

Hi, I'm Jeff Palombo, Vice President and General manager, Land Forces Division.

Last month Jim Pitts and Liz Iversen spoke to us about how important it is that everyone at Electronic Systems focus on the various aspects of corporate compliance. Jim mentioned that ES has conducted over 200 investigations of non-compliance concerns in the past year alone.

I'd like to talk about compliance from the perspective of building trust with our customers. Every time we deliver a product that meets or exceeds contractual and company requirements, we strengthen the trust our customers have in us. This is a critical factor in our being considered for new opportunities.

Land Forces Division has great growth potential, and that potential depends on our ability to perform on existing contracts. Our commitment and ability to build trust, in ourselves and with our customers, is key to our success today and in the future.

Anytime that we *build* a noncompliant product and even if we "catch it" at our facility, it detracts from our ability to be timely and cost effective for the customer.

Anytime that we *deliver* a noncompliant product we lose the trust from that customer. More importantly, that noncompliant product could put the end users, our war-fighters, in a compromising position in performing their mission or being 100% protected.

In order for Northrop Grumman to be considered for new business, customers have to believe in us. They have to believe that the products, services, and solutions that we deliver are compliant the first time and every time.

To pursue this business, we need to focus on new and adjacent markets. Product non-compliances are a distraction and take our focus away from growing the business and instead causes us to expend valuable resources fighting fires and then reassuring the customer of our ability and that we are deserving of their trust.

To ensure we maintain our focus on growth, both for our benefit and for the benefit of our customers, we must make Product Compliance a priority because it is a critical factor for our success. Compliance makes everyone's job easier. When we are compliant, we can be confident that we are meeting the needs of our ultimate customers.

Think about a laser range finder or designator that we deliver to a forward observer in the military. The role of this product is to be able to identify and designate items of interest for the user. The product is the foundation for the stand-off capability of the warfighter, to be able to pinpoint targets of interest from as far away as possible, while protecting adjacent areas from collateral damage.

Think about the effect of having a non-compliant designator/range finder in the hands of this warfighter, and the repercussions it could have on the outcome of the mission. It's not just about designing, buying, building, and testing. There are people on the other end of our performance that depend on our product and therefore they depend on every one of us, every day.

It's important that our products not just meet specification, but perform when they are needed most. When our products are in the hands of the men and women of

our Armed Forces, they are counting on us, that you made and continue to make the right compliance decisions on the job every day.

Thank you.

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