

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

NORTHROP GRUMMAN SYSTEMS)	
CORPORATION,)	
)	
Plaintiff,)	
)	No. 12-286C
v.)	(Judge George Miller)
)	
UNITED STATES,)	
)	
Defendant.)	

**DEFENDANT'S ANSWER
TO FIRST AMENDED COMPLAINT AND COUNTERCLAIM**

ANSWER TO FIRST AMENDED COMPLAINT

For its answer to the complaint, defendant admits, denies, and alleges as follows:

1. Denies the allegations contained in paragraph 1 for lack of knowledge or information sufficient to form a belief as to their truth.
2. Admits.
3. The allegations contained in paragraph 3 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.
4. The allegations contained in paragraph 4 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.
5. Admits that the FSS is automatic delivery point sequencing equipment designed to reduce the processing cost of flat mail, avers that the FSS is an integrated system of pre-existing and new mail processing technology, and denies the remaining allegations contained in the first sentence of paragraph 5. Admits the allegations contained in the second sentence of paragraph 5.

6. Denies the allegations contained in the first sentence of paragraph 6, and avers that the FSS is a system of modules that are integrated in a single machine. Admits the allegations contained in the second sentence of paragraph 6. Admits that the FSS includes a stand-alone mail preparation component, automatic high-speed feeders and in-feed lines, a carousel sorter, a tray staging area, an integrated tray converter, electrical components and software, and denies the remaining allegations contained in the third sentence of paragraph 6.

7. Admits.

8. The allegations contained in paragraph 8 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

9. The allegations contained in paragraph 9 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

10. The allegations contained in paragraph 10 regarding the requirements of Modification No. 007 to the Production Contract and whether plaintiff's actions were in accordance with those requirements constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Admits the remaining allegations contained in paragraph 10 to the extent supported by the claim cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 10.

11. Admits the allegations contained in paragraph 11 to the extent supported by the claim cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 11.

12. Admits the allegations contained in paragraph 12 to the extent supported by the document cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 12.

13. Admits the allegations contained in paragraph 13 to the extent supported by the final decision cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 13.

14. The allegation contained in paragraph 14 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

15. The allegations contained in paragraph 15 regarding the requirements of Modification No. 017 to the Production Contract and whether plaintiff's actions were in accordance with those requirements constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Admits the remaining allegations contained in paragraph 15 to the extent supported by the claim cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 15.

16. Admits the allegations contained in paragraph 16 to the extent supported by the claim cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 16.

17. Admits the allegations contained in paragraph 17 to the extent supported by the claim cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 17.

18. Admits the allegations contained in paragraph 18 to the extent supported by the final decision cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 18.

19. The allegation contained in paragraph 19 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

20. Admits the allegations contained in paragraph 20 to the extent supported by the

final decision, the complaint, and the claims cited, which are the best evidence of their contents; otherwise denies the allegations contained in paragraph 20.

21. Admits the allegations contained in the first and second sentences of paragraph 21. The allegations contained in the third sentence of paragraph 21 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

22. Admits that Modification No. 6 to Contract 3AAERD-04-B-0506 is dated March 8, 2006, avers that discussions regarding pre-production began earlier than March 8, 2006, avers that March 8, 2006 is the date when pre-production work was authorized, and denies the remaining allegations contained in paragraph 22.

23. Admits the allegations contained in paragraph 23 to the extent supported by Contract 3AAERD-04-B-0506, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 23.

24. Admits the allegations contained in paragraph 24 to the extent supported by the “response” cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 24.

25. Denies the allegations contained in paragraph 25. Avers that in or about June 2006, one or more representatives of plaintiff (Northrop) advised one or more representatives of the United States Postal Service (Postal Service) that Northrop was then estimating a possible total price for the FSS production contract of \$1.3 billion, but believed that a contract proposal of \$1.3 billion would be too expensive for the Postal Service to afford. Further avers that the Postal Service and Northrop subsequently engaged in a requirements analysis and discussed configuration changes that would reduce the overall scope and cost of the project.

26. Denies the allegations contained in paragraph 26. Avers that the Postal Service and Northrop in 2006 engaged in a requirements analysis and discussed configuration changes that would reduce the overall scope and cost of the project.

27. Denies.

28. The allegation contained in paragraph 28 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

Defendant further denies that the alleged representations were made.

29. Admits the allegation that the firm fixed price of the FSS production contract was \$874 million to the extent supported by the FSS production contract, which is the best evidence of its contents; otherwise denies that allegation. Denies the allegation regarding why Northrop agreed to the firm fixed price of the production contract for lack of knowledge or information sufficient to form a belief as to its truth. Admits that the firm fixed price of the production contract is less than an earlier estimate conveyed by one or more Northrop representatives to one or more representatives of the Postal Service. Denies the remaining allegations contained in paragraph 29.

30. Admits the allegations contained in paragraph 30 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 30.

31. Admits the allegations contained in paragraph 31 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 31.

32. The allegations contained in paragraph 32 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be

deemed allegations of fact, they are denied.

33. The allegations contained in paragraph 33 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

34. Admits the allegations contained in paragraph 34 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 34.

35. Admits the allegations contained in paragraph 35 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 35.

36. Admits the allegations contained in paragraph 36 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 36.

37. The allegations contained in paragraph 37 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they are deemed allegations of fact, they are denied; and defendant specifically denies that the Postal Service derived a pricing benefit of approximately \$412 million.

38. Admits the allegations contained in paragraph 38 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 38.

39. Admits the allegations contained in paragraph 39 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 39.

40. Admits the allegations contained in paragraph 40 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 40.

41. Admits the allegations contained in paragraph 41 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 41.

42. The allegations contained in the first and second sentences of paragraph 42 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

- a. The allegations contained in paragraph 42.a. constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.
- b. The allegations contained in paragraph 42.b. constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.
- c. The allegations contained in paragraph 42.c. constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.
- d. The allegations contained in paragraph 42.d. constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.
- e. Admits that between the date of the award of the production contract and September 30, 2008, representatives of Northrop and representatives of

the Postal Service conducted many meetings regarding the FSS, and denies the remaining allegations contained in the first sentence of paragraph 42.e. The allegations contained in the second sentence of paragraph 42.e. constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

- f. Admits that Postal Service personnel spent time at Northrop's plant during contract performance and had direct interaction with Northrop engineers, denies that Postal Service personnel "spent virtually every working day" in Northrop's plant, and denies that Postal Service personnel interfered with Northrop's performance. The remaining allegations contained in paragraph 42.f. constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

43. The allegations contained in paragraph 43 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

44. The allegations contained in the first two sentences of paragraph 44 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Admits the allegations contained in the third sentence of paragraph 44 that in the two years following award of the production contract, there were significant design changes, and denies the remaining allegations contained in the third sentence of paragraph 44 for lack of knowledge or information sufficient to form a belief as to their truth.

45. The allegations contained in paragraph 45 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied; defendant specifically denies that "the Postal Service refused to accept work and caused further delays whenever Northrop questioned the contractual basis for its actions."

46. The allegations contained in paragraph 46 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied; defendant specifically denies that the Postal Service exercised design control over the production contract.

47. The allegations contained in paragraph 47 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

48. The allegations contained in paragraph 48 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

49. Denies that Postal Service acts and omissions caused changes in material items. Denies the remaining allegations contained in paragraph 49 for lack of knowledge or information sufficient to form a belief as to their truth.

50. The allegations contained in paragraph 50 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

51. The allegations contained in paragraph 51 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

52. Denies the allegations contained in the first and second sentences of paragraph 52.

Admits that some First Article Testing on the First Article machine was conducted from November 23, 2008 to December 20, 2008, avers that further First Article testing was conducted subsequently, and denies the remaining allegations contained in the third sentence of paragraph 52.

53. Denies, and avers that the first article machine Northrop submitted failed to perform in accordance with the requirements of the contract and therefore did not pass the tests conducted in November and December 2008.

54. Admits the allegations contained in the first sentence of paragraph 54. Admits that First Article Test 2A originally was scheduled for April 2009 and that First Article Test 2B originally was scheduled for August 2009, and denies the remaining allegations contained in the second sentence of paragraph 54.

55. Admits.

56. Denies the allegations contained in the first sentence of paragraph 56. The allegations contained in the second sentence of paragraph 56 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

57. Admits the allegations contained in paragraph 57 to the extent supported by the letter cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 57.

58. Denies, and avers that by letter dated September 3, 2009, the Postal Service authorized Northrop to proceed with FSS installations provided that Northrop agreed to address gaps and deficiencies in its June 19, 2009 recovery plan as specified in the Postal Service's September 3, 2009 letter.

59. The allegations contained in paragraph 59 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

60. The allegations contained in the first sentence of paragraph 60 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Admits the allegations contained in the second sentence of paragraph 60 to the extent supported by the terms of Modification 015 to the production contract; otherwise denies the allegations contained in the second sentence of paragraph 60. The allegations contained in the third sentence of paragraph 60 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

61. The allegations contained in paragraph 61 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

62. The allegations contained in paragraph 62 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

63. Admits the allegations contained in the first sentence of paragraph 63 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in the first sentence of paragraph 63. The allegations contained in the second and third sentences of paragraph 63 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

64. The allegations contained in the first sentence of paragraph 64 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied; defendant specifically denies that the Postal Service authorized Northrop to resume deployments in September 2009. Admits that in July 2010, the Postal Service

directed that the FSS machines be deployed to 47, rather than 32, sites, and denies the remaining allegations contained in the second sentence of paragraph 64.

65. The allegations contained in paragraph 65 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

66. The allegations contained in paragraph 66 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

67. Admits that the Postal Service direction to Northrop to add 15 deployment sites increased certain of Northrop's direct costs. The remaining allegations contained in paragraph 67 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

68. Admits the allegations contained in the first sentence of paragraph 68 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in the first sentence of paragraph 68. The allegations contained in the second and third sentences of paragraph 68 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

69. Admits the allegations contained in paragraph 69 to the extent supported by the contract and modification cited, which are the best evidence of their contents; otherwise denies the allegations contained in paragraph 69.

70. Denies the allegation that "NGSC was prepared to proceed with such training" for lack of knowledge or information sufficient to form a belief as to its truth. The remaining allegations contained in paragraph 70 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

71. The allegations contained in paragraph 71 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

72. Admits the allegations contained in paragraph 72 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 72.

73. The allegations contained in paragraph 73 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

74. The allegations contained in paragraph 74 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

75. Admits.

76. Admits the allegation contained in the first sentence of paragraph 76. The allegations contained in the second sentence of paragraph 76 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about September 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

77. The allegation contained in paragraph 77 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

78. The allegations contained in paragraph 78 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

79. Admits.

80. The allegations contained in paragraph 80 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about August 2007, the Postal Service identified aspects of the sprocket that were inconsistent with contract requirements.

81. The allegation contained in paragraph 81 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

82. The allegations contained in paragraph 82 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

83. Admits.

84. The allegations contained in paragraph 84 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about May 2007, the Postal Service identified aspects of the bearing housing that were inconsistent with contract requirements.

85. The allegation contained in paragraph 85 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

86. The allegations contained in paragraph 86 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

87. Admits.

88. The allegations contained in paragraph 88 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about November 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

89. The allegation contained in paragraph 89 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

90. The allegations contained in paragraph 90 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

91. Admits.

92. The allegations contained in paragraph 92 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about September 2008, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

93. The allegation contained in paragraph 93 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

94. The allegations contained in paragraph 94 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

95. Admits that Northrop proposed to use a free-standing maintenance ladder to allow access to the upper carousel and upper empty tray automated conveyer units for maintenance

purposes, and denies the remaining allegations contained in paragraph 95.

96. The allegations contained in paragraph 96 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about mid-2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

97. The allegation contained in paragraph 97 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

98. The allegations contained in paragraph 98 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

99. Admits.

100. The allegations contained in paragraph 100 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about mid-2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

101. The allegation contained in paragraph 101 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

102. The allegations contained in paragraph 102 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

103. Denies the allegation contained in paragraph 103 for lack of knowledge or

information sufficient to form a belief as to its truth.

104. The allegations contained in paragraph 104 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about August 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

105. The allegation contained in paragraph 105 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

106. The allegations contained in paragraph 106 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

107. Admits.

108. The allegations contained in paragraph 108 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about March 2007 and October 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

109. The allegation contained in paragraph 109 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

110. The allegations contained in paragraph 110 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

111. Admits.

112. Admits that Northrop originally intended to use a particular type of plastic joystick and ultimately used a different type of joystick, and denies the remaining allegations contained in paragraph 112.

113. The allegation contained in paragraph 113 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

114. The allegations contained in paragraph 114 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

115. Admits.

116. The allegations contained in paragraph 116 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that the use of a sensor other than the analog sensor proposed by Northrop was necessary to bring Northrop's design into compliance with the terms of the contract.

117. The allegation contained in paragraph 117 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

118. The allegations contained in paragraph 118 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

119. Admits.

120. Admits that the Postal Service worked with Elobau to develop an interlock device, and denies the remaining allegations contained in paragraph 120. Avers that the Postal Service worked with Elobau to develop an interlock device because none existed in the market that would meet the Postal Service requirements. Further avers that the Postal Service suggested the Elobau device to Northrop as a possible solution, but did not direct Northrop to use it.

121. Admits that Northrop represented to the Postal Service that it discovered numerous problems with the Elobau switches and that overcoming those problems required many hardware modifications, and denies the remaining allegations contained in paragraph 121 for lack of knowledge or information sufficient to form a belief as to their truth.

122. The allegation contained in paragraph 122 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

123. The allegations contained in paragraph 123 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

124. Admits.

125. The allegations contained in paragraph 125 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about September 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

126. The allegation contained in paragraph 126 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

127. The allegations contained in paragraph 127 constitute conclusions of law, and

plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

128. Denies, and avers that that there is a maintenance access area in the drive module, and that, to enter this area, maintenance personnel must lift a hatch and then step down into an area with grated flooring.

129. The allegations contained in paragraph 129 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about April 2007-January 2008, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

130. The allegation contained in paragraph 130 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

131. The allegations contained in paragraph 131 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

132. Admits.

133. Admits.

134. Admits that Northrop provided a cost proposal for the implementation of the new Automated Bundle Separation Unit configuration to the extent supported by the proposal Northrop provided, which is the best evidence of its contents; otherwise denies that allegation. Denies the remaining allegations contained in the first sentence of paragraph 134 for lack of

knowledge or information sufficient to form a belief as to their truth. Admits the allegations contained in the second sentence of paragraph 134.

135. The allegation contained in paragraph 135 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

136. The allegations contained in paragraph 136 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

137. Admits.

138. Admits the allegations contained in the first sentence of paragraph 138. The allegations contained in the second sentence of paragraph 138 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about July 2007, the Postal Service identified aspects of the scanner that were inconsistent with contract requirements.

139. The allegation contained in paragraph 139 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

140. The allegations contained in paragraph 140 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

141. Admits the allegation contained in the first sentence of paragraph 141; otherwise denies the remaining allegations in paragraph 141.

142. The allegations contained in paragraph 142 constitute conclusions of law, and

plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about May 2008, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

143. The allegation contained in paragraph 143 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

144. The allegations contained in paragraph 144 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

145. The allegations contained in paragraph 145 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about July 2008, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

146. The allegation contained in paragraph 146 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

147. The allegations contained in paragraph 147 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

148. Admits.

149. The allegations contained in paragraph 149 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about May 2007, the Postal Service

identified aspects of the side walls that were inconsistent with contract requirements.

150. The allegation contained in paragraph 150 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

151. The allegations contained in paragraph 151 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

152. The allegations contained in paragraph 152 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about October 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

153. The allegation contained in paragraph 153 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

154. The allegations contained in paragraph 154 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

155. The allegations contained in paragraph 155 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about May 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

156. The allegation contained in paragraph 156 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

157. The allegations contained in paragraph 157 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

158. Admits.

159. The allegations contained in paragraph 159 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are admitted with respect to the voltage indicator and denied with respect to the remaining allegations contained in paragraph 159. Avers that in or about October and November 2007, the Postal Service identified aspects of the electrical cabinets that were inconsistent with contract requirements.

160. The allegation contained in paragraph 160 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied as to Northrop's circuit breaker modification and emergency stop relocation claims; it is admitted as to Northrop's claim regarding the addition of a voltage indicator.

161. The allegations contained in paragraph 161 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

162. Admits that the Automated Bundle Separation Unit, as originally designed by Northrop, allowed for the collection and unloading of mail onto conveyor belts for distribution and sorting at the Stand-Alone Mail Preparation stations; denies the remaining allegations contained in paragraph 162.

163. The allegations contained in paragraph 163 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about early 2008, the Postal Service identified aspects of the Automated Bundle Separation Unit that were inconsistent with contract requirements.

164. The allegation contained in paragraph 164 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

165. The allegations contained in paragraph 165 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

166. Admits.

167. The allegations contained in paragraph 167 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about late 2007, the Postal Service identified aspects of the dumper sight tube and hydraulic assembly that were inconsistent with contract requirements.

168. The allegation contained in paragraph 168 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

169. The allegations contained in paragraph 169 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

170. Admits.

171. The allegations contained in paragraph 171 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about late 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

172. The allegation contained in paragraph 172 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

173. The allegations contained in paragraph 173 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

174. Admits.

175. The allegations contained in paragraph 175 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about early to mid-2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

176. The allegation contained in paragraph 176 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

177. The allegations contained in paragraph 177 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

178. Admits.

179. The allegations contained in the first sentence of paragraph 179 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about December 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements. Denies the allegations contained in the second sentence of paragraph 179 and avers that Northrop developed software changes to the system that resolved the issue.

180. The allegation contained in paragraph 180 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

181. The allegations contained in paragraph 181 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

182. Admits.

183. The allegation contained in the first sentence of paragraph 183 constitutes a conclusion of law, and plaintiff's characterization of its case, to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied. Admits the allegation contained in the second sentence of paragraph 183. The allegation contained in the third sentence of paragraph 183 constitutes a conclusion of law, and plaintiff's characterization of its case, to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied. Admits the allegation contained in the fourth sentence of paragraph 183 that Northrop's new design differed from a previous design; otherwise denies the remaining allegations. Admits the allegation contained in the fifth sentence of paragraph 183 that the new design failed to pass testing requirements; otherwise denies the remaining allegations.

184. The allegations contained in the first and second sentences of paragraph 184 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. The allegation contained in the third sentence of paragraph 184 that the test requirements were “commercially-impracticable” is a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied. Admits the allegation contained in the third sentence of paragraph 184 that the Postal Service is using trays that did not pass some test requirements, and denies the remaining allegations contained in the third sentence of paragraph 184.

185. The allegations contained in paragraph 185 constitute conclusions of law, and plaintiff’s characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

186. Admits the allegations contained in the first and second sentences of paragraph 186 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in the first and second sentences of paragraph 186. Admits that Northrop proposed Automation Compatible Trays that could accommodate the larger mail as required and that were compatible with the AFSM 100 machine with adjustments to some AFSM 100 machines, and denies the remaining allegations contained in the third sentence of paragraph 186.

187. The allegations contained in the first sentence of paragraph 187 constitute conclusions of law, and plaintiff’s characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about July 2007, the Postal Service identified aspects of the automation compatible trays that were

inconsistent with contract requirements. Admits that the Postal Service ultimately accepted Northrop's original implementation of the backwards compatibility requirement. The remaining allegations contained in the second sentence of paragraph 187 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

188. The allegation contained in paragraph 188 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

189. The allegations contained in paragraph 189 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

190. Admits.

191. Admits the allegations contained in the first sentence of paragraph 191. Denies the allegations contained in the second sentence of paragraph 191. Admits the allegations contained in the third sentence of paragraph 191, and avers that the Postal Service's directions were based on practical considerations and had no cost impact.

192. The allegation contained in paragraph 192 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

193. The allegations contained in paragraph 193 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

194. Admits.

195. The allegations contained in paragraph 195 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about October 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

196. The allegation contained in paragraph 196 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

197. The allegations contained in paragraph 197 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

198. Admits that the Flexible Turning Unit platform leads into the verticalizer area; otherwise denies the remaining allegations.

199. The allegations contained in paragraph 199 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that beginning in or about August 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

200. The allegation contained in paragraph 200 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

201. The allegations contained in paragraph 201 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

202. Admits.

203. The allegations contained in paragraph 203 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about March 2008-January 2009, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

204. The allegation contained in paragraph 204 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

205. The allegations contained in paragraph 205 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

206. Admits.

207. The allegations contained in paragraph 207 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about February 2008, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

208. The allegation contained in paragraph 208 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

209. The allegations contained in paragraph 209 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

210. Admits.

211. The allegations contained in paragraph 211 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about late 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

212. The allegation contained in paragraph 212 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

213. The allegations contained in paragraph 213 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

214. Admits.

215. The allegations contained in paragraph 215 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about November 2007, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

216. The allegation contained in paragraph 216 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

217. The allegations contained in paragraph 217 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

218. Admits.

219. The allegations contained in paragraph 219 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

220. The allegation contained in paragraph 220 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

221. The allegations contained in paragraph 221 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

222. The allegation contained in paragraph 222 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

223. The allegations contained in paragraph 223 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about October 2007-January 2008, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements, and further avers that changes to through-the-door disconnects and voltage presence indicators on all electrical cabinets were required by the Postal Service for which an additional payment amount of \$93,729 was warranted.

224. The allegation contained in paragraph 224 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

225. The allegations contained in paragraph 225 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to

form a belief as to their truth.

226. Admits.

227. The allegations contained in paragraph 227 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that some changes to the labels on the electrical cabinets were required by the Postal Service for which an additional payment amount of \$78,233 was warranted.

228. The allegation contained in paragraph 228 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

229. The allegations contained in paragraph 229 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

230. Admits that Northrop prepared name plates for the main FSS electrical cabinets, denies the remaining allegations contained in paragraph 230, and avers that Northrop did not prepare nameplates for the In-feed, Carousel, and ATMS cabinets.

231. The allegations contained in paragraph 231 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about 2008, the Postal Service identified aspects of Northrop's provision of name plates that were inconsistent with contract requirements.

232. The allegation contained in paragraph 232 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

233. The allegations contained in paragraph 233 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

234. Denies that Northrop was "forced" to purchase additional labels; otherwise admits the allegations contained in paragraph 234, and avers that an equitable adjustment has been granted.

235. Denies that Northrop was "forced" to retrofit production machines or purchase labels; otherwise admits the allegations contained in paragraph 235, and avers that an equitable adjustment has been granted.

236. The allegation contained in paragraph 236 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

237. The allegations contained in paragraph 237 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

238. Admits.

239. The allegations contained in paragraph 239 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Avers that in or about March 2008, the Postal Service identified aspects of Northrop's design that were inconsistent with contract requirements.

240. The allegation contained in paragraph 240 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

241. The allegations contained in paragraph 241 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

242. Admits the allegation contained in the first sentence of paragraph 242; denies the remaining allegations contained in paragraph 242.

243. The allegation contained in paragraph 243 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

244. The allegations contained in paragraph 244 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

245. Admits that Northrop wrote software code to operate the FSS, and denies the remaining allegations contained in paragraph 245 for lack of knowledge or information sufficient to form a belief as to its truth.

246. The allegation contained in paragraph 246 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

247. The allegation contained in paragraph 247 asserting an "improper interpretation of the Contract" constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied. Denies the remaining allegations in paragraph 247, and avers that the Postal Service worked with Northrop to develop a mutual plan for producing compliant Software Requirements Specification documentation.

248. The allegations contained in paragraph 248 constitute conclusions of law to which

no answer is required; to the extent they may be deemed allegations of fact, they are denied.

249. The allegations contained in paragraph 249 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

250. Admits that the legacy drawings from prior Postal programs were originally prepared using a software tool called "Mechanical Desktop." Admits the remaining allegations contained in paragraph 250 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 250.

251. The allegations contained in paragraph 251 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

252. Denies that the Postal Service "required" Northrop to use Inventor 10; admits the remaining allegations contained in the first clause of the first sentence of paragraph 252 regarding contractual obligations to the extent supported by the referenced contract, which is the best evidence of its contents, and otherwise denies these allegations. Admits the allegations contained in the second clause of the first sentence and in the second sentence of paragraph 252, and avers that 66 of Northrop's top level 3D files were larger than Inventor 10 software could accommodate and that the Postal Service compensated Northrop fully for using Inventor 2009 to produce top-level 3D drawings in Modification 009.

253. Admits the allegations contained in paragraph 253 to the extent supported by the contract modification cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 253.

254. The allegations contained in paragraph 254 constitute conclusions of law, and

plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

255. The allegations contained in paragraph 255 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

256. The allegations contained in paragraph 256 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

257. Admits the allegations contained in paragraph 257 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 257.

258. The allegations contained in the first and second sentences of paragraph 258 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

a. Denies, and avers that at the time of award in February 2007, the contract contained version 2.3 of the MS Handbook Development Guide, that in June 2007, the Postal Service issued version 2.4, that on July 18-20, 2007, the parties agreed to version 2.4.1, and that version 2.4.1 was formally incorporated into the contract in October 2007, that the contract was issued with a complete Handbook Development Guide applicable to hardcopy or electronic manuals, that any later edits were in the nature of clarifications, and that Northrop released its right to seek impact and delay costs or a time extension associated with clarifications in the Handbook Development Guide in October 2007.

b. Denies.

c. Denies.

d. Denies.

e. The allegations contained in paragraph 258.e. constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

f. Denies.

259. Admits the allegations contained in the first sentence of paragraph 259 regarding contractual obligations to the extent supported by the referenced contract, which is the best evidence of its contents, and otherwise denies those allegations. Denies the allegations contained in the second and third sentences of paragraph 259, and avers that at the time of award in February 2007, SOW Section L5 contained version 2.3 of the MS Handbook Development Guide, that in June 2007, the Postal Service issued version 2.4, that on July 18-20, 2007, the parties agreed to version 2.4.1, and that version 2.4.1 was formally incorporated into the contract in October 2007, that the contract was issued with a complete Handbook Development Guide applicable to hardcopy or electronic manuals, that any later edits were in the nature of clarifications, and that Northrop released its right to seek impact and delay costs or a time extension associated with clarifications in the Handbook Development Guide in October 2007.

260. The allegations contained in paragraph 260 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

261. The allegations contained in paragraph 261 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

262. The allegations contained in paragraph 262 constitute conclusions of law, and

plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

263. The allegations contained in paragraph 263 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

264. The allegations contained in paragraph 264 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

265. Denies, and avers that Northrop was responsible for its FSS hardware and software design to achieve compliance with contract terms.

266. Denies.

267. The allegations contained in paragraph 267 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

268. The allegations contained in paragraph 268 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

269. The allegations contained in paragraph 269 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

270. Denies.

271. The allegations contained in paragraph 271 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be

deemed allegations of fact, they are denied.

272. The allegations contained in the first sentence of paragraph 272 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. The allegations contained in the second sentence of paragraph 272 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

273. Denies the allegation contained in paragraph 273 for lack of knowledge or information sufficient to form a belief as to its truth.

274. The allegations contained in paragraph 274 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

275. The allegation contained in paragraph 275 constitutes a conclusion of law, and plaintiff's characterization of its case, to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

276. The allegations contained in paragraph 276 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

277. Admits the allegations contained in paragraph 277 regarding contractual obligations to the extent supported by the referenced contract, which is the best evidence of its contents, and otherwise denies the allegations contained in paragraph 277.

278. Denies that Northrop expended approximately 165 hours of development for lack of knowledge or information sufficient to form a belief as to its truth; otherwise denies the remaining allegations contained in paragraph 278.

279. The allegation contained in paragraph 279 constitutes a conclusion of law, and plaintiff's characterization of its case, to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

280. The allegations contained in paragraph 280 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

281. Denies the allegations contained in paragraph 281 for lack of knowledge or information sufficient to form a belief as to their truth.

282. Denies that the Postal Service suspended machine deployments in June 2009, denies that the Postal Service unilaterally modified the schedule, and avers that the Postal Service and Northrop jointly modified the schedule to add 15 deployment sites. Denies the remaining allegations contained in paragraph 282 for lack of knowledge or information sufficient to form a belief as to their truth.

283. Admits the allegations contained in paragraph 283 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 283.

284. The allegations contained in paragraph 284 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

285. The allegation contained in paragraph 285 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

286. The allegations contained in paragraph 286 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

287. Admits the allegations contained in paragraph 287 regarding contract requirements to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies those allegations. Admits that between February 2007 through the date of the complaint, Northrop submitted invoices to the Postal Service.

288. The allegation contained in paragraph 288 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

289. The allegation contained in the first sentence of paragraph 289 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied. Admits the allegations contained in the second sentence of paragraph 289 to the extent supported by the communication cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 289.

290. Admits the allegations contained in the first sentence of paragraph 290 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in the first sentence of paragraph 290. Denies that the Postal Service has paid only \$838,918,139.27 and avers that, to date, the Postal Service has paid Northrop \$838,918,139.44 upon the contract; the remaining allegations contained in the second sentence of paragraph 290 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

291. Denies that Northrop has submitted to the Postal Service invoices and payment requests for \$63,433,909.73, avers that Northrop has submitted to the Postal Service invoices and payment requests for \$41,380,008.75, avers that the Postal Service has declined to pay these

invoices because the amounts claimed in these invoices are offset by amounts due from Northrop to the Postal Service, and denies the remaining allegations contained in paragraph 291.

292. The allegation contained in paragraph 292 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

293. Admits the allegations contained in paragraph 293 to the extent supported by the final decision cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 293.

294. Admits the allegations contained in paragraph 294 to the extent supported by the final decision cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 294.

295. Admits the allegations contained in paragraph 295 to the extent supported by the final decision cited in paragraph 294 and referenced in paragraph 295, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 295.

296. The allegations contained in paragraph 296 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

297. Defendant's responses to paragraphs 1 through 296 are incorporated by reference.

298. The allegation contained in paragraph 298 constitutes a conclusion of law, and plaintiff's characterization of its case, to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied.

299. The allegations contained in paragraph 299 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

300. The allegations contained in paragraph 300 constitute conclusions of law, and

plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

301. Denies.

302. Defendant's responses to paragraphs 1 through 296 are incorporated by reference.

303. The allegation contained in paragraph 303 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is admitted.

304. The allegation contained in the first sentence of paragraph 304 constitutes a conclusion of law to which no answer is required; to the extent it may be deemed an allegation of fact, it is denied, as plaintiff fails to specify a particular obligation; however, defendant avers that it did perform consistently with its obligations under the production contract. Admits the allegations contained in the second sentence of paragraph 304 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in the second sentence of paragraph 304.

305. The allegations contained in paragraph 305 constitute conclusions of law to which no answer is required; to the extent they may be deemed allegations of fact, they are denied, as particular implied duties and obligations are not identified; however, defendant avers that it did perform consistently with its implied duties and obligations under the production contract.

306. The allegations contained in paragraph 306 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

307. The allegations contained in paragraph 307 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

308. The allegations contained in paragraph 308 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

309. The allegations contained in paragraph 309 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

310. Denies.

311. Defendant's responses to paragraphs 1 through 296 are incorporated by reference.

312. The allegations contained in paragraph 312 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

313. The allegations contained in paragraph 313 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

314. The allegations contained in paragraph 314 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

315. Denies that the Postal Service represented that it would continue to disapprove Northrop's work unless Northrop implemented work in addition to that required by the Contract. The remaining allegations contained in paragraph 315 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

316. The allegations contained in paragraph 316 constitute conclusions of law, and

plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

317. The allegations contained in paragraph 317 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

318. The allegations contained in paragraph 318 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

319. Denies.

320. Defendant's responses to paragraphs 1 through 296 are incorporated by reference.

321. The allegations contained in paragraph 321 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

322. The allegations contained in paragraph 322 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

323. The allegations contained in paragraph 323 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

324. Denies that the Postal Service represented that it would continue to disapprove Northrop's work unless Northrop implemented work in addition to that required by the Contract. The remaining allegations contained in paragraph 324 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be

deemed allegations of fact, they are denied.

325. The allegations contained in paragraph 325 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

326. The allegations contained in paragraph 326 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

327. The allegations contained in paragraph 327 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

328. Denies.

329. Defendant's responses to paragraphs 1 through 296 are incorporated by reference.

330. The allegations contained in paragraph 330 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

331. The allegations contained in paragraph 331 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

332. The allegations contained in paragraph 332 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

333. Denies that the Postal Service represented that it would continue to disapprove Northrop's work unless Northrop implemented work in addition to that required by the Contract.

The remaining allegations contained in paragraph 333 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

334. The allegations contained in paragraph 334 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

335. The allegations contained in paragraph 335 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

336. Denies.

337. Defendant's responses to paragraphs 1 through 296 are incorporated by reference.

338. The allegations contained in paragraph 338 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

339. The allegations contained in paragraph 339 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

340. The allegations contained in paragraph 340 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

341. The allegations contained in paragraph 341 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. In addition, to the extent the allegations contained in

paragraph 341 allege plaintiff's state of mind, they are denied for lack of knowledge or information sufficient to form a belief as to their truth.

342. The allegations contained in paragraph 342 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

343. Denies.

344. Defendant's responses to paragraphs 1 through 296 are incorporated by reference.

345. Admits the allegations contained in paragraph 345 to the extent supported by the contract cited, which is the best evidence of its contents; otherwise denies the allegations contained in paragraph 345.

346. The allegations contained in paragraph 346 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

347. The allegations contained in the first sentence of paragraph 347 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied. Denies the allegation contained in the second sentence of paragraph 347 for lack of knowledge or information sufficient to form a belief as to its truth.

348. The allegations contained in paragraph 348 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

349. Denies.

350. Defendant's responses to paragraphs 1 through 296 are incorporated by reference.

351. The allegations contained in paragraph 351 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

352. The allegations contained in paragraph 352 constitute conclusions of law, and plaintiff's characterization of its case, to which no answer is required; to the extent they may be deemed allegations of fact, they are denied.

Denies that plaintiff is entitled to the relief set forth in the prayer for relief immediately following paragraph 352, including subparagraphs a-j, or to any relief whatsoever.

Denies each and every allegation not previously admitted or otherwise qualified, to include any paragraph heading that may be construed as containing allegations.

AFFIRMATIVE DEFENSES

Defendant asserts the following affirmative defenses:

1. The Postal Service has paid Northrop the amounts to which Northrop is entitled pursuant to the contracts between the parties.
2. The changes upon which Northrop's constructive changes claims are based were not authorized by a contracting officer.
3. Northrop's constructive change claims arising on or before September 30, 2008 were released by Modification 018 to the pre-production contract.
4. Northrop's claims for alleged delays that occurred during, or in connection with, the pre-production contract, were released by Modification 018 to the pre-production contract.
5. Northrop's claims are barred in whole or in part by amounts Northrop owes to the Postal Service, which should be set off against Northrop's claims.

DEFENDANT’S PRAYER FOR RELIEF REGARDING THE COMPLAINT

Defendant requests that the Court enter judgment in its favor, order that the complaint be dismissed, and grant defendant such other and further relief as the Court may deem just and proper.

COUNTERCLAIM

Defendant, the United States, for its counterclaim against plaintiff Northrop Grumman Services Corporation (Northrop), alleges as follows:

1. The Court possesses jurisdiction to entertain this counterclaim pursuant to 28 U.S.C. § 1503 and 28 U.S.C. § 2508, and the Contract Disputes Act, 41 U.S.C. §§ 7101-7109.
2. Effective February 23, 2007, Northrop and the Postal Service entered into Contract No. 3AAFLT-07-B-004 (the contract or the production contract).

COUNT I

**Breach of Contract; Failure to Deliver All FSS
Machines In Accordance With Contract Schedule**

3. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.
4. The majority of the mail the Postal Service delivers falls into two main categories: letter mail and flat mail, or “flats.” Flats include large envelopes, magazines, catalogs, advertisements and similar material.
5. To maximize efficiency in delivery, letters and flats must be sorted into “delivery point sequence,” *i.e.*, the order in which a letter carrier will deliver the mail to the addresses on his or her route.
6. Before approximately the late 1980s, all letters and flats the Postal Service delivered were sorted into delivery point sequence manually by carriers employed by the Postal

Service. Each carrier sorted into delivery point sequence those letters and flats that the carrier was to deliver to the addresses on his or her route.

7. Manual sorting of letters and flats into delivery point sequence is a labor-intensive activity. Manual sorting of flats into delivery point sequence is particularly labor-intensive due in part to variations in the size, thickness and address-label placement found in flats. Having the sorting function performed manually by carriers required the Postal Service to employ many more carriers than the Postal Service would have needed to employ if the sorting could be done automatically.

8. Northrop is a long-time “key” supplier to the Postal Service. Northrop and the Postal Service had, and have, many contractual relationships with each other, pursuant to which Northrop has provided to the Postal Service mail automation and other technologies, equipment and services. In its technical proposal to the Postal Service for the contract, Northrop stated:

[Northrop] has supplied thousands of units of equipment to the United States Postal Service since 1989, ranging from biological hazard detection systems, bar code sorters and scan-while-you band systems, to sorting automation systems, input and output subsystems and vending machines. [Northrop] is proud to consider itself a major supplier of postal automation solutions for the USPS.

9. Northrop is a leader in the design and manufacture of flat mail sorting technologies. Northrop and its affiliate, Solystic, design and manufacture flat mail sorting systems for many countries’ postal systems. Northrop has provided many flat mail sorting technologies to the Postal Service.

10. Beginning in approximately the late 1980s, the Postal Service began using Delivery Bar Code Sorters (DBCS) to automatically sort letters into delivery point sequence. Northrop’s affiliate, Solystic, manufactures this type of equipment.

11. The purpose of the DBCS machine was to eliminate or significantly reduce the carrier labor necessary to sort letters into delivery point sequence, and thus to allow the Postal Service to realize savings by employing fewer carriers.

12. In practice, the Postal Service's use of the DBCS machines for automated letter sorting eliminated or significantly reduced the need for letters to be sorted manually by carriers, and, accordingly, reduced the number of carriers the Postal Service needed to employ, resulting in significant annual savings to the Postal Service.

13. Northrop was aware of the Postal Service's use of DBCS machines, and knew or reasonably should have known that the purpose of the DBCS machine was to allow the Postal Service to eliminate or significantly reduce the carrier labor necessary to sort letters into delivery point sequence, and thus to allow the Postal Service to realize savings by employing fewer carriers.

14. Northrop also knew or reasonably should have known that, in practice, the Postal Service's use of the DBCS machine for automated letter sorting did eliminate or significantly reduce the need for letters to be sorted manually by carriers, and, accordingly, reduced the number of carriers the Postal Service needed to employ, resulting in significant annual savings to the Postal Service.

15. The DCBS machine sorted only letters. It did not sort flats. Until the Postal Service began using machines called the FSM 881 and the UFSM 1000, which performed some automated sorting of flats, Postal Service employees continued to manually perform all sorting of flats.

16. In approximately 2000, the Postal Service began using AFSM-100 machines for automated partial sorting of flats. The AFSM-100 is able to sort flats to carrier route. The

AFSM-100 is not able to sort flats into delivery point sequence. After flats were sorted to carrier route by the AFSM-100, Postal Service letter carrier employees manually sorted flats into delivery point sequence.

17. Northrop participated, with other companies, in the manufacture of the AFSM-100 machines used by the Postal Service.

18. The purpose of the AFSM-100 machine was to reduce the Postal Service employee labor necessary to sort flats, and thus to allow the Postal Service to realize savings by employing fewer personnel.

19. In practice, the Postal Service's use of the AFSM-100 machines did reduce the need for manual sorting of flats by Postal Service employees, and, accordingly, reduced the number of employees the Postal Service needed, resulting in significant annual savings to the Postal Service.

20. Northrop knew or reasonably should have known that the purpose of the AFSM-100 machine was to reduce the labor necessary to sort flats, and thus to allow the Postal Service to realize savings by employing fewer personnel.

21. Northrop also knew or reasonably should have known that, in practice, the Postal Service's use of the AFSM-100 machines reduced the need for manual sorting of flats by Postal Service employees, and, accordingly, reduced the number of employees the Postal Service needed, resulting in significant annual savings to the Postal Service.

22. The AFSM-100 is not capable of providing automated sorting of flats into delivery point sequence. Accordingly, while using the AFSM-100 to sort flats, the Postal Service continued to incur costs for carriers to manually sort flats into delivery point sequence.

23. In order to fully automate the process of sorting flats, the Postal Service began to

pursue the development of a machine that would fully automate the process of sorting flats, *i.e.*, automatically sort all flats into delivery point sequence, in order to further reduce the labor hours – and labor expense – required to manually sort flats into delivery point sequence.

Representatives of the Postal Service began discussing development of such a machine with Northrop. Northrop represented that it believed it could adapt and augment its current flats sorting technology, used in the AFSSM-100, to develop a machine that would fully automate the sorting of flats to delivery point sequence.

24. On July 10, 2003, the Postal Service issued Solicitation No. 3AAERD-03-A-1790, under which the Postal Service sought, among other things, proposals to provide research and development efforts in connection with a Flats Sequencing System (FSS) machine.

25. Effective October 28, 2003, Northrop and the Postal Service entered into Contract No. 3AAERD-04-B-0506 (the pre-production contract), which provided that Northrop was to design a prototype FSS machine.

26. On May 8, 2006, the Postal Service issued to Northrop a noncompetitive Solicitation No. 3AAERD-06-A-0010, under which the Postal Service sought a proposal for the design and production of 104 FSS machines, including 100 production units, two FSS Training Systems, one Logistics Systems, and one Engineering Reference System, as well as all necessary installation, testing, training and logistics items. Initial proposals were due on July 3, 2006. That date was extended at Northrop's request, with the initial technical proposal being submitted on July 10, 2006 and the pricing proposal submitted on July 14, 2006. Revised proposals followed in October 2006, and the parties conducted negotiations in November and December 2006.

27. Effective February 23, 2007, Northrop and the Postal Service entered into

Contract No. 3AAFLT-07-B-004, which provided that Northrop was to deliver 102 FSS machines and install them in Postal Service facilities.

28. Northrop sought to minimize its risk during negotiation of the production contract. Northrop sought to include a provision in the contract that would preclude the Postal Service from recovering expectancy or consequential damages incurred by the Postal Service as a result of a breach of the contract by Northrop. The Postal Service did not agree to that proposed provision, and no such provision is included in the contract.

29. In its July 2006 proposal, Northrop sought to include a provision in the contract that would cap Northrop's contractual liability as a result of a breach of the contract by Northrop at \$400 million. The Postal Service did not agree to that proposed provision, and no such provision is included in the contract.

30. Subsequently, in a revised proposal, Northrop proposed an even lower limitation on its liability of \$200 million. The Postal Service did not agree to that proposed provision, and no such provision is included in the contract.

31. The function of an FSS machine is to automatically sort all flats into delivery point sequence, and thus to eliminate or significantly reduce the need for manual sorting of flats by Postal Service employees.

32. The purpose of the FSS machine was to reduce the Postal Service's labor costs – to automatically sort all flats into delivery point sequence, to thereby eliminate or significantly reduce the carrier labor necessary to sort flats into delivery point sequence, and thus to allow the Postal Service to realize savings by employing fewer carriers. The expected savings was used to justify the Postal Service's capital investment in the FSS machines. As a long-standing key supplier of the Postal Service, Northrop was aware that the Postal Service justifies its capital

investments based upon expected savings or income from such investments.

33. Before, and at the time, it entered into the contract, Northrop knew or reasonably should have known that the purpose of the FSS machine was to reduce the Postal Service's labor costs. Before and during negotiation of the contract, representatives of the Postal Service and representatives of Northrop had discussed that the purpose of the FSS machine was to reduce the Postal Service's labor costs. Before and during negotiation of the contract, representatives of Northrop had asserted to representatives of the Postal Service that the FSS machines Northrop proposed to design, manufacture and deliver to the Postal Service would allow the Postal Service to realize a significant reduction in labor costs. Northrop representatives asserted to Postal Service representatives during the negotiations that the FSS would be superior to the AFSM-100 because it would further reduce the labor necessary to manually sort flats and therefore would yield greater savings for the Postal Service.

34. In its proposal to the Postal Service, Northrop stated:

[Northrop] is pleased to provide the United States Postal Service (USPS) with a production proposal for the manufacture, test, deployment, installation and logistics support of the Flats Sequencing Systems (FSS). The FSS program provides a national network of systems to sort USPS flat mail into the carrier walk sequence of the designated delivery. Currently, the AFSM sorts flat mail to the carrier, leaving the Delivery Unit to sort it into carrier sequence before delivery each day. The FSS promises significant ROI [return on investment] by automating the sorting process and almost completely eliminating the need for manual sorting. . . . The production program plan will emphasize implementation of the Reliability, Maintainability, Ergonomics, Safety, and Logistics features that will allow the full ROI of FSS to be realized

35. The terms of the contract obligated Northrop to complete deployment of all FSS machines required by the contract by dates specified in a mutually agreed deployment schedule.

36. The original contract deployment schedule for the FSS machines provided for deployment of the machines on a rolling basis, beginning with the earliest deployment in October 2008. The original contract schedule for deployment of the FSS machines provided for deployment of all machines by not later than October 30, 2010.

37. In October 2007, Northrop and the Postal Service executed Modification 002 to the contract, which provided for a revised schedule for Northrop's deployment of the FSS machines. The revised contract schedule under Modification 002 continued to provide that all FSS machines would be deployed by October 30, 2010.

38. The contract also required Northrop to pass a successful first article test before deployment. Part 3, Section 3.21 of the production contract, Clause 2-5 First Article Approval – Postal Service Testing, provides, in part:

At the time specified for first article testing, the supplier must deliver the units specified in the Schedule to the Postal Service at the testing facility set forth in the Schedule. . . . The contracting officer must, by written notice to the supplier within the time specified in the Schedule, approve, conditionally approve, or disapprove the first article. . . .If the first article is disapproved, the supplier may be required, at the option of the Postal Service, to submit an additional first article for first article approval test. The Postal Service reserves the right to require an equitable adjustment of the contract price for any extension of the delivery schedule necessitated by additional first article approval tests.

39. Section 8.0 of the Statement of Work (SOW) of the contract contemplated that the first article test would occur in two phases: (1) an in-plant test (IPT) conducted at a Northrop facility, and (2) a first article test (FAT) at a Postal Service facility.

40. The Award Data Sheet included in the contract provided that the IPT would begin April 7, 2008 and conclude by May 6, 2008, and that the FAT would begin July 7, 2008 and conclude by August 29, 2008.

41. In Modification 007 to the production contract, effective September 23, 2008, Northrop and the Postal Service agreed to a revised schedule for the IPT and FAT tests. Pursuant to the terms of Modification 007, the date for concluding the IPT test was extended from May 6, 2008 to October 17, 2008, and the date for concluding the FAT test was extended from August 29, 2008 to November 7, 2008. Modification 007 also provided, however, that the extension of the IPT and FAT tests would have no effect on the agreed-upon Modification 002 deployment schedule, stating: “This modification does not change the contract schedule for deploying the remaining 99 FSS Production systems”

42. Effective July 4, 2010, Northrop and the Postal Service agreed to Modification 017 to the contract, which included a revised schedule for Northrop’s deployment of the FSS machines, set forth on Attachment B to Modification 017. The revised schedule included deployment dates later than those set forth in the schedule included in Modification 002. Under the revised Modification 017 schedule, Northrop was obligated to deploy all FSS machines by July 2011. In Modification 017, however, the Postal Service reserved its right to seek an equitable adjustment for damages incurred by the Postal Service that resulted from the differences in deployment dates between those in the Modification 017 schedule and those in the Modification 002 schedule:

The Postal Service agrees to this schedule but reserves its rights to compensation for the difference between the Attachment B schedule and the schedule established by Modification 002 to this contract on October 12, 2007. [Northrop] also reserves its rights to submit a request for equitable adjustment concerning the program schedule for its understanding of the actions of the Postal Service. Consequently, both the Postal Service and [Northrop] reserve their rights to equitable adjustments or claims each asserts were caused by the other party.

43. Part 3, Section 3.19 of the production contract, Clause 2-1 Inspection and

Acceptance, provides, in part:

The supplier must be able to demonstrate that the supplies and services being provided conform to contract requirements. The Postal Service may require correction of defects and nonconformance at no cost to the Postal Service. If the supplier fails or refuses to correct the defects or nonconformance the Postal Service may, in addition to any other remedies provided by this contract: . . . (2) Accept the supplies or services at a reduced price.

44. Part 3, Section 3.21 of the production contract, Clause 2-5 First Article Approval

– Postal Service Testing, provides, in part:

The costs of additional first article approval tests and all costs related to such tests must be borne by the supplier. The Postal Service reserves the right to require an equitable adjustment of the contract price for any extension of the delivery schedule necessitated by additional first article approval tests.

45. Northrop failed to comply with the Modification 017 deployment schedule.

Northrop also deployed FSS machines significantly later than the dates for deployment of those machines required under the Modification 002 schedule. Northrop did not complete deployment of all FSS machines until August 2011.

46. Northrop breached the contract by failing to deploy all FSS machines by the dates set forth in the schedule in Modification 002.

47. Northrop's failure to deploy all FSS machines in accordance with the Modification 002 schedule was caused by Northrop's acts and omissions.

48. The Postal Service did not cause or contribute to Northrop's failure to deploy all FSS machines in accordance with the Modification 002 schedule.

49. The Postal Service saves approximately \$325,408 for each month of operation of each FSS machine. This is the monthly amount the Postal Service would have to pay employees

to manually sort flats to delivery point sequence if the Postal Service did not use the FSS machine, minus the additional cost of operating the FSS machine.

50. For each month that deployment of an FSS machine was delayed beyond the date on which it should have been deployed pursuant to the Modification 002 schedule, the Postal Service incurred additional net costs of approximately \$325,408 per month, *i.e.*, the amounts paid to Postal Service employees to manually sort flats into delivery point sequence (minus the additional costs the Postal Service would have incurred to operate the FSS machine). The Postal Service thus lost savings of approximately \$325,408 per month for each month that deployment of an FSS machine was delayed beyond the date on which it should have been deployed pursuant to the Modification 002 schedule.

51. An FSS “machine month” is a full month in which the Postal Service is able to use an FSS machine. Because of Northrop’s failure to deploy FSS machines in accordance with the Modification 002 schedule, the Postal Service lost a total of 1,210 FSS machine months.

52. For the 1,210 machine months that deployment of the FSS machines was delayed beyond the date on which deployment should have occurred in accordance with the Modification 002 schedule, the Postal Service incurred additional net costs of approximately \$393,743,765, *i.e.*, the amounts the Postal Service paid employees to manually sort flats into delivery point sequence (minus the additional costs the Post Office would have incurred to operate the FSS machines).

53. The Postal Service incurred damages of approximately \$393,743,765 because Northrop failed to deploy all FSS machines in accordance with the Modification 002 schedule.

54. Northrop knew or reasonably should have known that the Postal Service would suffer significant damages as a result of its failure to deploy all FSS machines in accordance with

the Modification 002 schedule.

55. By letter dated July 8, 2011, the Postal Service advised Northrop that the Postal Service would offset a total of \$63,433,910 in payments remaining on the production contract, as partial consideration for the damages the Postal Service had sustained as a result of Northrop's failure to deploy all FSS machines to the Postal Service in accordance with the Modification 002 schedule.

56. On April 13, 2012, the contracting officer for the Postal Service issued a final decision asserting the Postal Service's claim against Northrop for a total of \$393,743,765 in damages as a result of Northrop's breach of the contract by its failure to deploy all FSS machines in accordance with the Modification 002 schedule. The contracting officer also identified a net figure due of \$330,309,855 (which he arrived at by subtracting the \$63,433,910 offset amount from the total damages of \$393,743,765).

57. On May 4, 2012, Northrop filed its complaint in this action, asserting in paragraphs 293-296 and 350-352 that the claims asserted in the Postal Service's April 13, 2012 final decision are unmeritorious in fact and in law. In its prayer for relief, Northrop requests that the Court "declare and adjudge that the Postal Service's claims are unmeritorious in fact and in law and that the Postal Service take nothing on those claims."

58. The Postal Service is entitled to recover not less than \$393,743,765 from Northrop for Northrop's breach of the contract in failing to deliver the FSS machines in accordance with the Modification 002 schedule.

COUNT II
Handbook Deficiencies

59. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.

60. The contract provides for Northrop to deliver FSS handbooks to the Postal Service free of deficiencies. The FSS handbooks are electronic handbooks that provide maintenance instruction on the FSS.

61. SOW Section L, 8.2.4 provides that “The audit of deliverables will be considered deficient based on the following criteria: . . . average of one (1) major defect (per 50 pages).”

62. The Postal Service rejected deliverable L-15 for the Final CH-2 Handbook on February 29, 2012.

63. The Postal Service located 1.8 major defects per 50 pages. The Postal Service identified 773 comments that were not fixed. Northrop’s failure to fix comments cost the Postal Service \$126,772. The Postal Service identified 2,361 comments in dispute. Northrop’s failure to correct comments in dispute cost the Postal Service \$774,408. Northrop Grumman delivered 84 drawings that were not in the required format. Northrop’s failure to correct the drawings cost the Postal Service \$48,216.

64. Northrop breached its contractual obligation when it delivered L-15 for the Final CH-2 Handbook with numerous deficiencies.

65. Northrop’s failure to provide deliverable L-15 free of deficiencies was the direct cause of the Postal Service incurring costs to correct the handbook. The Postal Service did not cause or contribute to the cause of the need to correct the deficiencies in the handbook.

66. The Postal Service is entitled to recover not less than \$949,396 for Northrop's breach of contract by failing to provide deliverable L-15 free of deficiencies.

COUNT III
Relocation Manual

67. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.

68. The contract required Northrop to provide a relocation manual free of deficiencies. The relocation manuals provided instruction to the Postal Service in relocating FSS machines to one site from another.

69. SOW F 9.2 provides that "[t]he Supplier shall develop and deliver a relocation manual containing detailed step-by-step procedures required to disassemble, pack, ship, unpack, reassemble, integrate, align, adjust, troubleshoot, and test a complete FSS system." It further provides that "[a]ll corrections, additions, or clarifications identified by the USPS during this validation must be incorporated into an updated relocation manual and submitted to the USPS 8 weeks after the relocation manual discrepancies are identified to the supplier by USPS."

70. The Postal Service rejected deliverable F-23 Relocation Manual on March 1, 2012. The Postal Service identified seven critical and six major deficiencies that it requested Northrop to correct.

71. Northrop failed to correct the deficiencies in deliverable F-23 Relocation Manual.

72. Northrop breached the contract when it provided deliverable F-23 Relocation Manual with deficiencies.

73. The cost to correct the F-23 Relocation Manual is not less than \$131,400. Northrop's breach of its contractual obligation to provide a relocation manual free of deficiencies

caused the Postal Service to sustain damages of \$131,400.

74. The Postal Service is entitled to recover not less than \$131,400 for Northrop's breach of contract by failing to provide Northrop's relocation manual free of deficiencies.

COUNT IV
Spares Replenishment

75. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.

76. SOW H 1.0 of the contract provides that "[t]he Supplier shall provide all parts necessary to maintain the integrity and quality performance of all equipment, at or above the accepted performance level and the reliability, maintainability, and availability requirements, delivered under the terms of this contract."

77. SOW H 2.3.1 further requires that the depot spare parts kits "shall contain spare parts and supplies necessary to ensure uninterrupted re-supply of all sites for a minimum period of six (6) months, based on a system population of 100 FSS."

78. Although Northrop provided some parts, Northrop failed to provide parts to the level required by the contract. Northrop refused to increase the level of stocked parts. As a result, on July 14, 2011 and November 30, 2011, the Postal Service notified Northrop of its intention to purchase additional spare parts to a level necessary to support replenishment to the field sites to prevent downtime and/or degraded time of the machines.

79. The Postal Service was forced to obtain an alternate means of support in order to satisfy the contract's spare and emergency parts requirements. The Postal Service provided notice to Northrop that it would seek compensation for the parts that were used from the Postal Service stock, if Northrop could not replenish the parts in accordance with contract terms.

80. The Postal Service provided \$3,166,163 in supplemental parts from its own funded inventory that were needed by the FSS sites to complete system repairs.

81. Northrop failed to provide sufficient parts to bring the depot spare kits up to a six month level.

82. The Postal Service is entitled to compensation of \$581,498 for the additional depth of parts recommended by the Postal Service, but that Northrop failed to include in its Revision I list.

83. The Postal Service is entitled to compensation of \$225,235 for the additional breadth of parts that should have been provided, but were not included in Northrop's Revision I list.

84. Northrop failed to meet its contractual obligations concerning the timely delivery of depot spare parts replenishment in the contract. The Postal Service is entitled to recover not less than \$3,972,896 for Northrop's breach of contract by failing to provide sufficient depot spares parts kits.

COUNT V

First Article Test and Field Acceptance Retest Costs

85. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.

86. The contract provides that Northrop will bear all costs incurred for retesting the first article FSS machine and for FSS field acceptance tests.

87. Northrop's first article machine failed its tests, and retests therefore were required.

88. FSS machines also failed field acceptance tests, and retests therefore were

required.

89. To support the retests of the first article and field systems, the Postal Service incurred \$2,128,363.97 in additional labor and travel expenses.

90. Northrop's failure to provide a first article FSS machine that did not require retesting was the direct cause of the Postal Service incurring costs to support the first article retesting. The Postal Service did not cause or contribute to the cause of the need for retesting of the first article FSS machine.

91. Northrop's failure to provide FSS machines that did not require field acceptance retesting was the direct cause of the Postal Service incurring costs to support the field acceptance retesting. The Postal Service did not cause or contribute to the cause of the need for field acceptance retesting.

92. The Postal Service is entitled to recover not less than \$2,128,363.97 for costs it incurred in connection with first article and field acceptance retests.

COUNT VI
Repair Specifications

93. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.

94. The Central Repair Facility in Topeka, Kansas, is owned by the Postal Service and Northrop is contracted to operate the facility. The CRF uses detailed documentation called repair specifications to test and repair each item.

95. The FSS Statement of Work in Section J, Part 1.0 requires that for each commercial repairable item, Northrop shall provide the Postal Service with working (known good) items and supporting documentation necessary for the Central Repair Facility (CRF) to

develop and maintain repair specifications. It further requires that for each program specific repairable item (*e.g.*, printed circuit boards, camera) the Supplier shall provide a complete repair specification with associated test fixtures, programs, firmware, and specification book.

96. Northrop failed to provide the supporting documentation necessary for the Central Repair Facility to test and repair commercial and custom parts for the FSS as required by the contract.

97. Northrop produced inadequate deliverables that required additional work. Northrop failed to deliver documentation for deliverable J-13. Northrop delivered unacceptable documentation for deliverable J-50. Northrop delivered unacceptable documentation for deliverable J-62.

98. In addition, Northrop failed to provide boards that do not have fault isolation capability. This failure required re-writes of the repair specifications. The cost to re-write complete repair specifications for the IBISA Programmed Board Assembly, IMPIO Programmed Board Assembly, Feeder-V2 Programmed Board Assembly, Control Programmed Board Assembly, and FTAC Programmed Board Assembly cost the Postal Service \$50,000 per board.

99. Northrop did not perform a proper analysis of commercial items to determine which parts should be repaired pursuant to SOW J 1.0. As a result, the Postal Service was required to correct the lack of commercial parts that Northrop should have provided.

100. Northrop's failure cost the Postal Service \$43,904 for FSS Repairables Research, \$84,907 for Piece-Part/Repairables Items, and \$190,681 for documentation expense for commercial items.

101. The Postal Service is entitled to recover not less \$569,492 for all services required to correct the deficiencies for the repairables.

COUNT VII
Software

102. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.

103. SOW E 6.0 of the contract provides that “[t]he Supplier shall conduct development testing consisting of unit, component integration, system integration, and regression testing to ensure delivered products meet USPS requirements.” It further provides that all software test documentation is subject to USPS review and approval.

104. After FAT evaluation of Northrop’s final software deliverable, the Postal Service determined that a follow on software release (2.5.4) was required.

105. As part of the software deliverable for the Postal Service field deployment, the software was required to go through Alpha, Pre-Beta, and Beta tests. Northrop did not perform Alpha, Pre-Beta, and Beta testing of Software Release 2.5.4.

106. As a result, the Postal Service had to perform Alpha, Pre-Beta, and Beta testing of Software Release 2.5.4. Alpha testing of software release 2.5.4 cost the Postal Service \$4,200, Pre-Beta testing cost the Postal Service \$4,200, Beta testing cost the Postal Service \$8,400, and PM cost the Postal Service \$2,200.

107. At each formal software delivery, the associated software documentation must be updated to reflect the latest release. Northrop did not update the software documentation to reflect the changes. The cost incurred by the Postal Service to update the software documentation was \$10,710.

108. Northrop also delivered a Carousel Messaging function and an Integrated Tray Converter that were incomplete and required the Postal Service to correct the problems so that

the software met contract requirements. Northrop did not complete work on the Carousel Messaging function, a feature required by SOW D1 1.0. The cost incurred by the Postal Service to complete work on the Carousel Messaging function was \$12,300.

109. The Integrated Tray Converter failed to report/display the associated fault/code to the operator contrary to the FSS requirement. The cost incurred by the Postal Service to fix the “green state stop” was \$73,800.

110. As a result of Northrop’s breach of contract, the Postal Service is entitled to recover not less than \$115,810 for the software tasks Northrop failed to perform.

COUNT VIII
Design Warranty Costs

111. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.

112. The contract requires Northrop to provide warranty coverage for defects in its design of the FSS machines. The warranty period began at the Postal Service’s first acceptance of an FSS system and ended nine months after the Postal Service’s acceptance of the twelfth production field system. As the twelfth FSS was accepted on September 10, 2010, the design warranty period extended to June 10, 2011.

113. The Postal Service invoked its warranty rights in a letter dated June 9, 2011.

114. By letter dated August 10, 2011, Northrop responded to the Postal Service’s June 9, 2011 letter and asserted that none of the warranty claims the Postal Service asserted was valid.

115. All of the warranty claims the Postal Service asserted were valid.

116. Northrop breached the contract by refusing to comply with its contractual warranty obligations.

117. The cost to correct the problems with the FSS machines covered by the contractual warranty is not less than \$4,797,151. Northrop's breach of its contractual warranty obligations caused the Postal Service to sustain damages of \$4,797,151.

118. The Postal Service is entitled to recover not less than \$4,797,151 for Northrop's breach of contract in refusing to comply with its warranty obligations.

COUNT IX
Life Cycle Support

119. Defendant incorporates by reference the allegations in paragraphs 1 and 2 of the counterclaim, as if fully set forth.

120. The contract requires Northrop to provide life-cycle support for the FSS machines it delivered to the Postal Service for a period of 10 years after deployment of the first FSS unit. The first FSS unit was deployed on July 23, 2010.

121. Northrop has breached its obligations under the contract to provide life-cycle support. Northrop has not provided any life-cycle support since July 23, 2010.

122. The cost of the life-cycle support Northrop has refused to provide is not less than \$4,342,464. Northrop's breach of its contractual life-cycle support obligations caused the Postal Service to sustain damages of \$4,342,464.

123. The Postal Service is entitled to recover not less than \$4,342,464 for Northrop's breach of contract by failing to provide life-cycle support.

PRAYER FOR RELIEF REGARDING COUNTERCLAIM

WHEREFORE Defendant-Counterclaimant, the United States, requests that the Court:

1. In connection with count I of the counterclaim, declare and adjudge that the United States is entitled to not less than \$393,743,765 in damages for Northrop's breach of contract.
2. In connection with count II of the counterclaim, declare and adjudge that the United States is entitled to not less than \$949,396 in damages for Northrop's breach of contract.
3. In connection with count III of the counterclaim, declare and adjudge that the United States is entitled to not less than \$131,400 in damages for Northrop's breach of contract.
4. In connection with count IV of the counterclaim, declare and adjudge that the United States is entitled to not less than \$3,972,896 in damages for Northrop's breach of contract.
5. In connection with count V of the counterclaim, declare and adjudge that the United States is entitled to not less than \$2,128,363.97 in damages for Northrop's breach of contract.
6. In connection with count VI of the counterclaim, declare and adjudge that the United States is entitled to not less than \$569,492 in damages for Northrop's breach of contract.
7. In connection with count VII of the counterclaim, declare and adjudge that the United States is entitled to not less than \$115,810 in damages for Northrop's breach of contract.
8. In connection with count VIII of the counterclaim, declare and adjudge that the United States is entitled to not less than \$4,797,151 in damages for Northrop's breach of contract.
9. In connection with count IX of the counterclaim, declare and adjudge that the

United States is entitled to not less than \$4,342,464 in damages for Northrop's breach of contract.

10. Award interest to the United States as permitted under the contract and the Contract Disputes Act.

11. Award such other relief as the Court deems just and proper.

Respectfully submitted,

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