4 – Administration of Welfare Benefit Plans

(a) The Company shall have the sole responsibility for the administration of the Current Welfare Benefits Plan, the New Welfare Benefits Plan, the Retirement Health Care Security Fund for Represented Employees and the In-Hospital Indemnity Plan. The benefits of these plans may be provided under a group insurance policy or policies issued by an insurance company or companies selected by the Company, which policy or policies shall not be inconsistent with the terms of this Agreement and shall be in the general form of such policies customarily issued by the insurance company or companies; provided, however, that the Company may at its discretion at any time and from time to time cancel any such policy or policies and become a self-insurer of any or all of the benefits of these plans for all or any group or class of active or former employees.

(b) The employees shall make the contributions to the Current Welfare Benefits Plan, the New Welfare Benefits Plan, the Retirement Health Care Security Fund for Represented Employees, and the In-Hospital Indemnity Plan which are appropriate for their coverage as specified on Exhibits B, C, and D.

(c) By the collection of contributions and transmittal thereof to the insurance company or companies providing the policy or policies, the Company shall discharge its full obligation hereunder, and shall be relieved of any and all liability to employees or their representatives hereunder, with respect to such insured benefits of the Current Welfare Benefits Plan, the New Welfare Benefits Plan, the Retirement Health Care Security Fund for Represented Employees, or the In-Hospital Indemnity Plan.

(d) The Company agrees to furnish the Union for each calendar year in which this Agreement is in effect, a copy of all information which becomes a matter of public record concerning the Current Welfare Benefits Plan (for years in which it is in effect), the New Welfare Benefits Plan (for years in which it is in effect), the Retirement Health Care Security Fund for Represented Employees, and the In-Hospital Indemnity Plan which is filed by the Company in accordance with Public Law 93-406, the Employee Retirement Income Security Act of 1974. The Union agrees that by furnishing such information the Company will fully comply with any statutory or other obligation to supply the Union with information concerning the operation of these plans, and the Union hereby expressly waives any right to receive further information

concerning the operation of these plans for any purpose whatsoever; provided, however, that such waiver shall not apply to requests that further information be furnished not more than one hundred twenty (120) days prior to August 30, 2009, or August 30 of any subsequent contract year, for purposes of collective bargaining with respect to modification, extension or renewal of this Agreement.

Section 5 – Non-Duplication of Benefits

(a) It is agreed that benefits under the Current Benefits Plan, the Dental Assistance Plan, and the medical and dental components of the New Welfare Benefits Plan (all of the foregoing are hereafter referred to as “Medical/Dental Benefits”) shall not duplicate any benefits provided or required under state or federal laws, regardless of whether the benefits under such laws are larger or smaller than those provided under the Medical/Dental Benefits.

(b) Notwithstanding any other provisions of this Agreement, any benefits under the Medical/Dental Benefits which are of the same type (although not necessarily of the same name or in the same amount) as one or more of the benefits provided under the laws of any state which shall have such laws, shall not become payable to employees in any such state who hereafter become covered by this Agreement, until the Company and the Union have agreed either (i) that no changes in such benefits under the Medical/Dental Benefits are necessary or desirable by reason of such legislation, or (ii) upon the modifications of the Medical/Dental Benefits with respect to such benefits which

shall apply with respect to such employees; and further provided that, notwithstanding any other provision of this Agreement, where any state or federal legislation or regulation is adopted which mandates the provision of additional benefits to benefits already provided under the Medical/Dental Benefits to employees and their families/dependents, the reasonable cost of providing such additional mandated benefits, if any, may after proper notification to the Union, be assessed to employees subject to such additional mandated benefits.

(c) If any state or federal legislation is hereafter adopted which will provide benefits of the same type (although not necessarily of the same name or in the same amount) as one or more of the benefits provided under the Medical/Dental Benefits, or if any presently existing or future state or federal legislation providing such benefits may be hereafter amended, any benefit or benefits under the Medical/Dental Benefits which are similar or related to the benefits provided or affected by such legislation shall, at the written request of either the Company or the Union, become a subject for collective bargaining, which shall be carried on, and completed if possible, sufficiently in advance of the effective date of the new or amendatory legislation to permit the working out in good time of the administrative details which may be involved. If either party requests collective bargaining, but no agreement is reached during negotiations, prior to the effective date of such legislation, the Company may terminate or modify any such benefits provided under the Medical/Dental Benefits with respect to employees in the state involved (or employees

in the United States in the case of federal legislation). Written notice of such termination or modification of benefits shall be given to the Union before it is announced generally to the affected employees. In the event of such termination or modification of benefits, an appropriate adjustment shall be made in the employees' contributions under the Medical/Dental Benefits..

Section 6 - Amendments

The Company reserves the right during the term of this Agreement, as to the employees covered by this Agreement, to modify, amend, discontinue, change, add to or terminate the Personal Accident Insurance Plan and/or the Disability Benefit Plan and/or the Dependent Life Insurance Plan and/or the In-Hospital Indemnity Plan, and/or the Long Term Care Insurance Plan and/or the long term disability, dependent life insurance and/or accidental death and dismemberment coverage of the New Welfare Benefits Plan, so long as such action does not discriminate against employees covered by this Agreement. In the event of any such action affecting benefits of employees under any of these plans, an appropriate adjustment shall be made in the rate of employee contributions.

ARTICLE III PENSION PLANS

Section 1

During the term of this Agreement, Pension Plan participants who are initially hired prior to January 1, 2005, shall be eligible to continue to participate in the Pension Plan, as modified by

Exhibit A, and in accordance with Section 2(b) of Article I. Effective January 1, 2005, the Pension Plan will be amended to provide the following Pension Plan participants with a new benefit formula ("Benefit Formula") in lieu of the existing Pension Plan formula: Pension Plan participants covered by this Agreement who are first hired or re-hired at the Hagerstown site on or after January 1, 2005. The Benefit Formula will be the same as the standard benefit formula under Section 7.20(a)(1) of the July 1, 2003 Restatement of the Northrop Grumman Corporation Pension Plan.

Section 2

The Company agrees to furnish the Union with the following information for each full calendar year in which this Agreement is in effect, such information to be furnished by May 15 of the following year:

(i) the number of persons retiring during the year, with their average age at retirement and the average pension of such persons who retired at their Normal Retirement Date during the year.

(ii) a summary of the most recent Actuarial Valuation of the Pension Plan showing total assets of the trust, including the present value of prospective contributions for both prior and future service, the present value of prospective pensions earned under the Pension Plan by all present active employees covered by the Pension Plan, and total liabilities of the Pension Plan.

(iii) a copy of all information which becomes a matter of public record concerning the Pension Plan which is filed by the Company in

accordance with Public Law 93-406, the Employee Retirement Income Security Act of 1974.

The Union agrees that by furnishing it with the information listed in this sub-section (a) the Company will fully comply with any statutory or other obligation to supply the Union with information concerning the operation of the Pension Plan, and the Union hereby expressly waives any right to receive further information concerning the operation of the Pension Plan for any purpose whatsoever, provided, however, that such waiver shall not apply to requests that further information be furnished not more than one hundred and twenty (120) days prior to August 30, 2009, or August 30 of any subsequent contract year, for purposes of collective bargaining with respect to modification, extension or renewal of this Agreement.

Section 3

Subject to the provisions of Sections 3(c) of Article I of this Agreement, the Company shall have the sole responsibility for the administration of the Pension Plan, in accordance with its provisions. By payment of its contributions to the designated trustee or trustees and/or insurance company or companies, the Company shall be relieved of any further liability under the Pension Plan, and benefits shall be payable only from the trust fund or funds and/or insured contract or contracts; provided however, that any trust agreement and/or insurance contract under which such payments are made shall not be inconsistent with any provision of this Agreement.

ARTICLE IV - SAVINGS PLAN

Section 1

Employees shall continue to be eligible to participate in the Current Savings Plan through October 24, 2004. Effective October 25, 2004, employees shall be eligible to participate in the New Savings Plan. Those who elect to participate shall be assigned to the same Sub-Plan within the Northrop Grumman Savings Plan as the non-union represented Electronic Systems sector employees at the Hagerstown site. The Union acknowledges that most of the employees in the Northrop Grumman Savings Plan are not represented by any labor union. As a condition to Union-represented employees participating in the New Savings Plan, the Union agrees that the Company has the unilateral right, in its sole and absolute discretion, to amend or modify the Savings Plan without any notice obligation to or bargaining obligation with the Union, as long as the same amendment or modification applies to non-represented Electronic Systems sector employees at the Hagerstown site. The Union hereby waives and relinquishes, clearly and unmistakably, any and all rights it may have to bargain over any such amendment or modification. Notwithstanding the foregoing, the Company agrees that during the term of this Agreement, it will not (i) terminate the New Savings Plan; or (ii) reduce the New Savings Plan Company match that applies to contributions made by employees covered by this Agreement; or (iii) modify the vesting schedule in any way that adversely affects employees covered by this Agreement.

Section 2

(a) The Company shall have the sole responsibility for the administration of the Current Savings Plan and the New Savings Plan, and for the payment of all administrative expenses thereof.

(b) By making payments as required by the Current Savings Plan and the New Savings Plan to the designated trustee or trustees, the Company shall be relieved of any further liability under the Savings Plan and/or the New Savings Plan, and distributions shall be payable only from the trust fund or funds; provided, however, that any trust agreement under which such distributions are made shall not be inconsistent with any provision of this Agreement.

(c) The Company agrees to furnish the Union for each calendar year in which this Agreement is in effect, a copy of all information which becomes a matter of public record concerning the Current Savings Plan and the New Savings Plan which is filed by the Company in accordance with Public Law 93-406, the Employee Retirement Income Security Act of 1974. The Union agrees that by furnishing such information the Company will fully comply with any statutory or other obligation to supply the Union with information concerning the operation of the Current Savings Plan and the New Savings Plan, and the Union hereby expressly waives any right to receive further information concerning the operation of the Current Savings Plan and the New Savings Plan for any purpose whatsoever; provided, however, that such waiver shall not apply to requests that further information be furnished not more than one

hundred and twenty (120) days prior to August 30, 2009, or August 30 of any subsequent contract year, for purposes of collective bargaining with respect to modification, extension or renewal of this Agreement.

ARTICLE V - SEVERANCE PLAN

Employees shall continue to be eligible to participate in the current Basic Severance Pay Plan under the California Microwave Benefits Program through December 31, 2004. Effective January 1, 2005, employees shall no longer be eligible for benefits under the Basic Severance Pay Plan under the California Microwave Benefits Program, but instead shall have the opportunity to receive benefits pursuant to the Northrop Grumman Corporate Severance Plan which is described on Exhibit E. The Company shall have the sole responsibility for the administration of both the Basic Severance Pay Plan under the California Microwave Benefits Program and the Northrop Grumman Corporate Severance Plan ("the Severance Plans"). As a condition to Union-represented employees participating in the Severance Plans, the Union agrees that the Company has the unilateral right, in its sole and absolute discretion, to amend or modify the Severance Plans without any notice, obligation to or bargaining obligation with the Union, as long as the same amendment or modification applies to non-represented Electronic Systems sector employees at the Hagerstown site. The Union hereby waives and relinquishes, clearly and unmistakably, any and all rights it may have to bargain over any such amendment or modification. Notwithstanding the

foregoing, the Company agrees that during the term of this Agreement, it will not terminate the Severance Plans.

ARTICLE VI EDUCATIONAL OPPORTUNITY PROGRAM

Section 1

The company, through an Educational Opportunity Program, will refund tuition and compulsory fees up to a maximum amount of two thousand dollars (\$2,000.00) per calendar year to eligible hourly and non-exempt salaried employees and to eligible former employees who successfully complete a training course which relates to maintaining or improving employee skill in performing his job or contributes to the career development of the employee within the Company.

Section 2

An employee, to be eligible to participate in the Educational Opportunity Program, must meet the following conditions:

- (a) He must have six (6) months or more credited service prior to the completion of any training course for which refund is requested;
- (b) He must obtain from a designated Company representative advance written approval of his participation in the training course; and
- (c) He must provide evidence that he completed the training course satisfactorily.

Section 3

An eligible former employee is an hourly or non-exempt salaried employee who is not on disability or leave of absence, who has been laid off through no fault of his own for lack of work occasioned by reasons associated with the business (such as changed customer ability and willingness to buy as reflected in adjusted production requirements, changed manufacturing processes, product discontinuance or plant closing) and meets the conditions set forth in Section 2, above. In addition, an eligible former employee in order to participate in the Educational Opportunity Program must begin the training course within one (1) year after his layoff.

Section 4

In addition to the refund of tuition and compulsory fees as set forth in Section 1, above, an eligible former employee who has at least two (2) years of service and who is participating in a training course under the Educational Opportunity Program, but who is not eligible to receive unemployment compensation benefits, will receive a weekly training allowance equal to fifty percent (50%) of his Weekly Pay. This weekly training allowance will continue until for a maximum period of not less than eight (8) weeks; provided, however, that this allowance will be paid to the eligible former employee weekly only so long as he remains in the training course.

ARTICLE VII MODIFICATION AND TERMINATION

Section 1

This Agreement shall become effective as of August 29, 2004.

Section 2

This Agreement shall, subject to its terms, continue in full force and effect as to the Company and the Union, as provided in the first paragraph of this Agreement, until August 30, 2009, and from year to year thereafter, unless and until either party shall give notice in writing to the other party of its intention to terminate this Agreement upon such date or subsequent anniversary thereof, said notice to be given not more than sixty (60) days and not less than thirty (30) days prior to such date or subsequent anniversary thereof.

Section 3

Either the Company or the Union may terminate this Agreement as of midnight, August 30, 2009, or as of midnight August 30 in any subsequent contract term, by giving written notice of such termination to the other not more than sixty (60) days nor less than thirty (30) days prior to August 30, 2009, or August 30 of any such subsequent contract term. In the event of such termination, neither party shall have the right to strike or lock out with respect to any matter covered by this Agreement unless the collective bargaining agreement between the Company and the Union effective August 29, 2004, as amended, has also been terminated in its entirety.

Section 4

(a) The Company and the Union agree that neither of them will request consideration of any proposed changes in or additions to this Agreement, unless one party gives written notice of its requests for such changes or additions which is received by the other party not more than sixty (60) days nor less than thirty (30) days before August 30, 2009, or August 30 of any subsequent contract term. Not more than fifteen (15) days following receipt of such written request, collective bargaining negotiations shall commence between the parties for the purpose of considering proposed changes in or additions to this Agreement, including proposed changes in any of the Plans provided by this Agreement which may be submitted by either the Company or the Union.

(b) If written notice is given as provided in Section 4(a) above, and the parties do not reach agreement prior to August 30, 2009, or August 30 of any subsequent contract term, with respect to the proposals submitted during the above-mentioned negotiations, this Agreement shall continue in full force and effect (provided written notice of termination has not been given under Section 3 of this Article) until the tenth (10th) day after written notice is received by either the Company or the Union of the other party's intention to terminate this Agreement. In the event this Agreement is terminated pursuant to the provisions of this Section 4(b), neither party shall have the right to strike or lock out with respect to any matters covered by this Agreement unless the collective bargaining agreement between the Company and the Union

effective August 29, 2004, as amended, has also been terminated in its entirety.

This Agreement supersedes and replaces all prior Pension and Insurance Agreements.

Dated and signed August 29, 2004; effective as of August 29, 2004.

**NORTHROP GRUMMAN CORPORATION
ELECTRONIC SYSTEMS SECTOR
HAGERSTOWN SITE**

By: */s/* Richard F. Schmaley

Vice President
Human Resources and
Administration

By: */s/* Shirley M. Zaetz

Director
Labor Relations - ES

By: */s/* Susan L. Brunson

Manager
Labor Relations – IUE

By: */s/* Sheldon R. McWilliams

Vice President, Operations
California Microwave Systems

By: */s/* Richard A. Woodring

Director, Maintenance
California Microwave Systems

By: */s/* Mina M. Davis

Human Resources
California Microwave Systems

