

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-8  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

NORTHROP GRUMMAN CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

95-1055798  
(I.R.S. EMPLOYER  
IDENTIFICATION NUMBER)

1840 CENTURY PARK EAST, LOS ANGELES, CALIFORNIA 90067 (310) 553-6262  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF  
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

NORTHROP GRUMMAN ELECTRONIC SENSORS & SYSTEMS DIVISION SAVINGS PROGRAM

NORTHROP GRUMMAN PEI SAVINGS PLAN

RICHARD R. MOLLEUR  
Corporate Vice President and General Counsel  
NORTHROP GRUMMAN CORPORATION  
1840 CENTURY PARK EAST  
LOS ANGELES, CALIFORNIA 90067  
(310) 553-6262  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF AGENT FOR SERVICE OF PROCESS)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Security(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, \$1.00 par value per share(4)	3,500,000(5)	\$ 59.9375	\$ 209,781,250	\$ 72,339

- (1) In addition, pursuant to Rule 416(c) under the Securities Act of 1933, this registration statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefit plans described herein.
- (2) Estimated solely for purposes of calculating the registration fee.
- (3) The registration fee has been calculated pursuant to Rule 457(h) based on the average of the high and low prices of the Northrop Grumman Corporation Common Stock quoted on the New York Stock Exchange on May 13, 1996 of \$59.9375 per share.
- (4) Includes rights ("Rights") issuable pursuant to that certain Common Stock Purchase Rights Plan dated September 21, 1988, which Rights are related to shares of Common Stock in the ratio of one Right to one share.
- (5) Of this number, 3,495,000 shares are being registered for issuance to participants in the Northrop Grumman Electronic Sensors & Systems Division Savings Program and 5,000 are being registered for issuance to participants

in the Northrop Grumman PEI Savings Plan.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUSES

ITEM 1. PLAN INFORMATION\*

ITEM 2. REGISTRANT INFORMATION AND EMPLOYEE PLAN ANNUAL INFORMATION\*

\*Information required by Part I to be contained in the Section 10(a) prospectuses is omitted from this registration statement in accordance with the Note to Part I of Form S-8.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents filed by Northrop Grumman Corporation (the "Company" or the "Registrant") with the Commission are hereby incorporated by reference:

(a) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.

(b) All other reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since the end of the fiscal year covered by the registrant document referred to in (a) above.

(c) The description of the Company's Common Stock which is contained in the Company's registration statement on Form 8-B dated June 20, 1985 filed under the Exchange Act.

(d) The description of the Company's Common Stock Purchase Rights which is contained in the Company's registration statement on Form 8-A dated September 22, 1988, including any amendment or report filed for the purpose of updating such description.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be a part hereof from the date of filing of such documents. Copies of these documents will not be filed with this registration statement. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this registration statement to the extent that such statement is modified or superseded by a subsequently filed document which also is or is deemed to be incorporated by reference herein. Any such statement so modified or superseded shall not be deemed to constitute a part of this registration statement except as so modified or superseded.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company provides for indemnification of directors, officers, employees and agents of the Company to the fullest extent authorized by Delaware Law.

Section 145 of the Delaware General Corporation Law provides:

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS;

INSURANCE. (a) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) A corporation may indemnify any person who was or is a party of or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expense (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (3) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred

by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his

official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service by a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees).

Article V of the Company's By-Laws provides:

Section 5.01. Right to Indemnification. Each person who was or is made a party, or is threatened to be made a party, to any actual or threatened action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director, officer, employee, or agent of the Corporation (hereinafter an "indemnitee") shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, or by other applicable law as then in effect, against all expense, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith. Any

person who was or is made a party, or is threatened to be made a party, to any proceeding by reason of the fact that he or she is or was serving at the request of an executive officer of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, shall also be considered an indemnitee for the purpose of this Article. The right to indemnification provided by this Article shall apply whether or not the basis of such proceeding is alleged action in an official

capacity as such director, officer, employee or agent or in any other capacity while serving as such director officer, employee or agent. Notwithstanding anything in this Section 5.01 to the contrary, except as provided in Section 5.03 of this Article with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Corporation.

Section 5.02. Advancement of Expenses. (a) The right to indemnification conferred in Section 5.01 shall include the right to have the expenses incurred in defending or preparing for any such proceeding in advance of the final disposition (hereinafter an "advancement of expenses") paid by the Corporation; provided, however, that an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is to be rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking containing such terms and conditions, including the requirement of security, as the Board of Directors deems appropriate (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Article or otherwise; and provided, further, that an advancement of expenses shall not be made if the Corporation's Board of Directors makes a good faith determination that such payment would violate any applicable law. The Corporation shall not be obligated to advance fees and expenses to a director, officer, employee or agent in connection with a proceeding instituted by the Corporation against such person. (b) Notwithstanding anything in Section 5.02(a) to the contrary, the right of employees or agents to advancement of expenses shall be at the discretion of the Board of Directors and on such terms and conditions, including the requirement of security, as the Board of Directors deems appropriate. The Corporation may, by action of its Board of Directors, authorize one or more executive officers to grant rights for the advancement of expenses to employees and agents of the Corporation on such terms and conditions as such officers deem appropriate.

Section 5.03. Right of Indemnitee to Bring Suit. If a claim under Section 5.01 is not paid in full by the Corporation within sixty (60) calendar days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses under Section 5.02 in which case the applicable period shall be thirty (30) calendar days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If the indemnitee is successful in whole or in part in any such suit, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit.

Section 5.04. Nonexclusivity of Rights. (a) The rights to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provisions of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. Notwithstanding any amendment to or repeal of this Article, any indemnitee shall be entitled to indemnification in accordance with the provisions hereof with respect to any acts or omissions of such indemnitee occurring prior to such amendment or repeal. (b) The Corporation may maintain insurance, at its expense, to protect itself and any past or present director, officer, employee, or agent of the Corporation or another corporation, partnership, joint venture, trust, or other enterprise against any expense, liability, or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the Delaware General Corporation Law. The Corporation may enter into contracts with any indemnitee in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article. (c) The Corporation may without reference to Sections 5.01 through 5.04(a) and (b) hereof, pay the expenses, including attorneys fees, incurred by any director, officer, employee or agent of the Corporation who is subpoenaed, interviewed or deposed as a witness or otherwise incurs expenses in connection with any civil, arbitration, criminal, or

administrative proceeding or governmental or internal investigation to which the Corporation is a party, target, or potentially a party or target, or of any such individual who appears as a witness at any trial, proceeding or hearing to

which the Corporation is a party, if the Corporation determines that such payments will benefit the Corporation and if, at the time such expenses are incurred by such individual and paid by the Corporation, such individual is not a party, and is not threatened to be made a party, to such proceeding or investigation.

#### Indemnification Agreements:

The Company provides indemnification agreements to all directors, elected officers and certain other designated persons. The indemnification agreements are intended to provide indemnification to the fullest extent authorized under Delaware and other applicable law. The indemnification agreements set out a procedure for determining compliance with the applicable statutory standard of conduct. A party to an indemnification agreement will be presumed to have met the applicable statutory standard of conduct unless the Company's Board of Directors, stockholders or independent legal counsel determine that the relevant standard has not been met. Under Delaware law no such presumption exists. The indemnification agreements also require the Company to advance litigation expenses at the request of an indemnified person in advance of the final resolution of a proceeding, provided that such person undertakes to repay such advances if it is ultimately determined that he or she is not entitled to indemnification. The indemnification agreements broaden the scope of the Company's indemnification obligations under the By-Laws and make the obligations expressly contractual.

#### Insurance:

The Company maintains and pays the premiums on contracts insuring (a) the Company (with certain exclusions) against any liability to directors and officers it may incur under the indemnity provisions set forth in the By-Laws and individual indemnification agreements with officers and directors and (b) insuring each director and officer of the Company (with certain exclusions) against liability and expense, including legal fees, which he or she may incur by reason of his or her relationship to the Company, which cannot otherwise be indemnified by the Company.

#### ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

#### ITEM 8. EXHIBITS.

- 4.1 Northrop Grumman Electronic Sensors & Systems Division Savings Program.
- 4.2 Northrop Grumman PEI Savings Plan.
- 4.3 Certificate of Incorporation of the Registrant as amended (incorporated by reference to Registration Statement on Form S-3, Registration No. 33-55143).
- 4.4 Amended and Restated Bylaws of the Registrant (incorporated by reference to Registration Statement on Form S-3, Registration No. 33-55143).
- 4.5 Common Stock Purchase Rights Plan (incorporated by reference to Form 8-A filed September 22, 1988) amended on August 2, 1991 (incorporated by reference to Form 8 filed August 2, 1991) and amended on September 28, 1994 (incorporated by reference to Form 8-A/A filed October 7, 1994).
- 23.1 Independent Auditors' Consent.
- 24.1 Power of Attorney.

#### ITEM 9. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on this 16th day of May, 1996.

NORTHROP GRUMMAN CORPORATION

By: /s/ James C. Johnson\*

-----  
James C. Johnson  
Corporate Vice President and Secretary

Pursuant to the requirements of the Securities Act of 1933, this

Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
----- Kent Kresa*	Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer)	May 15, 1996
----- Jack R. Borsting*	Director	May 15, 1996
----- John T. Chain, Jr.*	Director	May 15, 1996
----- Jack Edwards*	Director	May 15, 1996
----- Phillip Frost*	Director	May 15, 1996
----- Aulana L. Peters*	Director	May 15, 1996
----- John E. Robson*	Director	May 15, 1996
----- Richard M. Rosenberg*	Director	May 15, 1996
----- Brent Scowcroft*	Director	May 15, 1996
----- John Brooks Slaughter*	Director	May 15, 1996
----- Wallace C. Solberg*	Director	May 15, 1996



-----  
Richard J. Stegemeier\*        Director

May 15, 1996

-----  
Nelson F. Gibbs\*            Corporate Vice President and  
                                 Controller (Principal  
                                 Accounting Officer and Acting  
                                 Principal Financial Officer)

May 15, 1996

By: /s/ James C. Johnson  
-----

James C. Johnson  
Attorney-in-Fact\*\*

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\*\* By authority of Power of Attorney filed with this Registration Statement.

EXHIBIT INDEX

Exhibit Number	Description
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4.1	Northrop Grumman Electronic Sensors & Systems Division Savings Program.
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23.1	Independent Auditors' Consent.
24.1	Power of Attorney.

NORTHROP GRUMMAN  
 ELECTRONIC SENSORS & SYSTEMS DIVISION  
 SAVINGS PROGRAM

Effective March 1, 1996

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ARTICLE 1  
INTRODUCTION

Section 1.01. Introduction. The Northrop Grumman Electronic Sensors & Systems  
-----

Division Savings Program is a profit sharing plan and stock bonus plan that provides for pre-tax and after-tax participant contributions and employer matching contributions. The portion of the Plan which covers represented Employees is intended to be a collectively bargained plan subject to section 413 of the Code.

Section 1.02. Effective Date. The Plan is effective March 1, 1996.  
-----

Section 1.03. Sponsor. The Plan sponsor is the Electronic Sensors & Systems  
-----  
Division of Northrop Grumman Corporation.

Section 1.04. Construction. The Plan is intended to be qualified under section  
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401(a) of the Internal Revenue Code of 1986, as amended, and to include a qualified cash or deferred arrangement under section 401(k) of the Code, and is to be interpreted and administered accordingly. Whenever Plan language is drafted with respect to requirements for tax-qualified plans under the Code or ERISA or the regulations or rulings under the Code or ERISA, such language will be interpreted as intended only to implement such statute, regulation or ruling unless additional rights or benefits are given explicitly and clearly by the language of the Plan.

Section 1.05. Predecessor Plan. The Plan was established by the Company as a  
-----  
successor to the Westinghouse Savings Program, maintained by Westinghouse Electric Corporation ("Westinghouse") for the benefit of employees of the Westinghouse Electronic Systems Group as of February 29, 1996 who became employees of the Northrop Grumman Electronic Sensors & Systems Division as of March 1, 1996, and any other Eligible Employees of the Employer who may be employed by the Employer on or after March 1, 1996.

Section 1.06. Requirement of IRS Approval. All benefits under this Plan are  
-----  
entirely conditioned on the receipt by the Plan of a determination letter by the IRS approving the Plan's terms for qualification under section 401(a) of the Code.

ARTICLE 2  
DEFINITIONS

The following words and phrases shall have the meanings set forth below:

Section 2.01. Account. The Account set up for each Participant. See Section  
-----  
9.01.

Section 2.02. Affiliated Companies. The Company and any other entity related  
-----  
to the Company under the rules of section 414 of the Code, as more fully defined in Appendix B. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.

Section 2.03. Alternate Payee. The recipient or recipients of payments made  
-----  
pursuant to a Qualified Domestic Relations Order.

Section 2.04. Beneficiary. The person, or persons or entity named by a  
-----  
Participant by written designation to receive benefits in the event of the



Participant's death as described in Article 15.

Section 2.05. Board. The Board of Directors of the Company.  
-----

Section 2.06. Change in Control. This term is defined in Appendix E.  
-----

Section 2.07. Code. The Internal Revenue Code of 1986, as amended.  
-----

Section 2.08. Committee. The administrator of the Plan described in Article  
-----  
17.

Section 2.09. Company. Northrop Grumman Corporation.  
-----

Section 2.10. Company Matching Contribution. A contribution made by the  
-----  
Employer pursuant to Section 5.04 of the Plan.

Section 2.11. Company Stock. Common stock of the Company.  
-----

Section 2.12. Compensation. This term is defined for most contribution  
-----  
purposes in Section 5.01. However, special definitions of Compensation are used  
in the Appendices and the Code sections they reference.

Section 2.13. Direct Rollover. A payment by the Plan to the Eligible  
-----  
Retirement Plan specified by the Distributee.

Section 2.14. Distributee. A Distributee includes an Employee or former  
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Employee. In addition, the Employee's or former Employee's surviving spouse and  
the Employee's or former Employee's spouse or former spouse who is the Alternate  
Payee under a Qualified Domestic Relations Order, are Distributees with regard  
to the interest of the spouse or former spouse.

Section 2.15. Eligible Employee. An Employee described as eligible in Article  
-----  
3.

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Section 2.16. Eligible Retirement Plan. An individual retirement account  
-----  
described in section 408(a) of the Code, an individual retirement annuity  
described in section 408(b) of the Code, an annuity plan described in section  
403(a) of the Code, or a qualified trust described in section 401(a) of the  
Code, that accepts the Distributee's Eligible Rollover Distribution. However, in  
the case of an Eligible Rollover Distribution to a surviving spouse, an Eligible  
Retirement Plan is an individual retirement account or individual retirement  
annuity.

Section 2.17. Eligible Rollover Distribution. Any distribution of all or any  
-----  
portion of the balance to the credit of the Distributee, not including:

(a) any distribution that is one of a series of substantially equal periodic  
payments (not less frequently than annually) made for the life (or life  
expectancy) of the Distributee or the joint lives (or joint life expectancies)  
of the Distributee and the Distributee's designated Beneficiary, or for a  
specified period of 10 years or more;

(b) any distribution to the extent such distribution is required under section  
401(a)(9) of the Code; and

(c) the portion of any distribution that is not includable in gross income  
(determined without regard to the exclusion for net unrealized appreciation with  
respect to employer securities).

Section 2.18. Employee. An individual shall only be treated as an Employee if  
-----  
he or she is reported on the payroll records of an Affiliated Company as a  
common law employee. This term does not include any other common law employee or  
any Leased Employee.

Section 2.19. Employer. Northrop Grumman Electronic Sensors & Systems Division  
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and any Affiliated Company which adopts the Plan with the permission of the  
Board.

Section 2.20. ERISA. The Employee Retirement Income Security Act of 1974, as  
-----  
amended.

Section 2.21. ESOP. The Northrop Grumman Electronic Sensors & Systems Division  
-----  
Employee Stock Ownership Plan.

Section 2.22. Hours of Service. This term is defined in Article 8.  
-----

Section 2.23. Investment Committee. The Investment Committee appointed  
-----  
pursuant to Section 18.03.

Section 2.24. Investment Fund. An investment option, selected by the  
-----  
Investment Committee, to which Participants may direct investment of amounts in  
their Accounts.

Section 2.25. Investment Manager. An Investment Manager as defined under ERISA  
-----  
or the Investment Committee. An Investment Manager is a fiduciary under the  
Plan.

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Section 2.26. Layoff. Termination of the employment of an Employee with the  
-----  
Affiliated Companies through no fault of the Employee for lack of work for  
reasons associated with the business where the employer determines there is a  
reasonable expectation of recall within one year. Notwithstanding the foregoing,  
a person who would otherwise be considered to be on Layoff may take certain  
actions which would result in the severance of his or her relationship with the  
Employer. At the time such action is taken, that person shall become a voluntary  
quit and shall no longer be considered on Layoff.

Section 2.27. Leased Employee. Any individual who is not an Employee but who  
-----  
provides services to an Affiliated Company pursuant to an agreement between the  
Affiliated Company and any other person and who qualifies as a "leased employee"  
under section 414(n) of the Code, or would so qualify but for the requirement  
that the individual perform substantially full-time work for a period of at  
least one year.

Section 2.28. Mandatory Commencement Date. The April 1 of the calendar year  
-----  
following the year in which a Participant attains age 70-1/2.

(a) A Participant whose birthday is June 30th is considered to turn 70-1/2 on  
December 30.

(b) A Participant whose birthday is July 1 is considered to turn 70-1/2 on  
January 1.

Section 2.29. Non-Vested Participant. A Participant who is not a Terminated  
-----  
Participant and who does not have a nonforfeitable right to his or her Company  
Matching Contribution Account.

Section 2.30. Normal Retirement Date. The first of the month following the  
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later of the month during which the Participant's 65th birthday occurs or the

month during which the Participant completes five years of Service.

Section 2.31. Northrop Grumman Fund. This is described under the ESOP.  
-----

Section 2.32. Participant. Any person who has an Account in the Plan.  
-----

Section 2.33. Plan. The Northrop Grumman Electronic Sensors & Systems Division Savings Program, including the Northrop Grumman Electronic Sensors & Systems Division Employee Stock Ownership Plan.  
-----

Section 2.34. Plan Year. The calendar year.  
-----

Section 2.35. Predecessor Plan. The Westinghouse Savings Program, a qualified defined contribution plan maintained by Westinghouse Electric Corporation as of February 29, 1996.  
-----

Section 2.36. Qualified Domestic Relations Order. A court order as defined in section 414(p) of the Code.  
-----

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Section 2.37. Retired Participant. A Participant who is no longer an Employee and who has retired under a pension plan of the Affiliated Companies. This term does not refer to a Participant who has terminated with a right to a vested pension under a pension plan of the Affiliated Companies.  
-----

Section 2.38. Rollover Distribution. One or more distributions which, under section 402 of the Code, are eligible for rollover to this Plan.  
-----

Section 2.39. Service. This term is defined in Article 8.  
-----

Section 2.40. Special Assignment Employee. This term is defined in Article 3.  
-----

Section 2.41. Stable Value Fund. An Investment Fund designed primarily to preserve capital and provide a relatively stable rate of interest.  
-----

Section 2.42. Standard Contributions. Contributions to the Plan deducted from a Participant's Compensation on an after-tax basis in accordance with the Participant's election made under Section 5.03.  
-----

Section 2.43. Tax-Deferred Contributions. Contributions to the Plan deducted from a Participant's Compensation on a pre-tax basis pursuant to section 401(k) of the Code and in accordance with the Participant's election made under Section 5.03.  
-----

Section 2.44. Terminated Participant. A Participant (not including a Participant who has been on Layoff for 12 months or less or is employed by the Affiliated Companies) who is no longer an Employee and is not a Retired Participant, subject (in the case of sale or other disposition of a business unit of the Affiliated Companies) to the rules prescribed in Section 16.05.  
-----

Section 2.45. Totally Disabled Participant. A Participant who at the time he or she stops accruing Service has completed at least 10 years of Service and is not able, because of injury or sickness, to engage in any gainful occupation for which he or she is reasonably fitted by education, training or experience.  
-----

Section 2.46. Trust Agreement. The agreement described in Article 19.  
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Section 2.47. Trustee. The one or more trustees, banks, trust companies,  
-----  
insurers or other individuals or entities which hold and manage the Trust Fund.

Section 2.48. Trust Fund. The sum of the contributions made to the Plan and  
-----  
held by the Trustee, increased by the amount of any earnings and decreased by  
the amount of any losses, administrative expenses and benefit payments.

Section 2.49. Valuation Date. Any date used for determining the value of  
-----  
investments and Accounts under Section 9.02.

Section 2.50. Vested Participant. A Participant who has a nonforfeitable right  
-----  
to his or her Company Matching Contribution Account under the rules of Article  
7.

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Section 2.51. Westinghouse Stock. The common stock of Westinghouse Electric  
-----  
Corporation.

Section 2.52. Westinghouse Stock Fund. An Investment Fund under the Plan  
-----  
invested primarily in Westinghouse Stock.

6

### ARTICLE 3 ELIGIBLE EMPLOYEES

Section 3.01. In General. Those Employees of the Affiliated Companies who may  
-----  
become eligible to make contributions to the Plan and to have contributions made  
for them by the Company are described in this Article.

Section 3.02. Eligible Employees. An Eligible Employee is any Employee who is  
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either not represented or is employed in a unit represented by a labor  
organization or other representative which is recognized by an Employer as the  
representative of such unit for the purpose of collective bargaining and has  
entered into a written agreement with an Employer providing for participation in  
the Plan by the Employees in such unit, provided:

(a) such Employee is in the regular service of an Employer and is not a  
Special Assignment Employee; or

(b) such Employee is a citizen of the United States or a resident alien (as  
defined in section 7701(b) of the Code) who is an Employee of either a domestic  
subsidiary (as defined in section 407 of the Code) or of a foreign subsidiary as  
to which an Employer has entered into an agreement under section 3121(1) of the  
Code and with respect to whom contributions under a funded plan of deferred  
compensation (whether or not described in sections 401(a), 403(a) or 405(a) of  
the Code) are not provided by any person or company other than the Employer with  
respect to the remuneration paid to the citizens by the domestic or foreign  
subsidiary.

Section 3.03. Special Assignment Employees. The term Special Assignment  
-----  
Employee means a person who is categorized as a "Special Assignment Employee" in  
the personnel records of the Affiliated Companies or who is hired for a  
predetermined limited period of time, usually not to exceed two or three months,  
or for the purpose of completing a specific task that is anticipated not to  
exceed five months, and who has no expectation of continued employment beyond  
the completion of that task.

Section 3.04. Leased Employees. Leased Employees are not eligible to make  
-----  
contributions or to have contributions made for them by the Company under the  
Plan. However, the Company does elect to count Leased Employees as permitted by  
Treas. Reg. (S) 1.414(q)-1T, Q&A-7(b)(4).

ARTICLE 4  
PARTICIPATION

Section 4.01. In General. Any Eligible Employee as of March 1, 1996 who was a  
-----  
participant in the Predecessor Plan as of February 29, 1996 shall be a  
Participant in this Plan as of March 1, 1996. Any other Eligible Employee shall  
be eligible to enroll in the Plan immediately upon employment by an Employer. To  
enroll in the Plan an Eligible Employee must apply in accordance with reasonable  
procedures established by the Committee.

Section 4.02. Transfers.  
-----

(a) If a Participant transfers employment from an Employer to any other unit  
of the Affiliated Companies, he or she shall remain a Participant for all  
purposes of the Plan, except that he or she shall not be eligible to contribute  
and no Company Matching Contributions shall be made on his or her behalf for the  
period of time he or she is employed by the Affiliated Companies.

(b) If an Employee transfers from any other unit of the Affiliated Companies  
to an Employer and becomes an Eligible Employee, service with the Affiliated  
Companies shall be recognized as Service under this Plan.

Section 4.03. Rehired Employees. If a Retired Participant or a Terminated  
-----

Participant is rehired as an Eligible Employee, he or she may immediately  
participate in the Plan, and any previous Service shall be restored. If a  
Retired Participant is rehired as an Eligible Employee and he or she has an  
Account remaining in this Plan, the Committee will segregate any new  
contributions into a separate Account so that the Account which had become  
withdrawable by the Participant in the status of a Retired Participant will  
remain available for immediate withdrawal.

Section 4.04. Cessation of Active Participation. A Participant shall no longer  
-----

be eligible to contribute to the Plan upon the earlier of the following:

- (a) The date the Participant ceases to be an Eligible Employee; or
- (b) The effective date of complete termination of the Plan under Article 20.

ARTICLE 5  
CONTRIBUTIONS

Section 5.01. Compensation. For purposes of determining contribution amounts  
-----

pursuant to this Article,

(a) "Compensation" shall mean:

(1) wages within the meaning of Code section 3401(a),

(2) all other payments of compensation to an Employee by the Employer (in  
the course of the Employers' trade or business) for which the Employer is  
required to furnish the Employee a written statement on Form W-2 under  
sections 6041(d), 6051(a)(3) and 6052 of the Code, and

(3) amounts contributed by the Employer pursuant to a salary reduction  
agreement that are not includable in the gross income of the Employee under  
sections 125, 402(e)(3) or 402(h) of the Code.

(b) Notwithstanding (a), the term Compensation shall not include  
reimbursements or other expense allowances; fringe benefits (cash and noncash);  
moving expenses; deferred compensation; welfare benefits; and 100% of an annual  
incentive award, under a management incentive program, if paid to a Highly  
Compensated Employee.

Section 5.02. Compensation Limit. To the extent required by section 401(a) (17)

of the Code, compensation counted under this Plan may not exceed \$150,000, as indexed under IRS regulations.

(a) In the event that section 401(a)(17) of the Code is amended after 1993, any additional limitations on counted compensation will automatically be applied without any further amendments being made to this Plan.

(b) In determining the Compensation of an Employee for purposes of this limit, the rules of section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family" shall include only the spouse of the Employee and any lineal descendants of the Employee who have not attained age 19 before the close of the year. If, as a result of the application of such rules the adjusted annual compensation limit is exceeded, then the limitation shall be prorated among the affected individuals in proportion to each such individual's Compensation determined under this Plan prior to the application of this limitation.

Section 5.03. Participant Savings Contributions. A Participant may elect to

save at a rate of 2% to 20% of his or her Compensation, in increments of 1%, on a Standard basis, a pre-tax basis or a combination thereof.

(a) Contributions to the Plan on an after-tax basis as Standard Contributions shall be allocated to the Participant's Standard Account and contributions to the Plan on a pre-tax basis as Tax-Deferred Contributions shall be allocated to the Participant's Tax-Deferred Account.

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(b) Contributions are subject to the limitations of Article 6.

Section 5.04. Company Matching Contributions. As of the end of each calendar

month, for each dollar a Participant contributes on either a Standard basis or a Tax-Deferred basis, the Company shall contribute 50 cents into the Participant's Company Matching Contribution Account, subject to a maximum Company Matching Contribution of 3% of the Participant's Compensation for that month.

(a) For purposes of this Section, with respect to Employees paid on a weekly basis, the term "calendar month" shall be construed as a reference to the several weekly payroll periods included by the Employer in a particular calendar month for accounting purposes.

(b) Contributions are subject to the limitations of Article 6.

Section 5.05. Election of Savings Contributions. Each Participant shall make

such election with the Committee, in accordance with reasonable procedures established by the Committee, specifying the portion of his or her Compensation that is to be contributed to the Plan as Standard and/or Tax-Deferred Contributions. The election of the Participant shall remain in effect until a new election from that Participant is received by the Committee.

Section 5.06. Changing or Suspending Contributions. A Participant may increase

or decrease his or her rate of Standard and/or Tax-Deferred Contributions at any time by making a new election with the Committee in accordance with reasonable procedures established by the Committee.

(a) A Participant may suspend Standard and/or Tax-Deferred Contributions at any time by providing notice to the Committee in accordance with reasonable procedures established by the Committee.

(b) A Participant may recommence Standard and/or Tax-Deferred Contributions to the Plan at any time by making a new election with the Committee.

(c) All elections of adjustments to contributions shall be effective as soon as practicable after the election is filed with the Committee.

Section 5.07. Disposition of Forfeitures. Any amounts credited to any Account

for a Participant that are forfeited by such Participant pursuant to any

provision of the Plan shall not be returned to the Company but shall be used to reduce the obligations of the Company to make Company Matching Contributions under the Plan.

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ARTICLE 6  
LIMITATIONS ON CONTRIBUTIONS

Section 6.01. In General. This Article sets forth the limitations imposed by  
-----  
the federal tax laws on contributions which may be made to the Plan on behalf of Highly Compensated Employees (as defined in section 414(q) of the Code) as well as limitations applicable to all Participants.

Section 6.02. Dollar Limit on Participant Contributions. In no event may a  
-----  
Participant's Tax-Deferred Contributions (along with similar contributions under any plan maintained by the Affiliated Companies) in any Plan Year exceed \$9,500.

(a) The \$9,500 amount is indexed in accordance with IRS regulations.

(b) If a Participant elects a percentage of Compensation to be contributed as Tax-Deferred Contributions which is in excess of the limit of this Section, any excess will be contributed as Standard Contributions.

Section 6.03. Limits on Highly Compensated Employees. All Participant Savings  
-----  
and Company Matching Contributions by or for Highly Compensation Employees are subject to the special limitations imposed by sections 401(k) and 401(m) of the Code. These rules are designed so that the amount of contributions for Highly Compensated Employees are limited based on the amount of contributions made for non-Highly Compensated Employees. The rules are set out in more detail in Appendix C.

Section 6.04. Section 415 Limitations. The maximum amount of contributions to  
-----  
any Participant's Account in any Plan Year may not exceed the lesser of \$30,000 (indexed in accordance with IRS regulations) or 25% of the Participant's compensation for the year. In certain cases, benefits under other plans may be counted towards these limits. Further rules governing the application of this Section appear in Appendix A.

Section 6.05. Committee Authority. The Committee has the authority to reduce  
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contributions during the Plan Year, to repay contributions and to forfeit amounts in order to protect the tax qualification of the Plan and for reasons of administrative convenience.

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ARTICLE 7  
VESTING

Section 7.01. Standard and Tax-Deferred Accounts. A Participant shall at all  
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times be 100% vested in, and have a nonforfeitable right to, his or her Standard Account and Tax-Deferred Account.

Section 7.02. Company Matching Contribution Account.  
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(a) A Participant as of March 1, 1996 who had a 100% vested interest in his or her account under the Predecessor Plan as of February 29, 1996 shall be 100% vested in his or her Company Matching Contribution Account as of March 1, 1996.

(b) Any other Participant shall not be vested in any portion of his or her Company Matching Contribution Account until he or she accrues five years of Service, at which time he or she shall become 100% vested in, and have a nonforfeitable right to, his or her Company Matching Contribution Account.

(c) Notwithstanding the foregoing, the Company Matching Contribution Account shall become 100% vested upon the retirement or death of a Participant.

(d) Notwithstanding the foregoing, in the event a Participant's matched contributions for a year are reduced below the maximum level eligible for a match, by operation of the limits in Article 6, the corresponding Company Matching Contributions will be forfeited without regard to a Participant's vested status.

Section 7.03. Forfeiture and Restoration. If a Participant terminates  
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employment prior to becoming a Vested Participant, the current value of his or her Company Matching Contribution Account will be forfeited.

(a) If the Terminated Participant is subsequently re-employed by an Employer or the Affiliated Companies, the dollar value of the forfeited amount shall be restored to his or her Company Matching Contribution Account without adjustment for gains or losses since the date of forfeiture.

(b) Any forfeited amounts that are restored pursuant to this Section shall be invested in accordance with the investment election in effect at the time of restoration. In the event the Participant does not have a current investment election in effect, the restored amount will be invested in the Stable Value Fund.

Section 7.04. Change in Control. In the event of a Change in Control of the  
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Company, each Participant shall be vested immediately in all amounts held in the Company Matching Contribution Account as of the date of such change and no such amounts may be subject to forfeiture. In such case, each Participant who is not a Retired Participant or a Terminated Participant shall be treated as a Vested Participant with regard to the inservice withdrawal provisions of Article 12.

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## ARTICLE 8 SERVICE

Section 8.01. In General. This Article sets forth the rules for determining  
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how much service an Employee has for purposes of vesting in the Company Matching Contribution portion of his or her Account.

Section 8.02. Service With Various Employers. In counting an Employee's  
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Service, all employment with the Affiliated Companies is taken into account, not just employment with those Employers which have adopted the Plan.

(a) Service with an employer before it becomes an Affiliated Company (or after it stops being an Affiliated Company) is not counted as Vesting Service.

(b) Service with an Affiliated Company before March 1, 1996 is not counted.

(c) In addition to service credited on and after March 1, 1996, an Employee's service under this Plan includes the "Eligibility Service" remaining to his or her credit as of February 29, 1996 under the Predecessor Plan. No credit will be given for "Eligibility Service" that was lost under the provisions of the Predecessor Plan, as those provisions existed from time to time, except to the extent such service can be regained through buybacks.

(d) Service with the Westinghouse Electric Corporation affiliated group of companies after February 29, 1996 is not counted as Service.

Section 8.03. Service as Leased Employee. While Leased Employees may not  
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participate in the Plan, service as a Leased Employee counts as Service. An Employee's service as an Employee and as a Leased Employee are added together to determine his or her total Service.

Section 8.04. Service. The term Service means service determined as follows:  
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(a) For all Employees except part-time Employees who are regularly scheduled to work less than 24 hours per week:

(1) Subject to the additional rules stated in (2) through (5) below,



Service means all periods of service as an Employee with the Employer for which the Employee is directly or indirectly paid, or entitled to payment, by the Employer for the performance of duties, and time spent on any of the following:

(A) furlough;

(B) disability up to a maximum continuous period of two years;

(C) leaves of absence (other than union leaves, military leaves, and leaves for personal reasons including educational leaves) up to a maximum of four years;

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(D) union leaves of absence;

(E) military leaves of absence up to a maximum equal to that period of time during which reemployment is required under applicable Federal statutes; or

(F) layoffs up to a continuous period of one year.

If while an Employee is on disability leave of absence under (B) above he or she is laid off, he or she shall begin to accrue service only under (F) above from that time and shall continue to be credited with Service under subparagraph (F) for up to one year, but in no event shall the combined service in such situation under (B) and (F) exceed two years.

(2) Service shall be expressed in whole years and fractions thereof. Any fraction of a year shall be expressed as a decimal ratio of actual calendar days of service to the number of days in that year.

(3) If the Employee is absent from service for any reason which does not otherwise qualify him or her for Service under the Plan, and such absence is not due to quit, discharge, release, retirement or death, he or she shall receive Service of up to one year for any continuous period of absence.

(4) If the Employee is separated from service by reason of a quit, discharge, release or retirement, and then is reemployed within 12 months of the date he or she was separated, the Employee's Service shall include the period between the date he or she was separated and the date he or she was reemployed.

(5) Notwithstanding the provisions of (3) and (4) above, if the Employee is separated from service by reason of a quit, discharge, release or retirement during an absence from service of 12 months or less for any reason other than a quit, discharge, release or retirement and then is reemployed within 12 months of the date on which he or she was first absent from service, the Employee's Service shall include the period between his or her last day worked and the date he or she returns to work.

(b) For part-time Employees who are regularly scheduled to work less than 24 hours per week, an Employee shall receive one full year of Service for any calendar year in which he or she works at least 1,000 Hours of Service. If such Employee works less than 1,000 Hours of Service in any calendar year, he or she shall receive Service which shall be determined by dividing the number of Hours of Service worked by 2,000, subject to a maximum of one full year.

(c) For any Plan Year in which an Employee falls into both categories (a) and (b) described above, he or she shall receive Service under the category which is most advantageous to him or her.

(d) In the case of a Special Assignment Employee who later becomes an Eligible Employee, such person shall receive one full year of Service for any calendar year in which he or she worked at least 1,000 Hours of Service as a Special Assignment Employee.

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Section 8.05. Hours of Service. An Hour of Service will be determined under  
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the following rules and as more fully set forth under Department of Labor

Regulations at 29 C.F.R. (S) 2530.200(b)-2, or any successor or similar provision thereto which are incorporated here by reference:

(a) An Hour of Service is each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Affiliated Companies during the applicable computation period.

(b) An Hour of Service is each hour for which an Employee is paid, or entitled to payment by the Affiliated Companies on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), lay-off, jury duty, military duty or leave of absence. Notwithstanding the preceding sentence:

(1) No more than 501 Hours of Service are required to be credited under (b) to an Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period); and

(2) An hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed is not required to be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable workmen's compensation, or unemployment compensation or disability insurance laws; and

(3) Hours of Service are not required to be credited for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee.

(c) For purposes of (b), a payment shall be deemed to be made by or due from the Affiliated Companies regardless of whether such payment is made by or due from the Affiliated Companies directly, or indirectly through, among others, a trust, fund, or insurer to which the Affiliated Companies contribute or pay premiums and regardless of whether contributions made or due to the trust, fund, insurer or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate.

(d) An Hour of Service is each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Affiliated Companies. The same Hours of Service shall not be credited both under (a) or (b), as the case may be, and under this subsection (d). Thus, for example, an Employee who receives a back pay award following a determination that he or she was paid at an unlawful rate for hours previously credited will not be entitled to additional credit for the same hours. Crediting of Hours of Service for back pay awarded or agreed to with respect to periods described in (b) shall be subject to the limitations set forth therein. For example, no more than 501 Hours of Service are required to be credited for payments of back pay, to the

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extent that such back pay is agreed to or awarded for a period of time during which an Employee did not or would not have performed duties.

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#### ARTICLE 9 ACCOUNTS

Section 9.01. Participant Accounts. A separate Account is maintained for each  
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Participant having an amount to his or her credit under the Plan. The Account separately keeps track of a Participant's benefits. The Committee shall also establish subaccounts to keep track of Standard and Tax-Deferred Contributions and Company Matching Contributions for each Participant, for amounts held under the ESOP, as well as any subaccounts needed to keep track of other components of each Account.

Section 9.02. Valuation Of Accounts. The assets of the Trust Fund are valued  
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as of the end of each calendar month and, in the discretion of the Committee, on any other date. Valuations take into account earnings and losses of the Trust Fund along with appreciation or depreciation, expenses and distributions. The

method of valuation is determined by the Committee.

Section 9.03. Benefits Not Assignable. An interest in a Participant's Account  
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may not be sold, assigned, used as security or transferred in any way by any Participant or Beneficiary except pursuant to a Qualified Domestic Relations Order or a domestic relations order entered before January 1, 1985, that the Committee treats as a Qualified Domestic Relations Order. This Section does not prohibit:

(a) The enforcement of a Federal tax levy made pursuant to Code section 6331.

(b) The collection by the United States on a judgment resulting from an unpaid tax assessment.

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ARTICLE 10  
INVESTMENTS

Section 10.01. In General. The Investment Committee will establish or  
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designate a number of different Investment Funds for the Plan, which may include a Company Stock fund and shall, until February 28, 2001, include a Westinghouse Stock Fund. The Investment Committee may change the Funds from time to time.

Section 10.02. Investment Elections. Participants may elect how contributions  
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to their Accounts will be invested in the various Investment Funds. Allocations between the Funds must be in increments of 1% of contributions.

Section 10.03. Changes In Investment Elections. A Participant may change his  
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or her or her investment election for future contributions.

(a) The Participant may change his or her election at any time by notifying the Committee, in accordance with reasonable procedures established by the Committee, to be effective with the first payroll disbursed after receipt and completion of processing by the Committee of such direction.

(b) Any change in an investment election under this Section will not affect the investment of contributions made prior to the effective date of the change.

Section 10.04. Transfers Between Funds. A Participant may elect to change his  
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or her investment selection with regard to amounts already accumulated in his or her Account by providing notice to the Committee in accordance with reasonable procedures established by the Committee.

(a) Reallocations must be made either in dollars in \$1.00 increments or percentages in 1% increments.

(b) No amounts may be transferred to or from the Northrop Grumman Fund (except to the extent permitted under the ESOP rules).

Section 10.05. Rollovers and Transfers.  
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(a) A Participant other than a Terminated Participant who has received a Rollover Distribution from a qualified defined contribution plan or a distribution from an individual retirement account (as described in section 408(d)(3)(A) of the Code) may elect, in accordance with reasonable procedures established by the Committee, to roll over not more than the cash value of the distribution, less any amount attributable to the Participant's after-tax Contributions, to his or her Standard Account within 60 days of receipt of such distribution.

(b) In addition, a Participant other than a Terminated Participant may authorize the Trustee of the Northrop Grumman Electronic Sensors & Systems Division Pension Plan to

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transfer the entire balance to the credit of the Participant in such plan directly to the Trust of this Plan.

(c) The Participant may elect to invest any amount rolled over or transferred to this Plan in any of the investment options available under the Plan increments of one percent.

Section 10.06. Terminated Participants. Any Participant who ceases to be an  
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Employee may continue to direct the investment of his or her Account in accordance with the provisions of this Article.

Section 10.07. Committee Rules. Selections of investments, changes and  
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transfers must be made according to the rules and procedures of the Committee.

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ARTICLE 11  
POST-EMPLOYMENT AND AGE 70-1/2 DISTRIBUTIONS

Section 11.01. In General. When a Participant terminates employment with the  
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Affiliated Companies or reaches age 70-1/2, distributions are made under this Article. Distributions on account of a Participant's death are made under Article 14.

Section 11.02. Terminated Participants--Small Accounts. In the event a  
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Participant becomes a Terminated Participant, if the total value of his or her vested Account is \$3,500 or less, he or she will receive a total distribution of his or her Account as soon as practicable.

Section 11.03. Terminated Participants--Other Accounts. In the event a  
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Participant becomes a Terminated Participant, if the total value of his or her vested Account exceeds \$3,500, the Terminated Participant may elect a total distribution or may elect to leave his or her vested Account in the Plan if he or she has not yet reached Normal Retirement Date.

(a) Amounts that remain in the Plan must be withdrawn (in one lump sum only) by the Terminated Participant's Normal Retirement Date; no partial distributions shall be permitted.

(b) Participants will be entitled to receive an amount equivalent to the value of the vested Account on the first Valuation Date after the distribution has been approved by the Committee.

Section 11.04. Retired Participants--Immediate Lump Sums. In the event a  
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Participant becomes a Retired Participant, he or she may elect an immediate distribution of his or her entire Account. If he or she elects an immediate distribution, such Account shall be distributed as soon as practicable after his or her retirement.

Section 11.05. Retired Participants--Installments. A Retired Participant may  
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elect to receive monthly or annual installments, the amount of which is determined by the Retired Participant at retirement.

(a) Installments will begin as soon as practicable after the request is received from the Retired Participant and approved by the Committee.

(b) Each subsequent annual installment will be processed as soon as practicable on the annual anniversary of the first payment. Monthly installments shall be processed as of the last Valuation Date in each month.

(c) All payments under this option will be in cash and will be derived from the available subaccounts of the Retired Participant's Account based upon the following hierarchy:

- (1) Standard Account (including rollover amounts);

(2) Company Matching Contribution Account;

(3) Tax-Deferred Account.

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Within each Account, the payments will be prorated across all Investment Funds in that subaccount.

(d) A Retired Participant who elects to receive monthly or annual installments pursuant to this Section may cancel or change such election at any time. He or she may also elect a partial distribution as described in Section 11.06.

(e) Payments under this option must comply with the minimum distribution requirements described in Section 11.11.

Section 11.06. Retired Participants--Partial Distributions. A Retired

Participant may elect to defer receipt of his or her Account until such time as he or she instructs the Committee that he or she wishes to receive his or her Account in whole or in part.

(a) In no event, however, may a Retired Participant defer receipt of his or her first payment beyond April 1 following the calendar year in which he or she attains age 70-1/2, and such first payment and all subsequent payments must comply with the minimum distribution requirements described in Section 11.11.

(b) A Retired Participant may request a distribution at any time. The distribution may be either

(1) prorated across all Investment Funds in which the Retired Participant is invested or

(2) directed against specific funds based upon the Participant's request.

(c) The distribution shall be derived from the available subaccounts in the Account of the Retired Participant based upon the following hierarchy:

(1) Standard Account (including rollover amounts);

(2) Company Matching Contribution Account;

(3) Tax-Deferred Account.

Section 11.07. Disabled Participants. A Participant who becomes a Totally

Disabled Participant shall be treated for the purpose of this Article as though he or she were retired on the date he or she is declared a Totally Disabled Participant, and he or she shall be entitled to the same options set forth above for Retired Participants.

Section 11.08. Age 70-1/2 Distributions. If a Participant has not previously become a Terminated Participant, distribution of his or her Account will be made or commence on or before the Participant's Mandatory Commencement Date.

Section 11.09. Alternate Payees. Unless the Alternate Payee is an Employee or a Retired Participant, any amounts segregated under this Plan for the benefit of the Alternate Payee

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pursuant to a Qualified Domestic Relations Order shall be distributed to the Alternate Payee as soon as practicable after the qualification of the Qualified Domestic Relations Order by the Committee.

Section 11.10. Commencement of Benefits. Without a Participant's consent, payments may not commence any later than the 60th day following the year in which occurs the later of the Participant's termination of employment with the Affiliated Companies or attainment of age 65.

Section 11.11. Minimum Distributions. In no event shall a Participant (or  
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Beneficiary, if applicable) receive less than the minimum annual payment as  
required by section 401(a)(9) of the Code and regulations thereunder, including  
regulation section 1.401(a)(9)-2. The provisions of this Section override any  
distribution options in the Plan which are inconsistent with section 401(a)(9)  
of the Code.

Section 11.12. Committee Rules. Payment of benefits and Participant elections  
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must be made according to the rules and procedures of the Committee.

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ARTICLE 12  
WITHDRAWALS

Section 12.01. Eligibility for Withdrawals. Withdrawals by a Participant who  
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is not a Terminated Participant may be allowed pursuant to this Article. To the  
extent permitted in this Article, in-service withdrawals may be made at any  
time. A request for an in-service withdrawal must be made to the Committee.

Section 12.02. Withdrawals from Standard Account.  
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(a) Vested Participant shall be permitted to make a withdrawal for any reason  
from his or her Standard Account.

(1) on-Vested Participant shall be permitted to make a withdrawal for any  
reason from that portion of his or her Standard Account which represents  
contributions that were not matched by contributions in the Company Matching  
Contribution account.

(2) Non-Vested Participant shall be permitted to make a withdrawal from  
that portion of his or her Standard Account which represents contributions  
that were matched by contributions in the Company Matching Contribution  
Account only in the case of a hardship as determined in accordance with  
Section 12.05 and only after he or she has withdrawn the total amount  
otherwise available under the terms of this Article.

Section 12.03. Withdrawals from Tax-Deferred Account.  
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(a) A Non-Vested Participant shall be permitted to make a withdrawal from his  
or her Tax-Deferred Account only in the case of a hardship.

(b) (1) A Vested Participant shall be permitted to make a withdrawal for any  
reason from his or her Tax-Deferred Account upon the attainment of age 59-1/2.

(2) A Vested Participant shall be permitted to make a withdrawal from his  
or her Tax-Deferred Account before attaining age 59-1/2 only in the case of  
hardship. Hardship withdrawals from the Tax-Deferred Account are limited to  
the amount contributed by the Participant to the Tax-Deferred Account or the  
value of the Tax-Deferred Account, whichever is less.

Section 12.04. Withdrawals from Company Matching Contribution .  
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(a) Vested Participant shall be permitted to make a withdrawal for any reason  
from his or her Company Matching Contribution Account.

(b) A Non-Vested Participant shall not be permitted to make a withdrawal from  
his or her Company Matching Contribution Account.

Section 12.05. Hardship Withdrawals. The rules governing hardship withdrawals  
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are as follows:

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(a) the following situations are considered to constitute a hardship for  
purposes of this Plan:

(1) medical expenses (described in section 213(d) of the Code) incurred by the Participant, his or her spouse, his or her children, or his or her dependents;

(2) purchase of a principal residence of the Participant (excluding mortgage payments);

(3) payment of tuition for the next 12 months of post-secondary education for the Participant, his or her spouse, his or her children, or his or her dependents;

(4) the need to prevent eviction of the Participant from his or her principal residence or foreclosure on the mortgage of the Participant's principal residence; or

(5) an immediate and heavy financial need as determined in a uniform and nondiscriminatory manner by the Committee based upon the facts and circumstances of a particular situation.

(b) Each time a Participant applies for a hardship withdrawal, he or she must submit documentation to substantiate the withdrawal as required by the Committee. A hardship withdrawal shall not be permitted from the Tax-Deferred Account and/or the Standard Account (matched portion) if the Participant has other resources available to meet the financial need. In order to qualify for a hardship withdrawal from his or her Tax-Deferred Account and/or the Standard Account (matched portion), a Participant must withdraw the total amount available for withdrawal absent hardship from his or her Standard Account and Company Matching Contribution Account and submit a statement that acknowledges that his or her situation cannot be relieved by any of the following:

(1) the proceeds from an insurance policy;

(2) the reasonable liquidation of the Participant's assets;

(3) the discontinuance of the Participant's contributions under the Plan;  
or

(4) a loan from his or her Tax-Deferred Account, a distribution or loan from any other plan, or a commercial loan.

(c) If a loan is available from this Plan in the amount that would satisfy the hardship request, a Tax-Deferred Account hardship withdrawal will not be permitted.

#### Section 12.06. Ordering Rules.

(a) All withdrawals, with the exception of hardship withdrawals, may be either

(1) prorated across all Investments Funds in which the Participant is invested or

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(2) directed against specific funds based upon the Participant's request.

(c) All non-hardship withdrawals will be derived from the available subaccount of each Participant based upon the following hierarchy:

(1) Vested Participants:

(A) Standard Account (including rollover amounts);

(B) Company Matching Contribution Account;

(C) Tax-Deferred Account.

(2) Non-Vested Participants: Unmatched Standard Account (including rollover amounts).

(d) Hardship withdrawals will be derived from the subaccount from which the hardship is being taken and will be prorated across all Investment Funds in which the Participant is invested in that subaccount. Hardship withdrawals shall

be paid in cash only.

Section 12.07. Committee Rules. Payment of withdrawals and Participant  
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elections must be made according to the rules and procedures of the Committee.

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ARTICLE 13  
LOANS

Section 13.01. In General. A Participant, other than a Terminated Participant,  
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a Retired Participant, a Totally Disabled Participant (who is not a "party in interest" under ERISA) or a surviving spouse, may request a loan from his or her Account in the Plan (excluding the Company Matching Contribution Account in the case of a Non-Vested Participant) in accordance with this Article and the rules supplementing this Article which may be prescribed by the Committee.

(a) The Committee shall determine whether the application for a loan is to be approved.

(b) All applications for loans shall be evaluated in a uniform and nondiscriminatory manner to the extent required by the statutes and regulations governing participant loans under ERISA and the Code.

(c) A Participant who takes a loan from the Plan shall be subject to, and will be required to comply with the specific terms and conditions of any loans made under the Plan, as established by the Committee.

Section 13.02. Limitations on Loans. Loans shall be governed by the following  
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limitations:

(a) Loans must be requested in multiples of \$100. The minimum amount of a loan is \$1,000.

(b) The maximum loan amount is limited by law to be one-half of the vested balance in the Participant's Account, with an overall maximum of \$50,000 reduced by the highest outstanding loan balance during the preceding 12 months. If a Participant requests a loan that exceeds the available balance in his or her Account, the loan will be issued for the maximum amount available.

(c) A Participant have not more than two outstanding loans at any given time.

Section 13.03. Loan Accounting. Loans shall be made to the Participant in cash  
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and shall be derived from the Participant's Investment Funds based upon the value as of the first Valuation Date after the loan has been approved by the Committee.

(a) Loans may be either

(1) prorated across all Investment Funds in which the Participant is invested or

(2) directed against specific Funds based upon the Participant's request.

(b) All loans will be derived from the available subaccounts in the Account of each Participant based upon the following hierarchy:

(1) Vested Participants:

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(A) Tax Deferred Account;

(B) Company Matching Contribution Account;

(C) Standard Account (including rollover amounts).

(2) Non-Vested Participants:



(A) Pre-Tax Account;

(B) Standard Account (including rollover amounts).

Section 13.04. Rate of Interest. For each calendar month, the interest rate to  
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be charged for the term of the loans initiated in the calendar month shall be  
the Bankers Trust prime interest rate at the close of business on the last  
business day of the preceding calendar month plus one percent.

Section 13.05. Loan Security. Each loan shall be secured by the assets of the  
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Participant's account.

Section 13.06. Loan Repayments. The rules concerning loan repayments are as  
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follows:

(a) Repayments shall be made by payroll deductions.

(b) The Participant may elect repayment periods of six to 60 months in  
increments of six months. At any time prior to the due date of the final loan  
payment, the Participant may elect to partially repay the loan or make payment  
in full.

(c) During the repayment period, loan repayments shall be allocated to  
subaccounts of the Participant's Account in reverse order from that in which the  
loan was derived.

(1) Repayments shall be invested in the investment options in effect for  
current contributions at the time the repayments are made.

(2) In the event the Participant does not have a current election in  
effect for either Tax-Deferred Contributions or Standard Contributions, the  
current election in effect for Company Matching Contribution Account shall be  
used.

(3) If a current election is not in effect for the Participant's Company  
Matching Contribution Account, then the repayments shall be invested in the  
Stable Value Fund.

(d) A Participant shall be required to continue to meet his or her loan  
repayment obligation for any period during which he or she has not become a  
Terminated Participant but is not receiving pay due to disability, layoff,  
furlough or leave of absence. A Participant in such status shall be required to  
make his or her scheduled loan repayments by check or money order. Retired  
Participants and Totally Disabled Participants may elect to continue to make  
repayments by check or money order.

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(e) If a loan balance is outstanding at the time a Participant whose Account  
does not exceed \$3,500 terminates employment with the Affiliated Companies or  
dies, the outstanding loan balance will be treated as a distribution. A  
Terminated Participant or surviving spouse may repay his or her total  
outstanding loan balance in a single payment within 60 days of his or her  
termination only if the total value of the sum of the vested Account and  
outstanding loan balance exceeds \$3,500. If such a Terminated Participant or  
surviving spouse does not repay the loan within 60 days of his or her  
termination, the outstanding loan balance will be treated as a distribution.

Section 13.07. Loan Defaults. If any loan is not repaid in accordance with its  
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terms, it will be in default. The Trustee will have the right to accelerate  
payment of principal and interest, to set off a Participant's Account balance,  
and to exercise all other rights or remedies it may have as a creditor.

Section 13.08. Predecessor Plan Loans. All loans that were outstanding under  
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the Predecessor Plan on February 29, 1996 shall be continued under this Plan as  
of March 1, 1996. Any loans under the Predecessor Plan made, renewed,  
renegotiated, modified, or extended on or after October 1, 1994 shall be subject  
to the provisions of this Article. All other loans made under the Predecessor  
Plan shall be subject to the rules in effect under the Predecessor Plan at the

time the loan was made.

Section 13.09. Other Rules. The Committee may establish in writing any other  
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rules and procedures necessary for the administration of loans pursuant to this  
Article.

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ARTICLE 14  
DEATH BENEFITS

Section 14.01. In General. This Article describes the payment of benefits  
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following the death of a Participant prior to the complete distribution of his  
or her Account.

Section 14.02. Death of Active and Retired Participants. In the event of the  
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death of a Participant who is not a Terminated Participant, the following shall  
apply:

(a) If the total value of the deceased Participant's Account is \$3,500 or  
less, a total distribution shall be made automatically to the designated  
Beneficiary.

(b) If the total value of the deceased Participant's Account exceeds \$3,500  
and the designated Beneficiary is not the deceased Participant's surviving  
spouse, a total distribution shall be made automatically to the designated  
Beneficiary.

(c) If the total value of the deceased Participant's Account exceeds \$3,500  
and the designated Beneficiary is the surviving spouse, the surviving spouse may  
elect a total distribution or may elect to leave the Account in the Plan. If the  
surviving spouse elects to leave the Account in the Plan, he or she shall be  
treated as a Retired Participant and the investment and payment options which  
are available to Retired Participants under Article 11 shall be available to the  
surviving spouse.

Section 14.03. Death of Terminated Participant. In the event of the death of a  
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Terminated Participant, a total distribution shall be made automatically to the  
designated Beneficiary.

Section 14.04. Committee Rules. Payment of benefits will be made according to  
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the rules and procedures of the Committee.

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ARTICLE 15  
BENEFICIARIES

Section 15.01. In General. A Participant may at any time name a Beneficiary to  
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receive any benefits remaining under the Plan at the time of the Participant's  
death. A Participant may change Beneficiaries at any time.

Section 15.02. Married Participants. The Beneficiary of a married Participant  
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is generally the Participant's spouse. An election of a nonspouse Beneficiary by  
a married Participant is effective only with spousal consent. If an unmarried  
Participant becomes married (or a divorced Participant remarries), any prior  
selection of a Beneficiary by that Participant will be invalid and the  
Participant's Beneficiary will be his or her new spouse unless a different  
Beneficiary is named with spousal consent.

Section 15.03. Determining Marital Status and Spouse. A Participant will be  
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considered married if he or she is married on the date of his or her death.  
Unless otherwise provided by a Qualified Domestic Relations Order, the  
Participant's spouse will be considered to be the person he or she was married  
to at the time of his or her death.

Section 15.04. Spousal Consent. If a married Participant wishes to name  
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someone other than his or her spouse as Beneficiary, the Participant may do so  
but only with the written consent of his or her spouse.

(a) In order for the written consent to be valid:

(1) It must be witnessed by a notary public or a Plan representative;

(2) It must either designate a specific Beneficiary which designation may  
not be changed by the Participant without further spousal consent, or it must  
expressly permit the Participant to change the Beneficiary without further  
consent by the spouse; and

(3) It must acknowledge the effect of the election.

(b) Spousal consent will not be required if the Committee determines that  
there is no spouse, that the spouse cannot be located, or under other  
circumstances permitted by regulations under the Code.

(c) Any consent by a spouse (or determination that spousal consent cannot be  
obtained) is effective only with respect to that particular spouse.

Section 15.05. Explanation. The Committee must provide each Participant a  
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written explanation of:

(a) The terms and conditions of the various death benefit options;

(b) The Participant's right to make, and the effect of, an election to waive  
the spousal benefit;

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(c) The rights of the Participant's spouse under Section 15.04; and

(d) The right to make, and the effect of, a revocation of a waiver of the  
spousal benefit.

Section 15.06. Failure to Designate Beneficiary. If no Beneficiary is properly  
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named or the Beneficiary named by the Participant dies before the Participant  
and no new Beneficiary is named, the Beneficiary will be the Participant's  
surviving spouse. If there is no surviving spouse, distribution shall be made to  
the legal representative of the Participant.

Section 15.07. Death of Beneficiary. If a Beneficiary entitled to a payment  
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dies, any amount payable to the Beneficiary will be paid in a single installment  
as soon as possible to the Beneficiary's estate.

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ARTICLE 16  
OTHER RULES ON DISTRIBUTIONS

Section 16.01. Lost Payee. Each Participant shall keep the Committee informed  
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of his or her current address and the current address of his or her  
Beneficiary(ies). Neither the Committee, the Company nor the Trustee shall be  
obligated to search for the whereabouts of any person. If the location of a  
Participant is not made known to the Committee and after diligent efforts to  
ascertain the whereabouts of the Participant or Beneficiary(ies) prove  
unsuccessful, the balance in the Participant's Account shall be deemed a  
forfeiture and shall be used to reduce the Company's future contributions.  
However, any forfeited Account (without adjustment for gains or losses) will be  
paid through a special contribution by the Company if the payee is ever found  
unless it has been previously escheated to a state government.

Section 16.02. Administrative Delays. If the amount of any payment cannot be  
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determined by the date it is supposed to be paid, or if it is not possible to

make payments on time because the Committee cannot find the payee, or adequate information is not available to make the distribution, or the payee has failed to file the applicable forms with the Committee, or because of other legal, financial or administrative obstacles, payments may be made no later than 60 days after the date payment becomes possible.

Section 16.03. Facility of Payment. If the Committee deems any person entitled

to receive any payment under the Plan incapable of receiving it by reason of age, illness or infirmity, mental incompetency or incapacity of any kind, the Committee may, in its discretion, direct that payment be made in any one or more of the following manners:

- (a) applying the amount directly for the comfort, support and maintenance of the payee;
- (b) reimbursing any person for any such support supplied by any other person to the payee;
- (c) paying the amount to a legal representative or guardian or any other person selected by the Committee on behalf of the payee; or
- (d) depositing the amount in a bank account to the credit of the payee.

Section 16.04. Overpayment of Benefits. If the Plan makes an overpayment of

the amount of any benefits due any payee under the Plan, the Plan may recover the amounts either by requiring the payee to return the excess to the Plan or by reducing any future Plan payments to the Payee.

Section 16.05. Sale or Other Disposition of Business Unit. In the event a

Participant terminates employment with the Affiliated Companies because he or she works for a subsidiary, division or other entity which is sold, spunoff, or otherwise disposed of, the Participant will be considered to have a termination of employment only to the extent, consistent with IRS interpretations as determined in the sole discretion of the Committee, that the Plan would remain

qualified under sections 401(a), 401(k) and 4975(e)(7) of the Code if it treated the Participant as having a termination of employment.

Section 16.06. Direct Rollover. Notwithstanding any provision of the Plan to

the contrary, a "Distributee" may elect, at the time and in the manner prescribed by the Committee, to have any portion of an "Eligible Rollover Distribution" paid directly to an "Eligible Retirement Plan" specified by the Distributee in a "Direct Rollover". A Terminated Participant or a Retired Participant may authorize the Trustee of this Plan to transfer the entire balance to the credit of such Participant from the Trust of this Plan to the trust of any other qualified plan which permits such transfers. Any transfer would be in a form acceptable to the plan to which such distribution is being transferred subject to the terms of this Plan.

Section 16.07. Form of Distributions. In general, distributions will be made

in a single payment in cash.

- (a) The form of a Participant's interest in the Northrop Grumman Fund will be governed by the rules of the ESOP.
- (b) If a Participant or Beneficiary receives a single sum withdrawal or distribution (rather than installments), the amount in his or her Westinghouse Stock Fund will be distributed in shares of Westinghouse Stock (with cash in lieu of fractional shares). However, any such Participant or Beneficiary may elect to receive cash in lieu of shares in accordance with the rules and procedures of the Committee.

Section 17.01. In General. The general administration of the Plan is the  
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responsibility of the Administrative Committee. The Committee is the "Committee"  
under ERISA. In addition, the Committee and each of its members are "named  
fiduciaries" of the Plan under ERISA. Committee members and all other Plan  
fiduciaries may serve in more than one fiduciary capacity with respect to the  
Plan.

Section 17.02. The Committee. The Committee consists of at least three members  
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appointed by the Board of Directors of the Company who serve at the pleasure of  
the Board, without compensation, unless otherwise determined by the Board.

Section 17.03. Resignation of Committee Members. A member of the Committee may  
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resign at any time by delivering a written resignation to the Company and to the  
Secretary of the Committee. The member's resignation will be effective as of the  
date of delivery or, if later, the date specified in the notice of resignation.

Section 17.04. Conduct of Business. The Committee shall elect a Chairman from  
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among its members and a Secretary who may or may not be a member. The Committee  
shall conduct its business according to the provisions of this Article and shall  
hold meetings in any convenient location.

Section 17.05. Quorum. A majority of all of the members of the Committee  
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constitutes a quorum and has power to act for the entire Committee.

Section 17.06. Voting. All actions taken shall be by majority vote of the  
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members attending a meeting, whether physically present or through remote  
communications. In addition, actions may be taken by written consent without a  
meeting. The agreement or disagreement of any member may be by means of any form  
of written or oral communications.

Section 17.07. Records and Reports of the Committee. The Committee shall keep  
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such written records as it shall deem necessary or proper, which records shall  
be open to inspection by the Board of Directors of Northrop Grumman.

Section 17.08. Powers of the Committee. The Committee shall have all powers  
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necessary or incident to its office as Committee. Such powers include, but are  
not limited to, full discretionary authority to:

- (a) Prescribe rules for the operation of the Plan;
- (b) Determine eligibility;
- (c) Comply with the requirements of reporting and disclosure under ERISA and  
any other applicable law and to prepare and distribute other communications to  
employees as part of plan operations;
- (d) Prescribe forms to facilitate the operation of the Plan;
- (e) Secure government approvals for the Plan;
- (f) Construe and interpret the terms of the Plan, including the power to  
remedy possible ambiguities, inconsistencies or omissions;
- (g) Determine the amount of benefits and authorize payments from the Trust  
Fund;
- (h) Maintain records;
- (i) Litigate, settle claims, and respond to and comply with court proceedings  
and orders on the Plan's behalf;
- (j) Enter into contracts on the Plan's behalf; and

(k) Exercise all other powers given to the Committee under other Sections of the Plan.

Section 17.09. Allocation or Delegation of Duties and Responsibilities. The  
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Committee and the Board of Directors may:

- (a) Employ agents to carry out nonfiduciary responsibilities;
- (b) Employ agents to carry out fiduciary responsibilities (other than trustee responsibilities as defined in section 405(c)(3) of ERISA) under the rules of Section 17.10;
- (c) Consult with counsel, who may be of counsel to the Company;
- (d) Provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in section 405(c)(3) of ERISA) among their members under the rules of Section 17.10; and
- (e) In particular, designate one or more Employees to have responsibility for designing and implementing administrative procedures for the Plan.

Section 17.10. Procedure for the Allocation or Delegation of Fiduciary Duties.  
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The rules of this Section are:

- (a) Any allocation or delegation of fiduciary responsibilities must be approved by majority vote, in a resolution approved by the majority;
- (b) The vote cast by each member for or against the adoption of such resolution must be recorded and made a part of the written record of the proceedings;
- (c) Any delegation or allocation of fiduciary responsibilities may be changed or ended only under the rules of (a) and (b) of this Section.

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Section 17.11. Expenses of the Plan. All reasonable and proper expenses of  
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administration of the Trust Fund including counsel fees will be withdrawn by the Trustee out of the Trust Fund unless paid by the Company.

(a) No expenses may be withdrawn without the consent of the Committee. The Committee may authorize the Trustee to withdraw particular expenses or kinds of expenses on a standing basis.

(b) The Company may initially pay any expense that normally would be a charge on the Trust Fund and later obtain reimbursement from the Trust Fund.

(1) This even applies in cases where at the time of the Company's initial payment of the expense, it is not clear that the Company may lawfully seek reimbursement from the Trust Fund but the Company's legal right to reimbursement is later clarified.

(2) It is specifically anticipated that there may be situations, such as litigation, where the Company might choose to bear costs initially, but later obtain reimbursement many years after the costs were incurred. Such delayed reimbursements shall be permissible.

Section 17.12. Indemnification. The Company agrees to indemnify and reimburse,  
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to the fullest extent permitted by law, members of the Board, the Committee and Employees acting for the Company, as well as former members and former Employees, for any and all expenses, liabilities, or losses arising out of any act or omission relating to the rendition of services for or the management and administration of the Plan, except in instances of gross misconduct.

Section 17.13. Extensions of Time Periods. For good cause shown, the Committee  
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may extend any period set forth in the Plan for taking any action required of any Participant or Beneficiary to the extent permitted by law.

Section 17.14. Claims Procedures. No benefits will be paid under the Plan

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unless a proper claim is submitted to the Committee for them. The Committee will meet at least monthly to review applications for benefits submitted to it. The procedures for claims denials and seeking review of a denial or partial denial of a claim for benefits are described in this Section.

(a) Notification to claimant of decision. Notice of decision on any claim for benefits shall be furnished to the claimant within 60 days after receipt of the claim by the Committee. A claimant may deem his or her or her claim to be denied for purposes of further review described below in the event a decision is not furnished to the claimant within such 60-day period.

(b) Content of notice. Every claimant who is denied a claim for benefits in whole or in part shall receive a written notice setting forth in a manner calculated to be understood by the claimant:

(1) The specific reason or reasons for the denial;

(2) Specific reference to pertinent plan provisions on which the denial is based;

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(3) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(4) Appropriate information as to the steps to be taken if the Participant or Beneficiary wishes to submit his or her or her claim for review including the time limits set forth in subsection (e) and (f).

(c) Review procedure. A claimant whose claim has been denied in whole or in part or his or her duly authorized representative may:

(1) Request a review of the denied claim upon written application to the Committee setting forth:

(A) All of the grounds upon which his or her request for review is based and any facts in support of his or her or her request, and

(B) Any issues or comments which the applicant deems pertinent to his or her application; and

(2) Review pertinent documents.

(d) Hearings. In appropriate cases, the Committee may provide for a hearing to be conducted with respect to the review of any claim. In such event, the Committee shall give notice of such hearing to the claimant affected, as well as the procedures for the hearing, such as the length of the hearing, whether witnesses may be presented, whether cross-examination will be allowed and any other matters which the Committee considers pertinent.

(e) Time For Seeking Review. A claimant may seek review of a denied claim within 65 days after receipt by the claimant of written notification of the denial or partial denial of the claim. Under extraordinary circumstances, the plan may extend this time period.

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(f) Decision on review.

(1) A decision by the Committee shall be made promptly, and shall not ordinarily be made later than 60 days after the Committee's receipt of a request for review.

(2) The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan or other documents governing the Plan on which the decision is based.

(3) The decision on review shall be furnished to the claimant within the appropriate time described in paragraph (1) of this subsection. If the decision on review is not furnished within such time, the claim shall be

deemed denied on review.

(4) The decision of the Committee on any application for benefits shall be final and conclusive upon all persons if supported by substantial evidence in the record.

(g) Disclosure of Claim Procedures. All Plan participants will be given a description of the claims procedures, which shall include a description of the time limits set forth in (a), (e) and (f), within a reasonable time after joining the Plan.

Section 17.15. Qualified Domestic Relations Orders. The Committee shall  
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establish procedures for handling domestic relations orders.

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ARTICLE 18  
MANAGEMENT OF FUNDS

Section 18.01. The Trust. All assets of the Plan shall be held as a special  
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trust in accordance with the terms of the Trust Agreement for the benefit of Participants and their beneficiaries; and subject to Article 22 hereof, in no event shall it be possible at any time prior to the satisfaction of all liabilities (as defined in Code section 401(a)(2)) with respect to such individuals for any part of the assets of the Plan to be used for or diverted to purposes other than for the exclusive benefit of Participants or their beneficiaries. No person shall have any interest in, or right to, any of such assets or earnings thereon except as expressly provided in the Plan and the Trust Agreement. The Trust Agreement shall be deemed to form a part of this Plan and all rights and benefits that may accrue to any person under this Plan shall be subject to all the terms and provisions of the Trust Agreement.

Section 18.02. The Trustee. The Trustee shall be appointed by the Board of  
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Directors in accordance with the respective provisions of the Trust Agreement with such powers as may be provided in such agreement. The Board of Directors may remove the Trustee at any time upon reasonable notice; upon removal or resignation of such Trustee, the Board of Directors shall designate a successor in the place and stead of such removed or resigning Trustee.

Section 18.03. The Investment Committee. The Investment Committee shall  
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consist of not less than three (3) persons appointed from time to time by, and to serve at the pleasure of, the Board of Directors. The members of the Investment Committee shall elect one of their number as Chairman and shall appoint a Secretary and such other officers as the Investment Committee may deem necessary. The Investment Committee may employ such counsel, including investment counsel, as it may require in carrying out the provisions hereof.

Section 18.04. Alternate Members. The Board of Directors may from time to time  
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appoint one or more persons as alternate members of the Investment Committee to serve in the absence of members of the Investment Committee, in the manner hereinafter stated, with the same effect as if they were members. The Chairman of the Investment Committee, in his or her discretion, shall designate which of the alternate members shall attend any particular meeting of the Investment Committee for the purpose of obtaining a quorum or full attendance as the Chairman may elect, upon notice given by the Chairman or at his or her direction. Each alternate member shall have all the rights and powers and obligations of a member in respect to the business of meetings which he or she so attends.

Section 18.05. Actions by the Investment Committee. The majority in number of  
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the members of the Investment Committee at the time in office, represented at a meeting by members or alternate members or both, shall constitute a quorum for the transaction of business. Any determination or action of the Investment Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members then in office.

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Section 18.06. Investment Responsibilities.

(a) The Trustee shall have exclusive authority and discretion to manage, control, purchase, sell, and invest the assets of the Plan, unless one or more Investment Managers are appointed, as provided below in this Section.

(b) The Board of Directors may, in its discretion, appoint one or more Investment Managers who shall have, until terminated by the Board of Directors, the power to manage, acquire, and dispose of all or any part of the assets of the Plan allocated to an Investment Manager by the Board of Directors. Each Investment Manager (other than the Investment Committee) must represent in writing that it qualifies under the provisions of section 3(38)(B) of ERISA of 1974, as from time to time amended, and acknowledge in writing that it is a fiduciary with respect to the Plan. In that event, the Trustee shall have no obligation to invest or otherwise manage any asset of the Plan which is subject to the management of an Investment Manager.

(c) In the event that investment powers are divided among two or more Trustees or Investment Managers, the Board of Directors shall formulate investment policies for such Trustees and Investment Managers to diversify the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

(d) The Investment Committee shall periodically review and evaluate the investment performance of each Trustee and Investment Manager and advise the Board of Directors of such review and evaluation. The Board of Directors may delegate to the Investment Committee the responsibility to appoint and terminate Trustees and Investment Managers to allocate Plan assets, to formulate investment policies, and to instruct the Trustee or Investment Manager with respect thereto. In case of such a delegation, the Investment Committee may also appoint itself to serve as an Investment Manager.

(e) The Investment Committee will establish a funding policy and method to carry out the Plan's objectives and will communicate it in writing to those responsible for the investment of Plan assets.

Section 18.07. Liability and Indemnity.

(a) No person, Committee member, Investment Committee member, Trustee, or Investment Manager who has a fiduciary responsibility, or to whom such responsibility is allocated, as provided in this Article, by appointment or otherwise, shall be liable for any act or omission or investment policy of any other such fiduciary except as provided in section 405 of the Act.

(b) To the extent permitted by law, the Employers shall indemnify and hold harmless its directors, officers, and Employees with respect to their responsibilities under this Article, and may purchase insurance to cover the liabilities of such persons for breach of fiduciary duty and any other error or omission.

ARTICLE 19  
THE TRUST AND THE TRUSTEE

Section 19.01. In General. To provide for the administration of the Trust

Fund, the Company shall enter into a Trust Agreement with a Trustee appointed by the Board of Directors or its delegate.

(a) On and after the date of a Change in Control, any successor trustee so appointed must be an independent institutional trustee.

(b) The Trust Agreement shall be in such form and contain such provisions as the Company may deem appropriate, including, but not limited to, provisions with respect to the powers and authority of the Trustee, the authority of the Company to amend the Trust Agreement and to terminate the Trust Fund, the authority of the Company and the Committee to settle the accounts of the Trustee on behalf of all persons having an interest in the Trust Fund, a provision that it shall be impossible for any part of the corpus or income of the Trust Fund to be (within the taxable year or thereafter) used for or diverted to purposes other than for

the exclusive benefit of Participants or their beneficiaries, except as provided in Article 22 or as may be permitted by law.

(c) The Trust Agreement shall be deemed to form a part of this Plan and all rights and benefits that may accrue to any person under this Plan shall be subject to all the terms and provisions of the Trust Agreement.

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ARTICLE 20  
AMENDMENT AND TERMINATION

Section 20.01. Right to Amend the Plan. The Company by written resolution of  
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the Board may amend the Plan at any time and in any respect.

(a) The Committee through written resolution may amend the Plan to the extent necessary to keep the Plan in compliance with law, to make clarifying changes, to correct drafting errors and otherwise conform the Plan documents to the Company's intent, and with respect to administrative, procedural and technical matters including service-counting methods, benefit calculation procedures, distribution forms and timing, elections, waivers, notices, forms, and other ministerial matters, and management of funds.

(b) However, any amendments contemplated by the Committee that may have a significant adverse financial impact for the Company must be referred to the Board of Directors for approval.

Section 20.02. Termination or Reduction. The Plan is entirely voluntary on the  
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part of the Company.

(a) The Company reserves the right at any time to terminate the Plan or to suspend, reduce or partially or completely discontinue contributions to the Plan through written resolution of the Board.

(b) In the event of a termination of or a complete discontinuance of contributions to the Plan (as defined under section 411(d)(3) of the Code), the interests of all Participants in their Accounts are fully vested and nonforfeitable.

(c) Distributions may be made only in the event of a complete termination of the Plan and only to the extent permitted by the tax rules governing the Plan.

(d) This section does not apply to partial terminations.

Section 20.03. Partial Terminations. The Company reserves the right at any  
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time to partially terminate the Plan through written resolution of the Board.

(a) In the event of a partial termination of the Plan (as defined under section 411(d)(3) of the Code), the rights of Participants affected by the partial termination shall automatically become fully vested but only to the extent required by statute and regulation.

(b) In the event of a horizontal partial termination, only that portion of a Participant's benefit (if any) which is affected by the horizontal partial termination will become vested.

(c) No amounts will be distributed on account of a partial termination.

(d) Nothing in this Plan is intended to give any rights greater than those required by statute or regulation with respect to partial terminations.

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Section 20.04. Change in Control. Notwithstanding the foregoing paragraphs of  
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this Article, in the event of a Change in Control, as defined in Appendix E:

(a) the Plan may not be amended, modified or terminated (wholly or partially) so as to adversely affect the rights of Participants, and

(b) the contributions of the Employer under the Plan may not be discontinued and the formula by which the amount of contributions of the Employer is determined may not be changed in a manner adverse to Participants, for a period of 24 months following such Change in Control.

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ARTICLE 21  
MERGERS

Section 21.01. Merger of Plans. If the Plan shall merge or consolidate with,  
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or transfer its assets or liabilities to, any other plan, then, to the extent required by ERISA, each Participant shall be entitled to receive a benefit immediately after such merger, consolidation or transfer (assuming that the Plan had then terminated) which is equal to or greater than the benefit which he or she would have been entitled to receive immediately before such merger, consolidation or transfer (assuming that the Plan had then terminated).

(a) This Section is intended only to implement sections 401(a)(12) and 414(l) of the Code and section 208 of ERISA and shall not be construed to require anything more than those statutes require.

(b) In particular, a merger or transfer under this Section shall not be deemed to require any act or change in status that would be required by an actual termination, such as liquidation of the Trust Fund.

(c) This Section is also not intended to guarantee Accounts at the level they were at immediately prior to a merger or transfer. Accounts may decrease in value following a merger or transfer just as in the ordinary course and the risk of any such decreases remains on the Participants.

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ARTICLE 22  
RETURN OF CONTRIBUTIONS

Section 22.01. In General. Unless one of the exceptions in the next Section  
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applies, ERISA requires that the Trust Fund must be used for the exclusive benefit of Participants and their beneficiaries and to pay reasonable Plan expenses.

Section 22.02. Exceptions. In the case any contribution is made:  
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(a) by a mistake of fact, or

(b) which is made conditioned on its deductibility (all contributions are conditioned on their deductibility) and which is not currently deductible under section 404 of the Code, or

(c) which is made pending initial qualification of the Plan and the Plan fails to receive initial qualification,

the contribution shall be returned to the Company within one year after the date of payment by mistake or the date of disallowance or the date of the nonqualification determination, whichever applies.

Section 22.03. Amount to be Returned. The amount of the contribution which may  
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be returned under the previous Section is:

(a) the excess of the amount contributed over the amount that would have been contributed if there had been no mistake of fact or a mistake in determining the deduction or a plan in existence, as applicable, reduced by

(b) the amount of losses, if any, attributable to the amount determined in (a).

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ARTICLE 23

MISCELLANEOUS

Section 23.01. Headings. The headings and subheadings in this Plan have been  
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inserted for convenience of reference only. In the event of a conflict between a  
heading and the content of a section, the content of the section shall control.

Section 23.02. Construction. Except to the extent preempted by federal law  
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pursuant to ERISA, this Plan shall be construed in accordance with the laws of  
the State of California.

Section 23.03. No Employment Rights. Nothing in this Plan shall be deemed to  
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confer upon any Employee any right to be retained in the service of the  
Affiliated Companies or to interfere with the right of the Affiliated Companies  
to otherwise deal with their Employees without regard to the existence of the  
Plan.

Section 23.04. Limitation to Trust Fund. The Affiliated Companies shall have  
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no liability for benefits under the Plan beyond the contributions required by  
the terms of the Plan. Nothing in the Plan shall be deemed to give any  
Participant or Beneficiary any right to assets of the Affiliated Companies and  
all Plan benefits shall be limited to the amounts in the Trust Fund. The  
Affiliated Companies, the Committee and the Investment Committee do not  
guarantee the Trust Fund in any manner against loss or depreciation and do not  
guarantee the payment of any benefit which may become due under the Plan.

Section 23.05. Separability. If any provision of the Plan shall be held  
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invalid or unenforceable, such invalidity or unenforceability shall not affect  
any other provision of the Plan, and the Plan shall be construed and enforced as  
if such provision had not been included.

Section 23.06. Top Heavy Rules. The Plan shall be subject to the top heavy  
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provisions of Appendix B in the event that the Plan should ever become top-  
heavy.

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APPENDIX A  
SECTION 415 LIMITS

Section A.01. In General. Annual additions under this Plan will be subject to  
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the limitations of section 415 of the Code and its regulations, which are  
incorporated here by reference.

Section A.02. Reductions Among Defined Contribution Plans. For Participants  
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participating in more than one defined contribution plan, any reductions  
required by section 415 will be made first with respect to the plan in which the  
Participant most recently accrued benefits. Any further reductions will be made  
according to priorities established by the Committee and the administrators of  
the other plans.

Section A.03. Reductions Under the Overall Limit. For Participants subject to  
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the overall limit for contributions and benefits under both defined contribution  
and defined benefit plans, reductions will be made under defined benefit plans  
rather than defined contribution plans. The defined benefit reductions will be  
made as set forth in those plans.

Section A.04. Treatment of Excesses. Amounts under this Plan which are in  
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excess of the section 415 limits will be treated as follows:

(a) First, Supplemental Contributions and earnings allocable to them will be  
returned to the Participant.

(b) If any excess still remains, and the Participant is still covered by the  
Plan at the end of the Plan Year, the remaining excess will be placed in a

suspense account and allocated to the Participant in the following Plan Year or Years in addition to Company contributions and forfeitures which would otherwise be allocated to the Participant.

(c) If any excess still remains, and the Participant is not covered by the Plan at the end of the Plan Year, the excess amount will be placed in a suspense account and allocated to other Participants in the following Plan Year or Years, reducing dollar-for-dollar the Company contributions and forfeitures that would otherwise be allocated to them.

(d) Amounts in the suspense account will not be credited with any earnings or losses. If the Plan is terminated, a special allocation of any amounts in a suspense account will be made to all Participants employed as of the termination date in proportion to their Compensation to date for the Plan Year, subject to the section 415 limitations. Any amount which cannot be allocated at Plan termination will revert to the Company.

Section A.05. Compensation. For purposes of the section 415 limitations,

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Compensation shall include, with respect to a Limitation Year--

(a) Amounts actually paid or made available by the Special Aggregation Group in the Limitation Year to an employee (regardless of whether he or she or she was a participant in a plan during the entire Limitation Year);

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(1) As wages, salaries, fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Special Aggregation Group including, but not limited to, commissions paid to salespeople, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses.

(2) Foreign earned income (as defined in Code section 911(b)), whether or not excludable from gross income under Code section 911.

(3) Amounts described in Code sections 104(a)(3), 105(a) and 105(h) but only to the extent that these amounts are includable in the gross income of the employee.

(4) Amounts paid or reimbursed by the Special Aggregation Group for moving expenses incurred by the employee, but only to the extent that these amounts are not deductible by the employee under Code section 217.

(5) The value of a nonqualified stock option granted to the employee by the Special Aggregation Group, but only to the extent that the value of the option is includable in the gross income of the employee for the taxable year in which granted.

(6) The amount includable in the gross income of a participant upon making the election described in Code section 83(b).

(7) Any amounts received by the employee pursuant to an unfunded nonqualified plan in the year such amounts are includable in the gross income of the employee.

(b) Compensation does not include--

(1) Contributions made by the Special Aggregation Group to a plan of deferred compensation to the extent that, before the application of the Code section 415 limitations to that plan, the contributions are not includable in the gross income of the employee for the taxable year in which contributed.

(2) Elective deferrals by an employee under a cash or deferred arrangement qualified under section 401(k) or 408(k)(6) of the Code.

(3) Contributions made by an employer (whether or not under a salary reduction agreement) towards the purchase of an annuity contract described in section 403(b) (whether or not the contributions are excludable from the gross income of the employee).

(4) Employer contributions made on behalf of an employee to a simplified employee pension described in section 408(k) for the taxable year in which contributed to the extent such contributions are excludable by the employee

under Code section 402(h).

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(5) Any distributions from a plan of deferred compensation, regardless of whether such amounts are includable in the gross income of the employee when distributed (except as provided in (a)(7) above).

(6) Amounts realized from the exercise of a nonqualified stock option.

(7) Amounts realized when restricted stock (or property) held by the employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture (see Code section 83 and the regulations thereunder).

(8) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option.

(9) Premiums for group term life insurance (but only to the extent that the premiums are not includable in the gross income of the employee).

(10) Other amounts which receive special tax benefits.

Section A.06. Annual Additions. Annual additions are, for any Limitation Year,  
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(a) the sum, credited to a participant for such Limitation Year under plans of the Special Aggregation Group, of:

(1) employer contributions allocated to an account,

(2) employee contributions,

(3) forfeitures allocated to an account,

(4) contributions to individual medical accounts described in Code section 415(l)(1),

(5) contributions to individual medical accounts described in Code section 419A(d)(2).

(b) Amounts under (a)(1)-(4) shall include any such amounts whether under a qualified defined contribution or defined benefit plan.

(c) For purposes of this Section, "employee contributions" do not include:

(1) Rollover contributions;

(2) Loan repayments;

(3) Buyback repayments under Code section 411(a)(3)(D) or 411(a)(7)(C);  
or

(4) Direct transfers of employee contributions from one qualified plan to another.

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#### APPENDIX B TOP HEAVY PROVISIONS

Section B.01. Generally. The provisions of this Appendix only apply if the  
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Plan becomes Top-Heavy. The rules in this Appendix are intended to conform to section 416 of the Code.

Section B.02. Vesting. Effective January 1, 1991, if the Plan becomes Top-  
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Heavy, it shall have no effect on vesting.

Section B.03. Eligibility for Required Contributions. For any Plan Year in  
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which the Plan is Top Heavy, the required contributions described in Section

B.04 shall be provided under this Plan to any Employee who meets the requirements of (a) and (b):

(a) The Employee is not a Key Employee.

(b) The Employee has previously become a participant in the Plan and has not separated from service by the end of the Plan Year, with the determination of whether or not an Employee is a participant for purposes of this Section to be made without regard to whether or not the Employee:

(1) failed to complete 1000 Hours of Service during the Plan Year;

(2) would otherwise be excluded from participation (or receive no contributions or less than a full contribution) because of a failure to make mandatory Employee contributions (or elective deferrals); or

(3) would otherwise be excluded from participation (or receive no contributions or less than a full contribution) because his or her or her earnings are less than a stated amount.

Section B.04. Required Contribution. The required contribution under this  
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Section shall be:

(a) An employer contribution equal to the employer contribution to be provided under this Plan without regard to the provisions of this Appendix, increased by the Top-Heavy Minimum under Section B.05 or B.06, whichever applies.

(b) For purposes of this Appendix, references to "employer contributions" shall include amounts attributable to forfeitures but shall not include amounts attributable to a salary reduction or similar arrangement.

Section B.05. Top-Heavy Minimum. Unless Section B.06 applies, the Top-Heavy  
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Minimum shall be determined under (a) as modified by (b), when applicable, reduced by (c):

(a) The amount of the minimum employer contribution shall be the lesser of the following percentages of Compensation:

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(1) Three percent, or

(2) The highest percentage at which employer contributions are made under the Plan for the Plan Year on behalf of a Key Employee.

(A) For purposes of this paragraph (2), all defined contribution plans required to be included in an Aggregation Group shall be treated as one plan.

(B) This paragraph (2) shall not apply if the Plan is required to be included in an Aggregation Group and the Plan enables a defined benefit plan required to be included in the Aggregation Group to meet the requirements of sections 401(a)(4) or 410 of the Code.

(C) For purposes of this paragraph (2), the calculation of the percentage at which contributions are made for a Key Employee shall be based only on his or her or her Compensation.

(b) For any Plan Year in which the conditions in (1) and (2) below are met, "Four percent" shall be substituted for "Three percent" in (a)(1). The conditions are:

(1) For the Plan Year in question, the Plan must be Top-Heavy but not Super Top-Heavy, and

(2) The Plan Year must overlap any Limitation Year in which a Key Employee who participates in any plan in the Aggregation Group would (after all appropriate adjustments allowed by statute and regulation) exceed the limitations on contributions and benefits under section 415 of the Code if the dollar limitations in the defined benefit plan fraction and the defined contribution plan fraction under Code section 415(e) are multiplied by 1.0 rather than 1.25.

(c) The Top-Heavy Minimum of this Section shall be reduced by the amount of Nonintegrated employer contributions otherwise made on the Employee's behalf under this Plan and all other defined contribution plans of the Affiliated Companies.

Section B.06. Participants Under Defined Benefit Plans. For any Plan Year in

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which the Plan is Top-Heavy, if any Employee for whom a contribution is required under the provisions of Section B.03 with respect to such Plan Year would also be eligible for a top-heavy minimum benefit for a corresponding plan year (as defined in (d)) under a defined benefit plan of the Affiliated Companies (prior to the application of the provisions of this Section), then:

(a) This Section rather than Section B.05 shall apply as to such Employee for such Plan Year, and

(b) The Top-Heavy Minimum shall be a Nonintegrated employer contribution for such Employee for such Plan Year, equal to 5% (7-1/2% if the conditions in Section B.05(b)(1) and (2) are met) of such Employee's Compensation (without regard to profits and without regard to the amount of contributions, if any, made to defined contribution plans on behalf of Key Employees).

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(c) The Top-Heavy Minimum in (b) shall be reduced by the amount of Nonintegrated employer contributions otherwise made on the Employee's behalf under this Plan and all other defined contribution plans of the Affiliated Companies.

(d) The corresponding plan year shall be determined as follows:

(1) Ascertain the Determination Date for this Plan utilized to determine that this Plan is Top-Heavy for the relevant year.

(2) Next ascertain the Determination Date for the defined benefit plan which was aggregated with the Determination Date in (d)(1) under the provisions of Section B.12(i).

(3) The corresponding plan year for the defined benefit plan shall be the plan year for which the defined contribution plan was determined to be Top-Heavy on the basis of the Determination Date ascertained in (d)(2).

Section B.07. Super Top-Heavy Plans. For any Plan Year in which the Plan is

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Super Top-Heavy, then (a) or (b) shall apply as applicable:

(a) Except as provided in (b), for purposes of the limitations on contributions and benefits under section 415 of the Code, for any Limitation Year overlapping a Plan Year in which the Plan is Super Top-Heavy, the dollar limitations in the defined benefit plan fraction and the defined contribution plan fraction under Code section 415(e) (after all appropriate adjustments allowed by statute and regulation) shall be multiplied by 1.0 rather than 1.25.

(b) If the application of (a) would cause an individual to exceed the combined section 415 limitations on contributions and benefits under Code section 415(e), then the application of (a) shall be suspended as to such individual until such time as he or she or she no longer exceeds the combined section 415 limitations as modified by (a). During the period of such suspension, there shall be no employer contributions, forfeitures or voluntary Employee nondeductible contributions allocated to such individual under any defined contribution plan of the Affiliated Companies and there shall be no accruals for such individual under any defined benefit plan of the Affiliated Companies.

Section B.08. Leased Employees. For purposes of this Appendix, Leased

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Employees are not considered "Employees" unless they are eligible to participate under the terms of the Plan.

Section B.09. Determination of Top Heaviness. The determination of whether a

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plan is Top-Heavy is made as follows:

(a) If the Plan is not required to be included in an Aggregation Group with



other plans, then it is Top-Heavy only if:

(1) when considered by itself it is a Top-Heavy Plan and

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(2) it is not included in a permissive Aggregation Group that is not a Top-Heavy Group.

(b) If the Plan is required to be included in an Aggregation Group with other plans, it is Top-Heavy only if the Aggregation Group, including any permissively aggregated plans, is Top-Heavy.

(c) If a plan is not a Top-Heavy Plan and is not required to be included in an Aggregation Group, then it is not Top-Heavy even if it is permissively aggregated in an Aggregation Group which is a Top-Heavy Group.

(d) For purposes of this Appendix, except where otherwise indicated, a reference to a plan being Top-Heavy is meant to include a plan which is Top-Heavy or Super Top-Heavy.

Section B.10. Determination of Super Top Heaviness. The determination of

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whether a plan is Super Top-Heavy is made in the same manner as the determination for Top-Heaviness under the provisions of Sections B.09 and B.11, but substituting "90%" for "60%" in the ratio test in Section B.11.

Section B.11. Calculation of Top-Heavy Ratios. A plan is Top-Heavy and an

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Aggregation Group is a Top-Heavy Group with respect to any plan year if the sum as of the Determination Dates of the Cumulative Accrued Benefits and the Cumulative Accounts of Special Members who are Key Employees for the plan year exceeds 60% of a similar sum determined for all Special Members, excluding Cumulative Accrued Benefits and Cumulative Accounts of former Key Employees from the calculations entirely.

Section B.12. Cumulative Accounts and Cumulative Accrued Benefits. The

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Cumulative Accounts and Cumulative Accrued Benefits for any Employee are determined as follows:

(a) "Cumulative Account" means the sum of the amounts of a Special Member's accounts under a defined contribution plan (for an unaggregated plan) or under all defined contribution plans included in an Aggregation Group (for aggregated plans) determined as of the most recent plan valuation date within a 12-month period ending on the Determination Date, increased by:

(1) For plans not subject to the minimum funding requirements of Code section 412, except for the first plan year, amounts actually contributed after the valuation date and on or before the Determination Date.

(2) For plans not subject to the minimum funding requirements of Code section 412, for the first plan year, the contributions referred to in (1) as well as amounts contributed after the Determination Date but allocated as of a date within the first plan year.

(3) For plans subject to the minimum funding requirements of Code section 412, amounts that would be allocated as of a date after the valuation date but no later than

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the Determination Date (even though not then required to be contributed) and amounts contributed or due before the expiration of the 412(c)(10) extended payment period.

(b) "Cumulative Accrued Benefit" means the sum of the present value of a Special Member's accrued benefits under a defined benefit plan (for an unaggregated plan) or under all defined benefit plans included in an Aggregation Group (for aggregated plans), determined under the actuarial assumptions set forth in such plan or plans, as of the most recent plan valuation date within a 12-month period ending on the Determination Date as if the participant voluntarily terminated service--

(1) as of the Determination Date, for the first plan year of the plan, or

(2) for any other plan year, as of the most recent valuation date within the 12-month period ending on the Determination Date, or

(3) if earlier, the participant's actual termination date.

The valuation date used must be the same valuation date used for computing costs for minimum funding purposes, regardless of whether a valuation is performed for the year.

(c) Accounts and benefits are calculated to include all amounts attributable to both employer and Employee contributions and forfeitures but excluding amounts attributable to voluntary deductible Employee contributions.

(d) Accounts and benefits are increased by the aggregate distributions (except for amounts already included at the valuation date under (a) and (b)) during the Test Period made with respect to a Special Member under the plan or plans as the case may be or under a terminated plan which, if it had not been terminated, would have been required to be included in the Aggregation Group.

(e) Rollovers and direct plan-to-plan transfers are treated as follows:

(1) If the transfer is initiated by the Special Member and made from a plan maintained by an employer not a member of the Affiliated Companies to a plan maintained by the Affiliated Companies, or vice-versa, the transferring plan continues to count the amount transferred under the rules for counting distributions. The receiving plan does not count the amount if accepted after December 31, 1983, but does count it if accepted prior to January 1, 1984.

(2) If the transfer is not initiated by the Special Member or is made between plans maintained by the Affiliated Companies, the transferring plan no longer counts the amount transferred and the receiving plan does count the amount transferred.

(f) For plan years beginning after December 31, 1984, the accrued benefits and accounts attributable to any Employee who has not performed services for the Affiliated Companies at any time during the Test Period are not taken into account.

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(g) Benefits paid on account of death are counted as distributions only to the extent they do not exceed the present value of accrued benefits existing immediately prior to death. For life insurance under defined contribution plans, only the cash value of life insurance policies distributed on account of death will be counted as a distribution.

(h) Solely for the purpose of determining if the Plan, or any other plan included in a required Aggregation Group of which this Plan is a part, is Top-Heavy, the accrued benefit of a Special Member other than a Key Employee shall be determined under:

(1) The method, if any, that uniformly applies for accrual purposes under all plans maintained by the Affiliated Companies, or

(2) If there is no such method, as is described in (1), as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rule of section 411(b)(1)(C) of the Code.

(i) Calculations are made separately for each plan as of each plan's Determination Date and then all plans are combined by utilizing the Determination Dates for such plans that fall within the same calendar year.

Section B.13. Other Definitions. For purposes of this Appendix, the  
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definitions in Sections B.14-B.24 apply.

Section B.14. Affiliated Companies. The Company and any entity which is or  
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which is a part of an entity which is:

(a) a member of a controlled group of corporations (within the meaning of

section 414(b) of the Code) with the Company,

(b) under common control (within the meaning of section 414(c) of the Code) with the Company,

(c) a member of an affiliated service group (within the meaning of section 414(m) of the Code) with the Company, or

(d) otherwise required to be aggregated with the Company pursuant to regulations under section 414(o) of the Code.

Section B.15. Aggregation Group. For any Determination Date, the Aggregation

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Group includes a plan or group of plans qualified under sections 401(a), 403(a) or 408(k) of the Code maintained by the Affiliated Companies (including plans which have terminated within the Test Period) which:

(a) during the Test Period had a Key Employee participant, or

(b) during the Test Period enabled any plan in which a Key Employee was a participant to meet the requirements of Code section 401(a)(4) or Code section 410, or

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(c) were selected by the Company for permissive aggregation (as long as inclusion of the permissive plans would not prevent the entire group of plans from continuing to meet the requirements of Code sections 401(a)(4) or 410).

Section B.16. Compensation. Compensation shall include, with respect to a

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Limitation Year--

(a) Amounts actually paid or made available by the Special Aggregation Group in the Limitation Year to an Employee (regardless of whether he or she or she was a participant in a plan during the entire Limitation Year);

(1) As wages, salaries, fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Special Aggregation Group including, but not limited to, commissions paid to salespeople, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses.

(2) Foreign earned income (as defined in Code section 911(b)), whether or not excludable from gross income under Code section 911.

(3) Amounts described in Code sections 104(a)(3), 105(a) and 105(h) but only to the extent that these amounts are includable in the gross income of the Employee.

(4) Amounts paid or reimbursed by the Special Aggregation Group for moving expenses incurred by the Employee, but only to the extent that these amounts are not deductible by the Employee under Code section 217.

(5) The value of a nonqualified stock option granted to the Employee by the Special Aggregation Group, but only to the extent that the value of the option is includable in the gross income of the Employee for the taxable year in which granted.

(6) The amount includable in the gross income of a participant upon making the election described in Code section 83(b).

(7) Any amounts received by the Employee pursuant to an unfunded nonqualified plan in the year such amounts are includable in the gross income of the Employee.

(b) Compensation does not include -

(1) Contributions made by the Special Aggregation Group to a plan of deferred compensation to the extent that, before the application of the Code section 415 limitations to that plan, the contributions are not includable in the gross income of the Employee for the taxable year in which contributed.

(2) Elective deferrals by an Employee under a cash or deferred

arrangement qualified under section 401(k) or 408(k) (6) of the Code.

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(3) Contributions made by an employer (whether or not under a salary reduction agreement) towards the purchase of an annuity contract described in section 403(b) (whether or not the contributions are excludable from the gross income of the Employee).

(4) Employer contributions made on behalf of an Employee to a simplified Employee pension described in section 408(k) for the taxable year in which contributed to the extent such contributions are excludable by the Employee under Code section 402(h).

(5) Any distributions from a plan of deferred compensation, regardless of whether such amounts are includable in the gross income of the Employee when distributed (except as provided in (a) (7) above).

(6) Amounts realized from the exercise of a nonqualified stock option.

(7) Amounts realized when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture (see Code section 83 and the regulations thereunder).

(8) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option.

(9) Premiums for group term life insurance (but only to the extent that the premiums are not includable in the gross income of the Employee).

(10) Other amounts which receive special tax benefits.

Section B.17. Determination Date. With respect to a plan for any plan year,  
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(a) the last day of the preceding plan year, or

(b) in the case of the first plan year of the plan, the last day of the plan year.

Section B.18. Hour of Service. An Hour of Service will be determined with  
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Article 8.

Section B.19. Key Employee. Any Special Member who is or was, at any time  
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during the Test Period, any one or more of the following:

(a) A person who in the same plan year was both an officer of any member of the Affiliated Companies and had annual Compensation with respect to such plan year greater than 50% of the amount in effect under section 415(b) (1) (A) for the calendar year in which the plan year ends. The maximum number of officers shall be the lesser of:

(1) Fifty or,

(2) The greater of (A) three or (B) 10 percent (rounded to the next highest integer) of the greatest number of Employees who performed services for the Affiliated

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Companies in any year in the Test Period. The following Employees are excluded in determining the number of Employees:

(A) Employees who have not completed 6 months of service;

(B) Employees who normally work less than 17-1/2 hours per week;

(C) Employees who normally work during not more than 6 months during any year;

(D) Employees who have not attained age 21;

(E) Employees who are nonresident aliens and who receive no earned income (within the meaning of section 911(d)(2) of the Code) from the Affiliated Companies which constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code).

If there are more officers than are to be counted under such maximum, then the Key Employees shall be those who have the highest annual Compensation while officers in any of the years in the Test Period.

(b) One of the 10 Employees of the Affiliated Companies who, in the same plan year of the Test Period:

(1) have annual Compensation with respect to the plan year greater than the limitation in effect under Code section 415(c)(1)(A) for the calendar year in which the plan year ends,

(2) own (or are considered to own within the meaning of Code section 318) a half-percent interest in a member of the Affiliated Companies, and

(3) own (or are considered to own within the meaning of Code section 318) interests (in terms of percentage) in any member of the Affiliated Companies in any plan year in which they meet (1) and (2) which are the largest when compared to such ownership interests of all other Employees of the Affiliated Companies during the Test Period in which such other Employees also meet (1) and (2).

For purposes of this paragraph (b), a person's ownership interest for any year shall be his or her or her highest ownership interest at any point in the year and, if two persons have the same ownership interest, the one with the greater annual Compensation with respect to the plan year during which any part of that ownership interest existed shall be treated as owning the larger interest.

(c) An Employee of the Affiliated Companies who, during the Test Period, owns (or is considered to own within the meaning of Code section 318) more than five percent of the outstanding stock of any member of the Affiliated Companies or stock possessing more than five percent of the total combined voting power of such stock.

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(d) An Employee of the Affiliated Companies who would be described in paragraph (c) above if "one percent" were substituted for "five percent" each place it appears in paragraph (c) above, and who has annual pay of more than \$150,000 with respect to the plan year of such ownership. An Employee's "pay" for this purpose includes all amounts paid to the Employee by the Affiliated Companies which is treated as "Compensation" under section 415(c)(3) of the Code plus salary reduction contributions to a cafeteria plan, a 401(k) plan or a simplified Employee pension.

For purposes of determining ownership under this Section, Code section 318(a)(2)(C) shall be applied by substituting "five percent" for "50 percent" and the rules of subsections (b), (c), (m) and (o) of section 414 of the Code shall not apply.

Section B.20. Limitation Year. The limitation year specified in a plan, but if none is specified, the calendar year.

Section B.21. Nonintegrated. A "Nonintegrated" benefit means a benefit determined without taking into account contributions or benefits under Code chapter 2 (relating to tax on self-employment income), Code chapter 21 (relating to the Federal Insurance Contributions Act), title II of the Social Security Act, or any other Federal or State Law.

Section B.22. Special Member. For purposes of this Appendix, any person employed or formerly employed by the Affiliated Companies and shall also include any Beneficiary of any such person, provided that the requirements of Sections B.02-B.06 shall not apply to any person included in a unit of Employees covered by an agreement which the Secretary of Labor finds (in accordance with the rules

of section 7701(b) of the Code) to be a collective bargaining agreement between Employee representatives and one or more members of the Affiliated Companies if there is evidence that retirement benefits were the subject of good faith bargaining between such Employee representatives and such member or members of the Affiliated Companies.

Section B.23. Test Period. The plan year containing the Determination Date  
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concerned, and the four preceding plan years.

Section B.24. Year of Service. Years of Service shall be determined under the  
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same rules as for vesting under the Plan, to the extent not inconsistent with the provisions of this Appendix.

APPENDIX C  
THE 401(K) AND 401(M)

Section C.01. In General. This Appendix sets forth the limitations imposed by  
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the federal tax laws on contributions which may be made to the Plan on behalf of Highly Compensated Employees (as defined in section 414(q) of the Code).

Section C.02. Highly Compensated Employee. This term is defined in Appendix D.  
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Section C.03. The 401(k) Test. Sections C.03 to C.11 are intended to implement  
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the nondiscrimination requirements set forth in section 401(k) of the Code and the regulations under that section.

Section C.04. K Percentage. This term means the average of the K Ratios,  
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calculated separately for each Participant in a group. The K Ratio is the amount of all Tax-Deferred Contributions made to a Participant's Account for a Plan Year divided by the Participant's Compensation for that Plan Year.

Section C.05. 401(k) Limit. In any Plan Year, the K Percentage for the group  
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of Participants who are Highly Compensated Employees may not be more than the greater of--

(a) the K Percentage of all other Participants multiplied by 1.25, or

(b) the lesser of 2% plus the K Percentage of all other Participants or the K Percentage of all other Participants multiplied by 2.0.  
This may be expressed by the following chart:

K Percentage for Nonhighly Compensated (Non-HC%) -----	Maximum K Percentage Allowed for Highly Compensated -----
0%	0%
Greater than 0%, up to 2%	Non-HC% x 2
Greater than 2%, up to 8%	Non-HC + 2%
Over 8%	Non-HC% x 1.25

For purposes of this Section, the term "Participants" includes all Eligible Employees who could actively participate in the Plan (i.e., by making contributions) during a Plan Year whether or not they do actively participate in the Plan.

Section C.06. Highly Compensated Individual K Percentage Limit Section C.06.  
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Highly Compensated Individual K Percentage Limit Section C.06. Highly

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Compensated Individual K Percentage Limit. If at the end of any Plan Year the K

Percentage for Highly Compensated Employee Participants exceeds the group limit in the previous Section, the Committee will determine the maximum individual K Percentage limit for Highly Compensated Employees. The maximum limit is a ceiling on each Highly Compensated Employee's individual K Percentage which, once imposed, would bring the group K Percentage for Highly Compensated Employee Participants within the limits imposed by the previous Section.

Section C.07. Excess Tax-Deferred Contributions Section C.07. Excess Tax-Deferred Contributions Section C.07. Excess Tax-Deferred Contributions. In any Plan Year in which the K Percentage for Highly Compensated Employee Participants exceeds the 401(k) limit, the Excess Tax-Deferred Contributions are determined under this Section. The Excess Tax-Deferred Contributions for any Highly Compensated Employee Participant equals the excess of the Participant's Tax-Deferred Contributions for the Plan Year over (a) multiplied by (b) as follows:

- (a) the maximum individual K Percentage limit for Highly Compensated Employee Participants (see Section C.06);
- (b) the Participant's Compensation.

Section C.08. Treatment of Excess Tax-Deferred Contributions Section C.08. Treatment of Excess Tax-Deferred Contributions Section C.08. Treatment of Excess Tax-Deferred Contributions The Committee shall have excess Tax-Deferred Contributions either recharacterized as Standard Contributions (in accordance with IRS regulations) or repaid to the Participants making them along with earnings on the excess amounts.

(a) Such earnings shall include amounts earned for the Plan Year in which the contributions were made and for the period between the end of the Plan Year and the date of distribution.

(b) Any repayment under this Section must be made before the end of the Plan Year following the Plan Year to which the excesses are attributable.

(c) Recharacterization will not occur with respect to any Highly Compensated Employee to the extent that the recharacterized amounts, in combination with Standard Contributions made by or on behalf of the Employee, exceed the maximum amount of Standard Contributions the Employee would be permitted to make under the Plan in absence of recharacterization.

Section C.09. Effect on Supplemental Contributions Section C.09. Effect on Supplemental Contributions Section C.09. Effect on Supplemental Contributions. It is possible as a result of Section 6.02 (the \$9,500 limit) and/or the 401(k) test for a Participant's Basic Contributions to drop below 8%. If that happens, the Participant's Standard Supplemental Contributions for the Plan Year will be changed to Standard Basic Contributions to the extent possible to bring the total Basic Contributions back up to 8%. This is to prevent the Participant from losing any Company Matching Contributions, if possible.

Section C.10. K Test Family Aggregation Section C.10. K Test Family Aggregation Section C.10. K Test Family Aggregation.

(a) If an Eligible Employee who is a Highly Compensated Employee is subject to the family aggregation rules under Appendix D, the combined K Ratio shall be the greater of:

(1) The K Ratio determined by combining the Tax-Deferred Contributions, Compensation and any amounts treated as Tax Deferred Contributions of all the family members who are Highly Compensated Employees without regard to family aggregation, and

(2) The K Ratio determined by combining the Tax-Deferred Contributions, Compensation and any amounts treated as Tax-Deferred Contributions of all the family members who are Eligible Employees.

If the amount determined under (1) exceeds the amount determined under (2), then it may be necessary, for purposes of correcting Excess Tax-Deferred Contributions of the family members under Section C.06, to calculate a K Ratio for the family members who are Eligible Employees who are not Highly Compensated Employees without regard to family aggregation. This K Ratio is determined by combining the Tax-Deferred Contributions, Compensation and any amounts treated as Tax-Deferred Contributions of these Employees.

(b) The Tax-Deferred Contributions, Compensation and any amounts treated as Tax-Deferred Contributions of all family members are disregarded for purposes of determining the K Ratio for the group of Highly Compensated Employees and non-Highly Compensated Employees, except to the extent taken into account in (a) of this Section.

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(c) If an Employee is required to be aggregated as a member of more than one family group, all Eligible Employees who are members of those family groups that include that Employee are aggregated as one family group.

Section C.11. K Test Family Adjustments Section C.11. K Test Family  
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Adjustments Section C.11. K Test Family Adjustments. Adjustments to family  
-  
members aggregated under the provisions of Appendix D are made as follows:

(a) If the K Ratio of the Highly Compensated Employee is determined under Section C.10(a)(2), then the K Ratio is reduced as required under Section C.06 and the Excess Tax-Deferred Contributions for the family unit shall be allocated among the family members in proportion to the Tax-Deferred Contributions that are combined to determine the K Ratio.

(b) If the K Ratio of the Highly Compensated Employee is determined under Section C.10(a)(1), then the K Ratio is reduced as required by Section C.06 in two steps.

(1) First, the K Ratio is reduced as required under Section C.06, but not below the K Ratio of the group of family members who are Eligible Employees but not Highly Compensated Employees without regard to family aggregation. Excess Tax-Deferred Contributions are determined by taking into account the contributions of the family members whose contributions were combined to determine the K Ratio of the Highly Compensated Employee under Section C.10(a)(1), and shall be allocated among such family members in proportion to each such family member's Tax-Deferred Contributions.

(2) If further reduction of the K Ratio is required under Section C.06, Excess Tax-Deferred Contributions resulting from this reduction are determined by taking into account the contributions of all the family members who are Eligible Employees and are allocated among such family members in proportion to the Tax-Deferred Contributions of each family member.

Section C.12. The 401(m) Test Section C.12. The 401(m) Test Section C.12. The  
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401(m) Test. Sections C.13 to C.19 are intended to implement the  
-  
nondiscrimination requirements set forth in section 401(m) of the Code and the regulations under that section. The limitations of this section will be imposed after the operation of the 401(k) test.

Section C.13. S&C Percentage Section C.13. S&C Percentage Section C.13. S&C  
-----  
Percentage. This term means the average of the S&C Ratios, calculated separately  
-  
for each Participant in a group. The S&C Ratio is the amount of all Standard and Company Matching Contributions made to a Participant's Account for a Plan Year divided by the Participant's Compensation for that Plan Year.

Section C.14. Highly Compensated Group Contribution Limit Section C.14. Highly  
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Compensated Group Contribution Limit Section C.14. Highly Compensated Group  
 -----  
 Contribution Limit. In any Plan Year, the S&C Percentage for the group of Highly  
 -----  
 Compensated Participants may not be more than the greater of --

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- (a) the S&C Percentage of all other Participants multiplied by 1.25, or
- (b) the S&C Percentage of all other Participants plus 2%.

This is also expressed by the following chart:

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S&C Percentage for Nonhighly Compensated (Non-HC%)	Maximum S&C Percentage Allowed for Highly Compensated
-----	-----
0%	0%
Greater than 0%, up to 2%	Non-HC% x 2
Greater than 2%, up to 8%	Non-HC% + 2
Over 8%	Non-HC% x 1.25

Section C.15. Highly Compensated Individual S&C Limit. If at the end of any  
 -----  
 Plan Year the S&C Percentage for Highly Compensated Employee Participants  
 exceeds the group limit in the previous Section, the Committee will determine  
 the maximum individual S&C percentage limit for Highly Compensated Employee  
 Participants. The maximum limit is a ceiling on each Highly Compensated Employee  
 Participant's individual S&C percentage which, once imposed, would bring the  
 group S&C Percentage for Highly Compensated Employee Participants within the  
 limits imposed by the previous Section.

Section C.16. Excess S&C Contributions. In any Plan Year in which the S&C  
 -----  
 Percentage for Highly Compensated Employee Participants exceeds the S&C limits,  
 the Excess S&C Contributions are determined under this Section. The Excess S&C  
 Contributions for any Highly Compensated Employee Participant equals the excess  
 of the Participant's Standard and Company Matching Contributions for such Plan  
 Year over (a) multiplied by (b) as follows:

- (a) the maximum individual S&C limit for Highly Compensated Employee  
 Participants (see Section C.15);
- (b) the Participant's Compensation.

Section C.17. Treatment of Excess S&C Contributions. Excess S&C Contributions  
 -----  
 are treated as follows:

- (a) Participant contributions are repaid to a Participant along with earnings  
 on the repaid amounts.
- (b) Company Matching Contributions are forfeited along with their earnings and  
 applied to reduce future Company contributions to the Plan. Repayments and  
 forfeitures must be

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made before the end of the Plan Year following the Plan Year to which the excess  
 amounts are attributable.

- (c) Earnings shall include amounts earned for the Plan Year in which the  
 contributions were made and for the period between the end of the Plan Year and  
 the date of distribution or forfeiture.

Section C.18. M Test Family Aggregation.

(a) If an Eligible Employee who is a Highly Compensated Employee is subject to the family aggregation rules under Appendix D, the combined S&C Ratio shall be the greater of:

(1) The S&C Ratio determined by combining the Standard and Company Contributions Compensation and any amounts treated as Company Matching Contributions of all the family members who are Highly Compensated Employees without regard to family aggregation, and

(2) The S&C Ratio determined by combining the Standard and Company Contributions, Compensation and any amounts treated as Company Matching Contributions of all the family members who are Eligible Employees.

If the amount determined under (1) exceeds the amount determined under (2), then it may be necessary, for purposes of correcting Excess S&C Contributions of the family members under Section C.14, to calculate a S&C Ratio for the family members who are Eligible Employees who are not Highly Compensated Employees without regard to family aggregation. This S&C Ratio is determined by combining the Standard and Company Contributions, Compensation and any amounts treated as Company Matching Contributions of these Employees.

(b) The Standard and Company Contributions, Compensation and any amounts treated as Company Matching Contributions of all family members are disregarded for purposes of determining the S&C Ratio for the group of Highly Compensated Employees and non-Highly Compensated Employees, except to the extent taken into account in (a) of this Section.

(c) If an Employee is required to be aggregated as a member of more than one family group, all Eligible Employees who are members of those family groups that include that Employee are aggregated as one family group.

Section C.19. M Test Family Adjustments. Adjustments to family members

aggregated under the provisions of Appendix D are made as follows:

(a) If the S&C Ratio of the Highly Compensated Employee is determined under Section C.18(a)(2), then the S&C Ratio is reduced as required under Section C.14 and the Excess S&C Contributions for the family unit shall be allocated among the family members in proportion to the Standard and Company Matching Contributions that are combined to determine the S&C Ratio.

(b) If the S&C Ratio of the Highly Compensated Employee is determined under Section C.18(a)(1), then the S&C Ratio is reduced as required by Section C.14 in two steps.

(1) First, the S&C Ratio is reduced as required under Section C.14, but not below the S&C Ratio of the group of family members who are Eligible Employees but not Highly Compensated Employees without regard to family aggregation. Excess S&C Contributions are determined by taking into account the contributions of the family members whose contributions were combined to determine the S&C Ratio of the Highly Compensated Employee under Section C.18(a)(1), and shall be allocated among such family members in proportion to each such family member's Standard and Company Matching Contributions.

(2) If further reduction of the S&C Ratio is required under Section C.14, Excess S&C Contributions resulting from this reduction are determined by taking into account the contributions of all the family members who are Eligible Employees and are allocated among such family members in proportion to the Standard and Company Matching Contributions of each family member.

Section C.20. Reductions During the Year. The provisions of this Appendix in

no way restrict the Committee's ability to reduce the amount of contributions which may be made during a Plan Year in order to try to prevent the Plan from exceeding the limits in this Appendix.

Section C.21. Multiple Use of the Alternative Limitation. In addition, the

Plan may not make multiple use of the alternative limitation, as provided in section 1.401(m)-2 of the IRS regulations, which is incorporated here by reference.

Section C.22. Unmatched Company Contributions. If as the result of the  
-----  
operation of Section 6.02 (the \$7,000 limit) and/or the 401(k) test and/or the 401(m) test, a Participant's Basic Contributions are reduced so that Company Matching Contributions previously made are no longer matched by sufficient Participant contributions, the Participant's Company Matching Contributions will be reduced to properly match the Participant's remaining contributions. The excess Company Matching Contributions will be forfeited and applied to reduce future Company Contributions to the Plan.

Section C.23. Employee Stock Ownership Plan. Amounts allocated under an  
-----  
employee stock ownership plan described in section 4975(e)(7) of the Code are not counted under the 401(k) test or the 401(m) test for the rest of the Plan. Instead amounts allocated under the employee stock ownership plan must be tested separately, and may employ the "alternative limitation" under section 1.401(m)-2 of the IRS regulations without regard to whether the alternative limitation is used for testing under the rest of the Plan. In the year of the adoption of the employee stock ownership plan, the disaggregation of the employee stock ownership plan and the remainder of the Plan will be effective back to the beginning of the Plan year of adoption.

Section C.24. Compensation. For purposes of this Appendix, Compensation means  
-----  
Compensation as defined under section 414(s) of the Code.

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#### APPENDIX D HIGHLY COMPENSATED EMPLOYEES

Section D.01. Highly Compensated Employee. An Employee is considered a Highly  
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Compensated Employee in any Plan Year if he or she or she performs services for the Affiliated Companies during the Plan Year and is considered a Highly Compensated Employee under the rules of Sections D.03-D.06. Employees who terminate employment with the Affiliated Companies before a Plan Year begins or who perform no services during the year (i.e., on leave of absence) can not be Highly Compensated Employees for that Year.

Section D.02. Highly Compensated Participant. This means any Highly  
-----  
Compensated Employee who is an active participant in the Plan at any time during the Plan Year.

Section D.03. Lookback Year Determination. A Participant is considered a  
-----  
Highly Compensated Employee in the current Plan Year if, during the preceding Plan Year, the Participant--

- (a) was a 5% owner;
- (b) received compensation from the Company in excess of \$75,000 (as indexed);
- (c) received compensation from the Company in excess of \$50,000 (as indexed) and was in the top-20% of Counted Employees by compensation for such Plan Year, or
- (d) was an officer.

Section D.04. Current Year--5%-Owners. A Participant is considered a Highly  
-----  
Compensated Employee for the current Plan Year under this Section if he or she or she was a 5%-owner during the Plan Year.

Section D.05. Current Year--Others. A Participant will be considered a Highly  
-----  
Compensated Employee for the current Plan Year under this Section only if he or she or she was among the top-100 Employees by Compensation during the Current Year and:

(a) received compensation from the Company in excess of \$75,000 (as indexed), or

(b) received compensation from the Company in excess of \$50,000 (as indexed) and was in the top-20% group of Counted Employees by compensation for such Plan Year; or

(c) was an officer.

Section D.06. Special Election. In accordance with regulations prescribed by  
-----  
the IRS, an election may be made to determine Highly Compensated Employees by counting those earning over \$50,000 (as indexed) without regard to whether or not they are in the top 20%.

Section D.07. Five-Percent Owners. For purposes of this Section, an Employee  
-----  
is treated as a 5%-owner in a Plan Year if at any time during the Plan Year the Employee owned more than

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5% of the outstanding stock of any member of the Affiliated Companies or stock possessing more than 5% of the total combined voting power of such stock.

(a) An Employee will be deemed to own not only his or her or her own stock but also any stock which he or she or she is treated as owning by section 318 of the Code. In addition, Code section 318(a)(2)(C) is applied by substituting "5%" for "50%".

(b) The rules of subsections (b), (c), (m) and (o) of section 414 of the Code, which treat different but related employers as a single employer, do not apply for purposes of determining whether an Employee owns more than 5% of any member of the Affiliated Companies. That is, an Employee who owns more than just over 5% of a single subsidiary is a 5%-owner.

Section D.08. Top-20% Group. An Employee is in the top-20% group of Counted  
-----  
Employees for any Plan Year if he or she or she is in the group consisting of the top 20% of the Counted Employees when ranked on the basis of compensation paid during the Plan Year.

Section D.09. Counted Employees. Counted Employees for any year include all  
-----  
Employees who perform services for the Affiliated Companies during the year except for Excluded Employees described in the next Section.

(a) Employees who terminate employment with the Affiliated Companies during the year are still considered Counted Employees.

(b) Employees who have not terminated employment before the year begins but who perform no services for the Affiliated Companies during the year (i.e., those on leave of absence) are not considered Counted Employees. This is so even if they receive Compensation from the Company during the year.

Section D.10. Excluded Employees. The following employees are excluded from  
-----  
the definition of Counted Employees:

(a) Employees who have not completed 6 months of service;

(b) Employees who normally work less than 17-1/2 hours per week;

(c) Employees who normally work during not more than 6 months during any year; and

(d) Employees who have not attained age 21.

Section D.11. Nonresident Aliens. For purposes of this Appendix, nonresident  
-----  
aliens who receive no earned income (within the meaning of section 911(d)(2) of the Code) from the Affiliated Companies which constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code)

shall not be considered Employees.

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Section D.12. Definition of Officers. An Employee is considered an "officer"

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in any year only if he or she or she was both an officer of a member of the Affiliated Companies during that year and also received compensation greater than 50% of the amount of the Code Section 415 dollar limit for defined benefit plan benefits (i.e., \$90,000 as indexed) for such Plan Year.

Section D.13. Maximum Number of Officers. No more than 50 Employees may be

-----  
separately counted as officers under Section D.03 and D.05. If less than 50, then the limit on counted officers is the greater of 3 or 10% of the Employees, excluding those not counted under Section D.10. If there are more than fifty officers that might be counted under either Section, then for each Section only the fifty officers having the highest annual Compensation during the current year (under Section D.05) or the preceding year (under Section D.03) are counted. Since 50 officers may be selected under each of those Sections separately, it is possible to have up to 100 Employees considered as officers in total. If no Employees has compensation greater than 50% of the amount of the Code Section 415 dollar limit for defined benefit plan benefits for the Plan Year, then the officer receiving the highest Compensation is counted as the sole officer.

Section D.14. Family Aggregation for 5%-Owners and Top-10. Participants who

-----  
are 5%-owner or one of the 10 Highly Compensated Employees paid the most compensation during a year are subject to the family aggregation rules in the next Section. These rules apply separately for Section D.03 and D.05 so that the "top 10" group may include as many as 20 Employees. The determination of whether an Employee is a 5%-owner or a "top 10" Employee is made before the family aggregation rules are applied.

Section D.15. Rules for Family Aggregation. The family aggregation rules work

-----  
as follows:

(a) A 5%-Owner or "top 10" Employee is combined with any members of his or her or her family who are also Employees. This means that the whole family is treated as a single Highly Compensated Employee for testing purposes.

(b) All Compensation paid to all the family members who are Employees (and any contribution to the Plan on behalf of the family members) are treated as if it were paid to (or on behalf of) the Highly Compensated Employee.

Section D.16. Definition of Family Member. The term "family" includes an

-----  
Employee's spouse and lineal ascendants (i.e., parents and grandparents) or descendants (i.e., children and grandchildren) and their spouses. A person is considered a family member for an entire year if they are a family member on any day during the year.

Section D.17. Family Rules and the Top-20% and Top-100 Groups. The

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determination of those who are included in the top-20% group and the top-100 group are made before the family aggregation rules are applied.

Section D.18. Compensation. For purposes of this Appendix, the term

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"compensation" means all amounts paid to the Employee by the Affiliated Companies which is treated as "Compensation" under section 415(c)(3) of the Code plus salary reduction contributions to a

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cafeteria plan, a 401(k) plan or a simplified employee pension. This includes amounts paid to the Employee during the entire Plan Year even if the Employee was an active participant in the Plan only for part of the year.

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APPENDIX E  
CHANGE IN CONTROL

Section E.01. In General. For purposes of this Plan, a Change in Control is  
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the occurrence of one or more of the events described in the following sections  
of this Appendix E.

Section E.02. Merger, Consolidation or Sale of Assets. There shall be  
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consummated:

(a) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted into cash, securities or other property, other than a merger of the Company in which the shareholders of the Company's common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or

(b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company.

Section E.03. Plan of Liquidation or Dissolution. The stockholders of the  
-----  
Company shall approve any plan or proposal for the liquidation or dissolution of the Company.

Section E.04. Tender Offer or Substantial Acquisition of Shares.  
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(a) Any person (as such term is defined in section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), corporation or other entity shall purchase any common stock of the Company (or securities convertible into the Company's common stock) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, unless, prior to the making of such purchase of common stock (or securities convertible into common stock), the Board shall determine that the making of such purchase shall not constitute a Change in Control, or

(b) Any person, corporation or other entity (other than the Company or any benefit plan sponsored by the Company or any of its subsidiaries) shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from any rights accruing under special circumstances) having the right to vote in the election of the Company's Board calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities, unless, prior to the person so becoming such beneficial owner, the Board shall determine that such person so becoming such beneficial owner shall not constitute Change in Control.

Section E.05. Substantial Change in Composition of Board. At any time during  
-----  
any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board shall cease for any reason to constitute at least a majority thereof, unless the election or nomination for election of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

EXHIBIT AA

The Employing Companies under this Plan shall include only those entities which became part of the Northrop Grumman affiliated group as a result of Northrop Grumman's acquisition of the Westinghouse Electric Corporation Electronics Systems Group, and only to the extent of:

(a) former Westinghouse employees who participated in the Predecessor Plan and who became employees of the Northrop Grumman affiliated group on March 1, 1996 as a result of the Electronics Systems Group acquisition, and

(b) new hires, on or after March 1, 1996, who work at the same locations as the employees described in (a).

NORTHROP GRUMMAN  
PEI SAVINGS PLAN

Effective March 1, 1996

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ARTICLE 1  
INTRODUCTION

Section 1.01. Purpose. The purpose of the Northrop Grumman PEI Savings Plan is  
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to provide a convenient way for Eligible Employees to accumulate capital on a  
regular and longterm basis and to provide for their retirement.

Section 1.02. Effective Date. The Plan is effective March 1, 1996.  
-----

Section 1.03. Sponsor. The Plan sponsor is the Productos Electronicos  
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Industriales division of Northrop Grumman Electronicos, Inc.

Section 1.04. Construction. The Plan is intended to be qualified under the  
-----  
Internal Revenue Code of 1986 as amended, and the Puerto Rico Income Tax Code of  
1994, as amended, and is to be interpreted and administered accordingly.  
Whenever Plan language is drafted with respect to requirements for tax-qualified  
plans under the U.S. Code, P.R. Code or ERISA or the regulations or rulings  
under those laws, such language will be interpreted as intended only to  
implement such statute, regulation or ruling unless additional rights or  
benefits are given explicitly and clearly by the language of the Plan.

Section 1.05. Predecessor Plan. This Plan is a successor to the Westinghouse  
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de Puerto Rico Retirement Savings Plan, maintained by Westinghouse de Puerto  
Rico, Inc. for the benefit of Puerto Rican employees of certain Westinghouse  
Electric Corporation affiliated companies. This Plan was established for the  
benefit of the participants in the Predecessor Plan as of February 29, 1996 who  
became employees of the Northrop Grumman Affiliated Companies as of March 1,  
1996, and any other Eligible Employees who may be employed by the Employing  
Companies on or after March 1, 1996.

Section 1.06. Requirement of Government Approval. All benefits under this Plan  
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are entirely conditioned on the receipt by the Plan of determinations from the  
federal and Puerto Rican tax authorities that the Plan satisfies the  
qualification requirements of the U.S. and P.R. Codes.

ARTICLE 2  
DEFINITIONS

The following terms when used and capitalized in the Plan shall have the  
following meanings:

Section 2.01. Account. The separate account maintained under the Plan for each  
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Participating Employee that represents the Participating Employee's total  
proportionate interest in the Trust Fund as of any Valuation Date. A  
Participating Employee's Account consists of the sum of the following  
subaccounts.

(a) "Allotments Account" shall mean the portion of the Participating  
Employee's Account that evidences the value of the Participating Employee's  
Basic and Supplementary Allotments, including any gains and losses of the Trust  
Fund attributable thereto.

(b) "Employing Company Contributions Account" shall mean the portion of the  
Participating Employee's Account that evidences the value of the Employing  
Company Contributions made on behalf of the Participating Employee, including  
any gains and losses of the Trust Fund attributable thereto.

(c) "Rollover Account" shall mean the portion of the Participating Employee's  
Account that evidences the value of any Rollover Amount, including any gains and  
losses of the Trust Fund attributable thereto.

Section 2.02. Affiliated Companies. The Company and any other entity related  
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to the Company under the rules of section 414 of the U.S. Code. The Affiliated  
Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries

and may include other entities as well.

Section 2.03. Amount Credited. For the purpose of Article 8, Amount Credited  
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has the meaning set forth in Section 8.02(a).

Section 2.04. Basic Allotment. The amounts described in Section 4.01.  
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Section 2.05. Board. The Board of Directors of Northrop Grumman Corporation.  
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Section 2.06. Committee. The Administrative Committee described in Section  
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14.01.

Section 2.07. Company. Northrop Grumman Electronics, Inc.  
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Section 2.08. Eligible Employee.  
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(a) An individual reported on the payroll records of an Employing Company as a common law employee who renders service in Puerto Rico on a full-time basis and who is:

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(1) Not covered under a collective bargaining agreement unless retirement benefits were not the subject of good faith bargaining; or

(2) Covered under a collective bargaining agreement which calls for coverage under the Plan.

(b) For these purposes, an employee shall be considered rendering service on a full-time basis if he or she works with an Employing Company 40 hours or more per week. Special Assignment Employees and Leased Employees are not Eligible Employees.

Section 2.09. ERISA. The Employee Retirement Income Security Act of 1974, as  
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amended.

Section 2.10. Employing Companies. The Affiliated Companies which have  
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Employees rendering service in Puerto Rico which have been designated by the Board as eligible to participate in the Plan as listed in Exhibit A attached hereto. Exhibit A may be amended in the future by the Board to include or exclude from participation in the Plan any of the Affiliated Companies.

Section 2.11. Employing Company Contributions. The contributions made by the  
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Employing Companies as described in Section 6.01.

Section 2.12. Enrollment Date. The first day of each calendar quarter  
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(January, April, July, and October).

Section 2.13. Fund. An investment option, selected by the Investment  
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Committee, to which Participating Employees may direct investment of amounts in their Accounts.

Section 2.14. Leased Employee. Any individual who is not a common law employee  
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of the Affiliated Companies but who provides services to an Affiliated Company pursuant to an agreement between the Affiliated Company and any other person and who qualifies as a "leased employee" under section 414(n) of the U.S. Code, or would so qualify but for the requirement that the individual perform substantially full-time work for a period of at least one year.

Section 2.15. Non-Vested Portion. Portions of account balances which are  
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attributable to Employing Company Contributions which have not become Vested in

accordance with Article 6.

Section 2.16. Normal Retirement Date. The first of the month following the  
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date upon which the Eligible Employee attains age 65 or completes five years of  
Vesting Service, whichever is later.

Section 2.17. Participating Employee. An Eligible Employee who has elected to  
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participate in the Plan as provided under Article 3 and whose participation has  
not terminated as provided in the Plan.

Section 2.18. Plan. The Northrop Grumman PEI Savings Plan.  
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Section 2.19. Plan Administrator. The Administrative Committee, as described  
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in Article 14.

Section 2.20. Plan Year. The initial period of March 1, 1996 through December  
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31, 1996 and each calendar year thereafter.

Section 2.21. Predecessor Plan. The Westinghouse de Puerto Rico Retirement  
-----  
Savings Plan.

Section 2.22. P.R. Code. The Puerto Rico Income Tax Code of 1994, as amended.  
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Section 2.23. Regular Stated Salary. An Eligible Employee's regular stated  
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salary payable for services rendered as an Eligible Employee, by an Employing  
Company, as determined from his or her payroll records, and shall include only  
base salary.

Section 2.24. Rollover Amount. A contribution made to this Plan under Section  
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4.07 by an Eligible Employee of the total amount distributed to such employee  
from any pension, profit-sharing, stock bonus or other retirement plan which  
meets the requirements of Section 1165(a) of the P.R. Code.

Section 2.25. Special Assignment Employee. A person who is categorized as a  
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"Special Assignment Employee" in the personnel records of the Affiliated  
Companies, or a casual or temporary employee.

Section 2.26. Supplementary Allotment. The amounts described in Section 4.02.  
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Section 2.27. Total Compensation. As defined in Section 8.02(b).  
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Section 2.28. Trustee. The trustee under the trust agreement referred to in  
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Section 15.02.

Section 2.29. Trust Fund. The trust fund established under Articles 15 and 16  
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to hold the assets of the Plan.

Section 2.30. U.S. Code. The United States Internal Revenue Code of 1986, as  
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amended.

Section 2.31. Valuation Date. Any date that the Committee, in its sole  
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discretion, selects for the revaluation of the Trust Fund and the adjustment of  
Accounts.

Section 2.32. Vested Portion. The portion of the Participating Employee's  
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Employing Company Contributions Account in which the Participating Employee has a nonforfeitable interest as provided in Article 6, plus the aggregate balance of the Participating Employee's Allotments Account and Rollover Account.

Section 2.33. Vesting Service.  
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(a) For the purpose of the Plan, except as hereinafter provided, an Eligible Employee's period of employment with an Affiliated Company.

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(b) Vesting Service shall also mean any period of time for which an Eligible Employee is paid, or entitled to payment, by the Employing Company on account of a period of time during which no duties are performed due to illness, vacation, disability leave (for up to six months), lay-off or leave of absence (for up to one year), military duty (but only for the time during which his or her right to reemployment is protected by law).

(c) Vesting Service shall terminate on such Eligible Employee's severance from service date. An Eligible Employee's severance from service date shall be the earlier of the date of his or her retirement, death or other termination of employment with the Employing Company or an Affiliated Corporation of Northrop Grumman Corporation.

(d) If an Eligible Employee's employment is terminated and he or she is subsequently reemployed within 12 months, the period between his or her severance from service date and the date of his or her reemployment shall be included in his or her Vesting Service.

(e) Vesting Service shall be expressed in whole years and fractions thereof. Any fraction of a year shall be expressed as a decimal ratio of actual calendar days of service to a year of 365 days.

(f) No Vesting Service will be credited for periods prior to March 1, 1996 except as provided in (g).

(g) In addition to service credited on and after March 1, 1996, an Employee's Vesting Service under this Plan includes the "Eligibility Service" remaining to his or her credit as of February 29, 1996 under the Predecessor Plan. No credit will be given for service that was lost under the provisions of the Predecessor Plan, as those provisions existed from time to time, except to the extent such service can be regained through buybacks.

(h) Periods of employment with the Westinghouse Electric Corporation affiliated group after February 29, 1996 will not be credited as Vesting Service.

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ARTICLE 3  
PARTICIPATION

Section 3.01. Election to Participate. Any Eligible Employee as of March 1, 1996 who was a participant in the Predecessor Plan as of February 29, 1996 shall be a participant in this Plan as of March 1, 1996. Any other Eligible Employee may elect to participate in the Plan immediately upon employment or on any Enrollment Date thereafter.

Section 3.02. Rollover Before Electing to Participate. An Eligible Employee who is not a Participating Employee but who nevertheless has made a rollover into the Plan under Section 4.07 of the Plan shall, solely for the purpose of his or her Rollover Amount, be considered to be a Participating Employee. Such Eligible Employee shall become a Participating Employee for all purposes of the Plan when he or she subsequently elects to participate under Section 3.01 of the Plan.

Section 3.03. Rehired Employees. In the event a Participating Employee's employment terminates and he or she is subsequently reemployed by an Employing Company, and becomes again an Eligible Employee, such employee shall be eligible

to become a Participating Employee immediately and the previous period of Vesting Service shall be reinstated and utilized in making any subsequent determination of any vested benefit right he or she may have acquired with respect to the Employing Company Contributions Account.

Section 3.04. Committee Rules for Participation. Participation in the Plan  
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shall be made in accordance with the rules and procedures and using the forms of the Committee. The Committee may change its rules, procedures and forms from time to time.

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ARTICLE 4  
ALLOTMENTS FROM PAY/ROLLOVERS

Section 4.01. Basic Allotments. Allotments shall be made from pay received in  
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each payroll period. Eligible Employees may, subject to the limitations contained in the Plan, authorize Basic Allotments in amounts equal to 1%, 2%, 3%, or 4% of Total Compensation (limited by U.S. Code section 401(a)(17)). Such Basic Allotment shall be considered an elective "cash or deferred arrangement" under section 1165(e) of the P.R. Code.

Section 4.02. Supplementary Allotments. An Eligible Employee who has  
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authorized the maximum Basic Allotment in accordance with Section 4.01 may, subject to the limitations contained in the Plan, authorize Supplementary Allotments in amounts equal to 1%, 2%, 3%, or 4% of Total Compensation. Such Supplementary Allotment shall be considered an elective "cash or deferred arrangement" under section 1165(e) of the P.R. Code.

Section 4.03. Limitations on Contributions. An Eligible Employee shall be  
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entitled to contribute to the Plan only through payroll deductions except as allowed by Section 4.07 of the Plan.

Section 4.04. Payments into the Plan. Allotments shall be accumulated during  
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each month and shall be remitted by the Employing Company to the Trustee as soon as practicable after the end of the month.

Section 4.05. Vesting of Basic and Supplementary Allotments. Basic and  
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Supplementary Allotments shall be Vested at all times and shall not be subject to forfeiture.

Section 4.06. Change in Rate of Allotments. A Participating Employee may  
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change the rate of Basic or Supplementary Allotments by filing a prescribed form with the payroll office. If a Participating Employee elects to change the rate of Basic or Supplementary Allotments, the prescribed form must be delivered to the payroll office by the 20th day of the month preceding the next Enrollment Date. An election delivered after the 20th day of the month preceding an Enrollment Date, shall be effective on the next succeeding Enrollment Date. A Participating Employee who has made an election hereunder may not make a subsequent election effective until the next Enrollment Date.

Section 4.07. Rollovers. An Eligible Employee of an Employing Company may,  
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upon approval of the Committee and submission of proof that the Rollover Amount came from another qualified plan or from an individual retirement account (if such rollover is authorized by the Puerto Rico Secretary of the Treasury), add a Rollover Amount to the Plan provided that such Rollover Amount is paid to the Trustee within 60 days of the date the employee received the qualifying rollover distribution as described in section 165(b) of the P.R. Code. Rollovers shall be Vested at all times and shall not be subject to forfeiture.

Section 4.08. The Committee's Right to Redesignate or Return Contributions.  
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Notwithstanding any provisions of this Article to the contrary, the Committee may repay to a Participating Employee any Basic or Supplementary Allotments if necessary to satisfy the



participation and nondiscrimination requirements of Section 4.09 of the Plan and section 165(e)(3) of the P.R. Code.

Section 4.09. Limitation on Basic and Supplementary Allotments. The amounts

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that may be repaid by the Committee pursuant to Section 4.08 are the amounts necessary so that the Actual Deferral Percentage for Highly Compensated Eligible Employees (as herein defined below) of an Employing Company for the Plan Year bears a relationship to the Actual Deferral Percentage (as herein defined below) for all other Eligible Employees of an Employing Company for such Plan Year which satisfied either of the following tests:

(a) The Actual Deferral Percentage for the Highly Compensated Eligible Employees is not more than 1.25 times the Actual Deferral Percentage of all other Eligible Employees, or

(b) The excess of the Actual Deferral Percentage for the Highly Compensated Eligible Employees over the Actual Deferral Percentage for all Eligible Employees does not exceed 2%, and the Actual Deferral Percentage for the Highly Compensated Eligible Employees is not more than 2 times the Actual Deferral Percentage of all other Eligible Employees.

Section 4.10. Definitions. For the purpose of Section 4.09, the following

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terms shall have the following meanings:

(a) "Actual Deferral Percentage" shall mean the average of the ratios (calculated separately for each Eligible Employee in the group) of (i) the amount of Basic and Supplementary Allotments in the Plan Year, to (ii) the Eligible Employee's "Total Regular Stated Salary" for the Plan Year.

(b) "Highly Compensated Eligible Employees" shall mean any Eligible Employee who receives in the Plan Year more "Total Regular Stated Salary" than two-thirds of all Eligible Employees of an Employing Company.

(c) For the purpose of this Section "Total Regular Stated Salary" means the "Regular Stated Salary" for an entire Plan Year.

Section 4.11. Insufficient Pay. The making of allotments from the pay of a

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Participating Employee shall be suspended if the pay is insufficient (after all other authorized deductions from pay) to permit the making of the full amount of such allotments.

#### ARTICLE 5

##### ELECTION BY PARTICIPATING EMPLOYEE TO SUSPEND ALLOTMENTS

Section 5.01. Right to Suspend Allotments. A Participating Employee may

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voluntarily suspend the making of Basic Allotments and Supplementary Allotments at any time. Such an election shall be made in accordance with the procedures of the Committee. The Election shall be effective as soon as administratively possible.

Section 5.02. Commencement of Allotments after Suspension. An Eligible

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Employee may terminate a suspension of allotments made under Section 5.01. An election to recommence allotments shall be made in accordance with the procedures of the Committee.

Section 5.03. Basic Allotments Suspended. Whenever the making of Basic

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Allotments from the pay of a Participating Employee is suspended, contributions by the Employing Company shall also be suspended.

#### ARTICLE 6

##### EMPLOYING COMPANY CONTRIBUTIONS

Section 6.01. Amount of Employing Company Contributions. Each Employing  
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Company shall contribute on behalf of each of its Participating Employees an amount equal to 50% of the amount of the Basic Allotment from the pay of each Participating Employee. Employing Company Contributions shall not exceed 2% of Total Compensation (limited by U.S. Code section 401(a)(17)) for a Participating Employee. No Employing Company Contributions will be made with respect to Supplementary Allotments.

Section 6.02. Vesting of Employing Company Contributions. For purposes of the  
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Plan, "Vested" shall mean that the Participating Employee has a non-forfeitable interest in an Account in the Plan. Employing Company Contributions shall become Vested in accordance with the following schedule:

Years of Vesting Service -----	Vested Percentage -----
Less than 3	0%
3 or more	100%

Nevertheless, any Eligible Employee who joined the Plan as of January 1, 1992 was immediately 100% Vested. If the Eligible Employee elected not to join the Plan on January 1, 1992 but did so as of any subsequent date, he or she is subject to the above vesting schedule.

Section 6.03. Additional Vesting Rules. In addition to the provisions of  
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Section 6.02 of the Plan, Employing Company Contributions shall become 100% Vested upon the death of the Participating Employee.

Section 6.04. Military Service. A Participating Employee's Vesting Service  
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shall be deemed to continue, and the Participating Employee shall continue to accumulate Vesting Service for vesting purposes, during any period of service in the Armed Forces of the United States provided he or she returns to active service with the Employing Company within the time during which his or her right to reemployment is protected by law.

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ARTICLE 7  
APPLICATION OF FORFEITED EMPLOYING COMPANY CONTRIBUTIONS

Section 7.01. Application of Forfeited Amounts. All amounts forfeited under  
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the Plan by a Participating Employee shall be applied as a credit to reduce subsequent contributions of the Employing Company at the time of forfeiture. Accounts shall be valued as of the Valuation Date used in valuing the distributed amount as a result of the event causing the forfeiture. In the event the Plan is terminated, any forfeitures not applied prior thereto to reduce an Employing Company's Contributions shall be credited pro rata to the Accounts of the Participating Employees in proportion to the amounts of its contributions to such Accounts for the last month with respect to which it made contributions.

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ARTICLE 8  
LIMITATION OF CREDITS TO PARTICIPATING EMPLOYEE'S ACCOUNT

Section 8.01. In General. This Article sets forth other limitations imposed by  
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the U.S. Code and P.R. Code on contributions which may be made to the Plan on behalf of Highly Compensated Employees (as defined in section 414(q) of the U.S. Code) as well as limitations applicable to all Participating Employees. Sections 4.08 through 4.10 contain additional limitations.

Section 8.02. Percentage and Dollar Limitations  
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(a) Notwithstanding any other provision of the Plan, the maximum Amount

Credited to the Account of any Participating Employee in any Plan Year shall not exceed the lesser of:

(1) 8% of Total Compensation; or

(2) \$7,500 reduced by the amount of the Participating Employee's pre-tax contributions to individual retirement arrangements described in section 1169(a) and (b) of the P.R. Code and other tax-qualified plans (or such lesser amount as required by the P.R. Code or U.S. Code and the regulations under the Codes).

(b) The following definitions apply for the purposes of this Section:

(1) Definition of Amounts Credited. In determining the limitations of  
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this Section, the "Amount Credited" to a Participating Employee's Account shall mean all Basic Allotments and Supplementary Allotments.

(2) Definition of Total Compensation. "Total Compensation" shall mean a  
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Participating Employee's regular wages or salary plus any commissions, shift differential, or overtime pay. Total Compensation shall not include bonuses or incentive awards.

(c) Reduction of Amounts Credited to Comply With Article 8 Limitations. In the  
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event that the Amounts Credited to the account of a Participating Employee are limited under this Section, the reduction of Amounts Credited will apply, to the extent required, in the following order:

(1) Credits resulting from Supplementary Allotments, which amounts shall be returned to the Participating Employee; and

(2) Credits resulting from Basic Allotments which amounts shall be returned to the Participating Employee.

Section 8.03. Limits on Highly Compensated Employees. All Participating  
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Employee and Employing Company contributions for "Highly Compensated Employees" (as defined in section 414(q) of the U.S. Code) are subject to the special limitations imposed by sections 401(k) and 401(m) of the U.S. Code. These rules, incorporated here by reference, are designed so that the

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amount of contributions for Highly Compensated Employees are limited based on the amount of contributions made for non-Highly Compensated Employees.

Section 8.04. Section 415 Limitations. The maximum amount of contributions to  
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any Participating Employee's Account in any Plan Year may not exceed the lesser of \$30,000 (indexed in accordance with IRS regulations) or 25% of the Participating Employee's compensation for the year. In certain cases, benefits under other plans may be counted towards these limits. Further rules governing the application of this Section appear in Appendix A.

Section 8.05. Committee Authority. The Committee has the authority to reduce  
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contributions during the Plan Year, to repay contributions and to forfeit amounts in order to protect the tax qualification of the Plan and for reasons of administrative convenience.

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## ARTICLE 9 ACCOUNTS AND RECORDS OF PLAN

Section 9.01. Participating Employee Accounts. A separate Account is  
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maintained for each Participating Employee having an amount to his or her credit under the Plan. The Account separately keeps track of a Participating Employee's benefits. The Committee shall also establish subaccounts to keep track of components of each Account.

Section 9.02. Valuation Of Accounts. The assets of the Trust Fund are valued  
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as of the end of each calendar quarter and, in the discretion of the Committee,  
on any other date. Valuations take into account earnings and losses of the Trust  
Fund along with appreciation or depreciation, expenses and distributions. The  
method of valuation is determined by the Committee.

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ARTICLE 10  
INVESTMENT OF ACCOUNTS

Section 10.01. In General. The Committee will establish a number of different  
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investment funds for the Plan. The Committee may change the funds from time to  
time.

Section 10.02. Investment Elections. Participating Employees may elect how  
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their future contributions will be invested in the various investment funds and  
may change their elections from time to time. In addition, Participating  
Employees may elect to make transfers of previously contributed amounts plus  
earnings among the different funds.

Section 10.03. Committee Rules. Selections of investments, changes and  
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transfers must be made according to the rules and procedures and using the forms  
of the Committee.

(a) The Committee may prescribe rules which may include, among other matters,  
limitations on the amounts which may be transferred and procedures for electing  
transfers.

(b) The Committee may prescribe rules for valuing accounts for purposes of  
transfers. Such rules may, in the Committee's discretion, use averaging methods  
to determine values. The Committee may also change the methods it uses for  
valuation from time to time.

(c) The Committee may prescribe the periods and frequency with which  
Participating Employees may change investment elections and make transfers.

(d) The Committee may change its rules, procedures and forms under this  
Article from time to time.

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ARTICLE 11  
WITHDRAWAL AND DISTRIBUTION

Section 11.01. Payments. All withdrawals from the Plan during employment shall  
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be paid in cash. All distributions from the Plan upon retirement, termination,  
or death shall be paid in cash and/or shares of employer stock held in the  
Account.

Section 11.02. Withdrawals During Employment.  
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(a) Withdrawal Events. A Participating Employee may elect to withdraw all or a  
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portion of the Vested Portion of his or her Account only in the case of Hardship  
as defined in Paragraph (c) below and determined by the Committee.

(b) Elections to Withdraw. Elections to withdraw must be made in accordance  
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with Committee procedures. A Participating Employee who fulfills the  
requirements of paragraph (a) above may make an election to withdraw amounts  
only twice in every Plan Year but not more than once per quarter.

(c) Definition of Hardship. Hardship will exist if the withdrawal is necessary  
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in light of the financial need of the Participating Employee. Such determination

will be made by the Committee in its absolute discretion provided that:

(1) Such determination is made in accordance with uniform and nondiscriminatory standards established by the Committee;

(2) The distribution cannot exceed the amount required to meet the immediate and heavy financial need created by the Hardship;

(3) The funds needed are not reasonably available from other resources of the Participating Employee including distributions (other than hardship distributions) and nontaxable loans available under any plan, through reimbursement or compensation by insurance or otherwise, by liquidation of assets to the extent such liquidation would not itself cause an immediate and heavy financial need, by cessation of contributions to the Plan, or by borrowing from commercial sources on reasonable commercial terms;

(4) Such Hardship determination meets the requirements under section 1165(e) of the P.R. Code and its regulations; and

(5) Such Hardship withdrawals are limited to the following purposes:

(1) To purchase the principle residence of the Participating Employee, or

(2) To pay tuition and related educational fees for the next twelve months of post-secondary education of the Participating Employee, his or her spouse or an eligible dependent.

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Section 11.03. Effect of Withdrawals.  
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(a) A Participating Employee who makes a withdrawal pursuant to Paragraph (a) of Section 11.02 of the Plan will be suspended from making Basic Allotments and Supplementary Allotments for the next 12 months following the Hardship withdrawal.

(b) In addition, Basic Allotments and Supplementary Allotments in the year following the year of the withdrawal will be limited to the allotments maximum provided under Section 5.01 of the Plan minus the Basic Allotments and Supplementary Allotments made to the Plan in the year of the Hardship withdrawal.

Section 11.04. Distribution upon Retirement or Termination.  
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(a) Distribution of Vested Amounts. If a Participating Employee retires or his or her employment is terminated, the Vested Portion of his or her Account shall be distributed to him or her as soon as practicable following the next Valuation Date after retirement or termination occurs.

(b) Forfeiture of Non-Vested Portion. When a distribution is made pursuant to Paragraph (a), any Non-Vested Portion of his or her Account shall be forfeited.

Section 11.05. Distribution on Death of a Participating Employee. In case of the death of a Participating Employee while in the employment of an Employing Company, his or her entire Account balance shall be distributed in a lump sum to the beneficiary(ies) he or she has designated in writing or, if no designation has been made, then to his or her estate.

Section 11.06. Restoration of Forfeited Amounts. Notwithstanding any other provision of the Plan relating to the forfeiture of the NonVested Portion of an Account, all Employing Company Contribution amounts forfeited shall subsequently be restored to the employee's Account, through contributions of the Employing Company, if such employee is rehired by an Affiliated Company.

Upon rehire, the employee's Account shall be credited with the amount previously forfeited and it shall be invested in accordance with the Participating Employee's current election under Article 11 of the Plan.

Section 11.07. Committee Rules. Withdrawals and distributions must be made  
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according to the rules and procedures and utilizing the forms of the Committee.

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ARTICLE 12  
DESIGNATION OF BENEFICIARIES

Section 12.01. Designation of Death Benefit Beneficiary. A Participating  
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Employee may designate a beneficiary or beneficiaries to receive all or part of the amounts credited to the Participating Employee's Accounts in case of death. A designation of beneficiary may be replaced by a new designation or may be revoked by the Participating Employee at any time. Provided, however, that if the Participating Employee is married and he or she is designating as beneficiary a person other than his or her spouse, then spousal consent will be required. For these purposes, "spousal consent" means the written consent given by the Participating Employee's spouse to the designation made by the Participating Employee of a specified beneficiary. Such consent shall be duly witnessed by a Plan representative or notary public and shall acknowledge the effect on the spouse of the Participating Employee's election. Any consent by a spouse shall be effective only with respect to such spouse. In the case of death of the Participating Employee, the amount of the Participating Employee's Accounts with respect to which a designation of beneficiary has been made (to the extent it is valid and enforceable under applicable law) shall be distributed in accordance with the Plan to the designated beneficiary or beneficiaries.

Section 12.02. Forms to be Used. A designation or revocation shall be on a  
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form prescribed by the Committee, signed by the Participating Employee and delivered to the appropriate payroll office.

Section 12.03. Failure to Designate Beneficiary Disputes. The amount in a  
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Participating Employee's Account distributable upon death and not subject to a valid designation shall be distributed to the Participating Employee's estate. If there shall be any question as to the legal right of any beneficiary or beneficiaries to receive a distribution under the Plan, the amount in question may be paid to the estate of the Participating Employee, in which event the Trustee and the Employing Company shall have no further liability to anyone with respect to such amount.

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ARTICLE 13  
BENEFITS NOT ASSIGNABLE

Section 13.01. No Assignment. No Participating Employee shall have the right  
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to alienate or assign benefits provided under the Plan and Trust. If any Participating Employee shall attempt to alienate or assign such benefits, or should such benefits be subject to attachment, execution, garnishment or other legal or equitable process, the Trustee may take the necessary steps so that such benefits shall not be available to the Participating Employee, for the members of his or her family or others. This restriction shall also apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participating Employee pursuant to a "domestic relations order", unless such order is determined to be a "qualified domestic relations order" as that term is defined in ERISA section 206(d)(3).

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ARTICLE 14  
ADMINISTRATION

Section 14.01. In General. The general administration of the Plan is the  
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responsibility of the Administrative Committee. The Committee is the "Committee" under ERISA. In addition, the Committee and each of its members are "named fiduciaries" of the Plan under ERISA. Committee members and all other Plan

fiduciaries may serve in more than one fiduciary capacity with respect to the Plan.

Section 14.02. The Committee. The Committee consists of at least three members  
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appointed by the Board who serve at the pleasure of the Board, without compensation, unless otherwise determined by the Board.

Section 14.03. Resignation of Committee Members. A member of the Committee may  
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resign at any time by delivering a written resignation to the Board and to the Secretary of the Committee. The member's resignation will be effective as of the date of delivery or, if later, the date specified in the notice of resignation.

Section 14.04. Conduct of Business. The Committee shall elect a Chairman from  
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among its members and a Secretary who may or may not be a member. The Committee shall conduct its business according to the provisions of this Article and shall hold meetings in any convenient location.

Section 14.05. Quorum. A majority of all of the members of the Committee  
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constitutes a quorum and has power to act for the entire Committee.

Section 14.06. Voting. All actions taken shall be by majority vote of the  
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members attending a meeting, whether physically present or through remote communications. In addition, actions may be taken by written consent without a meeting. The agreement or disagreement of any member may be by means of any form of written or oral communications.

Section 14.07. Records and Reports of the Committee. The Committee shall keep  
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such written records as it shall deem necessary or proper, which records shall be open to inspection by the Board.

Section 14.08. Powers of the Committee. The Committee shall have all powers  
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necessary or incident to its office as Committee. Such powers include, but are not limited to, full discretionary authority to:

- (a) Prescribe rules for the operation of the Plan;
- (b) Determine eligibility;
- (c) Comply with the requirements of reporting and disclosure under ERISA and any other applicable law and to prepare and distribute other communications to employees as part of plan operations;

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- (d) Prescribe forms to facilitate the operation of the Plan;
- (e) Secure government approvals for the Plan;
- (f) Construe and interpret the terms of the Plan, including the power to remedy possible ambiguities, inconsistencies or omissions;
- (g) Determine the amount of benefits and authorize payments from the Trust Fund;
- (h) Maintain records;
- (i) Litigate, settle claims, and respond to and comply with court proceedings and orders on the Plan's behalf;
- (j) Enter into contracts on the Plan's behalf; and
- (k) Exercise all other powers given to the Committee under other Sections of the Plan.

Section 14.09. Allocation or Delegation of Duties and Responsibilities. The  
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Committee and the Board may:

(a) Employ agents to carry out nonfiduciary responsibilities;

(b) Employ agents to carry out fiduciary responsibilities (other than trustee responsibilities as defined in section 405(c)(3) of ERISA) under the rules of Section 14.10;

(c) Consult with counsel, who may be of counsel to the Affiliated Companies;

(d) Provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in section 405(c)(3) of ERISA) among their members under the rules of Section 14.10; and

(e) In particular, designate one or more Employees to have responsibility for designing and implementing administrative procedures for the Plan.

Section 14.10. Procedure for the Allocation or Delegation of Fiduciary Duties.

The rules of this Section are:

(a) Any allocation or delegation of fiduciary responsibilities must be approved by majority vote, in a resolution approved by the majority;

(b) The vote cast by each member for or against the adoption of such resolution must be recorded and made a part of the written record of the proceedings;

(c) Any delegation or allocation of fiduciary responsibilities may be changed or ended only under the rules of (a) and (b) of this Section.

Section 14.11. Expenses of the Plan. All reasonable and proper expenses of

administration of the Trust Fund including counsel fees will be withdrawn by the Trustee out of the Trust Fund unless paid by the Employing Companies.

(a) No expenses may be withdrawn without the consent of the Committee. The Committee may authorize the Trustee to withdraw particular expenses or kinds of expenses on a standing basis.

(b) The Employing Companies may initially pay any expense that normally would be a charge on the Trust Fund and later obtain reimbursement from the Trust Fund.

(1) This even applies in cases where at the time of the Employing Company's initial payment of the expense, it is not clear that the Employing Company may lawfully seek reimbursement from the Trust Fund but the Employing Company's legal right to reimbursement is later clarified.

(2) It is specifically anticipated that there may be situations, such as litigation, where the Employing Company might choose to bear costs initially, but later obtain reimbursement many years after the costs were incurred. Such delayed reimbursements shall be permissible.

Section 14.12. Indemnification. Northrop Grumman Corporation agrees to

indemnify and reimburse, to the fullest extent permitted by law, members of the Board, the Committee and employees of any Affiliated Company acting for the Company, as well as former members and former Employees, for any and all expenses, liabilities, or losses arising out of any act or omission relating to the rendition of services for or the management and administration of the Plan, except in instances of gross misconduct.

Section 14.13. Extensions of Time Periods. For good cause shown, the Committee

may extend any period set forth in the Plan for taking any action required of any Participating Employee, former Participating Employee or beneficiary to the extent permitted by law.

Section 14.14. Claims Procedures Section 14.14. No benefits will be paid

under the Plan unless a proper claim is submitted to the Committee for them. The Committee will meet at least monthly to review applications for benefits



submitted to it. The procedures for claims denials and seeking review of a denial or partial denial of a claim for benefits are described in this Section.

(a) Notification to claimant of decision. Notice of decision on any claim for benefits shall be furnished to the claimant within 60 days after receipt of the claim by the Committee. A claimant may deem his or her claim to be denied for purposes of further review described below in the event a decision is not furnished to the claimant within such 60-day period.

(b) Content of notice. Every claimant who is denied a claim for benefits in whole or in part shall receive a written notice setting forth in a manner calculated to be understood by the claimant:

(1) The specific reason or reasons for the denial;

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(2) Specific reference to pertinent plan provisions on which the denial is based;

(3) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(4) Appropriate information as to the steps to be taken if the Participating Employee or Beneficiary wishes to submit his or her claim for review including the time limits set forth in subsection (e) and (f).

(c) Review procedure. A claimant whose claim has been denied in whole or in part or his or her duly authorized representative may:

(1) Request a review of the denied claim upon written application to the Committee setting forth:

(A) All of the grounds upon which his or her request for review is based and any facts in support of his or her request, and

(B) Any issues or comments which the applicant deems pertinent to his or her application; and

(2) Review pertinent documents.

(d) Hearings. In appropriate cases, the Committee may provide for a hearing to be conducted with respect to the review of any claim. In such event, the Committee shall give notice of such hearing to the claimant affected, as well as the procedures for the hearing, such as the length of the hearing, whether witnesses may be presented, whether cross-examination will be allowed and any other matters which the Committee considers pertinent.

(e) Time For Seeking Review. A claimant may seek review of a denied claim within 65 days after receipt by the claimant of written notification of the denial or partial denial of the claim. Under extraordinary circumstances, the plan may extend this time period.

(f) Decision on review.

(1) A decision by the Committee shall be made promptly, and shall not ordinarily be made later than 60 days after the Committee's receipt of a request for review.

(2) The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan or other documents governing the Plan on which the decision is based.

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(3) The decision on review shall be furnished to the claimant within the appropriate time described in paragraph (1) of this subsection. If the decision on review is not furnished within such time, the claim shall be deemed denied on review.

(4) The decision of the Committee on any application for benefits shall

be final and conclusive upon all persons if supported by substantial evidence in the record.

(g) Disclosure of Claim Procedures. All Plan participants will be given a description of the claims procedures, which shall include a description of the time limits set forth in (a), (e) and (f), within a reasonable time after joining the Plan.

Section 14.15. Qualified Domestic Relations Orders. The Committee shall  
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establish procedures for handling domestic relations orders.

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ARTICLE 15  
MANAGEMENT OF FUNDS

Section 15.01. The Trust. All assets of the Plan shall be held as a special  
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trust in accordance with the terms of the Trust Agreement for the benefit of Participating Employees and their beneficiaries; and subject to Article 20 hereof, in no event shall it be possible at any time prior to the satisfaction of all liabilities (as defined in U.S. Code section 401(a)(2)) with respect to such individuals for any part of the assets of the Plan to be used for or diverted to purposes other than for the exclusive benefit of Participating Employees or their beneficiaries. No person shall have any interest in, or right to, any of such assets or earnings thereon except as expressly provided in the Plan and the Trust Agreement. The Trust Agreement shall be deemed to form a part of this Plan and all rights and benefits that may accrue to any person under this Plan shall be subject to all the terms and provisions of the Trust Agreement.

Section 15.02. The Trustee. The Trustee shall be appointed by the Board in  
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accordance with the respective provisions of the Trust Agreement with such powers as may be provided in such agreement. The Board may remove the Trustee at any time upon reasonable notice; upon removal or resignation of such Trustee, the Board shall designate a successor in the place and stead of such removed or resigning Trustee.

Section 15.03. The Investment Committee. The Investment Committee shall  
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consist of not less than three (3) persons appointed from time to time by, and to serve at the pleasure of, the Board. The members of the Investment Committee shall elect one (1) of their number as Chairman and shall appoint a Secretary and such other officers as the Investment Committee may deem necessary. The Investment Committee may employ such counsel, including investment counsel, as it may require in carrying out the provisions hereof.

Section 15.04. Alternate Members. The Board may from time to time appoint one  
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or more persons as alternate members of the Investment Committee to serve in the absence of members of the Investment Committee, in the manner hereinafter stated, with the same effect as if they were members. The Chairman of the Investment Committee, in his or her discretion, shall designate which of the alternate members shall attend any particular meeting of the Investment Committee for the purpose of obtaining a quorum or full attendance as the Chairman may elect, upon notice given by the Chairman or at his or her direction. Each alternate member shall have all the rights and powers and obligations of a member in respect to the business of meetings which he or she so attends.

Section 15.05. Actions by the Investment Committee. The majority in number of  
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the members of the Investment Committee at the time in office, represented at a meeting by members or alternate members or both, shall constitute a quorum for the transaction of business. Any determination or action of the Investment Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members then in office.

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Section 15.06. Investment Responsibilities.  
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(a) The Trustee shall have exclusive authority and discretion to manage, control, purchase, sell, and invest the assets of the Plan, unless one or more Investment Managers are appointed, as provided below in this Section.

(b) The Board may, in its discretion, appoint one or more Investment Managers who shall have, until terminated by the Board, the power to manage, acquire, and dispose of all or any part of the assets of the Plan allocated to an Investment Manager by the Board. Each Investment Manager (other than the Investment Committee) must represent in writing that it qualifies under the provisions of section 3(38)(B) of ERISA of 1974, as from time to time amended, and acknowledge in writing that it is a fiduciary with respect to the Plan. In that event, the Trustee shall have no obligation to invest or otherwise manage any asset of the Plan which is subject to the management of an Investment Manager.

(c) In the event that investment powers are divided among two or more Trustees or Investment Managers, the Board shall formulate investment policies for such Trustees and Investment Managers to diversify the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

(d) The Investment Committee shall periodically review and evaluate the investment performance of each Trustee and Investment Manager and advise the Board of such review and evaluation. The Board may delegate to the Investment Committee the responsibility to appoint and terminate Trustees and Investment Managers to allocate Plan assets, to formulate investment policies, and to instruct the Trustee or Investment Manager with respect thereto. In case of such a delegation, the Investment Committee may also appoint itself to serve as an Investment Manager.

(e) The Investment Committee will establish a funding policy and method to carry out the Plan's objectives and will communicate it in writing to those responsible for the investment of Plan assets.

Section 15.07. Liability and Indemnity.  
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(a) No person, Committee member, Investment Committee member, Trustee, or Investment Manager who has a fiduciary responsibility, or to whom such responsibility is allocated, as provided in this Article, by appointment or otherwise, shall be liable for any act or omission or investment policy of any other such fiduciary except as provided in section 405 of the Act.

(b) To the extent permitted by law, the Employers shall indemnify and hold harmless its directors, officers, and Employees with respect to their responsibilities under this Article, and may purchase insurance to cover the liabilities of such persons for breach of fiduciary duty and any other error or omission.

ARTICLE 16  
THE TRUST AND THE TRUSTEE

Section 16.01. In General. To provide for the administration of the Trust  
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Fund, Northrop Grumman Corporation shall enter into a Trust Agreement with a Trustee appointed by the Northrop Grumman Corporation Board or its delegate. The Trust Agreement shall be in such form and contain such provisions as Northrop Grumman Corporation may deem appropriate, including, but not limited to, provisions with respect to the powers and authority of the Trustee, the authority of Northrop Grumman Corporation to amend the Trust Agreement and to terminate the Trust Fund, the authority of Northrop Grumman Corporation and the Committee to settle the accounts of the Trustee on behalf of all persons having an interest in the Trust Fund, a provision that it shall be impossible for any part of the corpus or income of the Trust Fund to be (within the taxable year or thereafter) used for or diverted to purposes other than for the exclusive benefit of Participating Employees or their beneficiaries, except as provided in Article 20 or as may be permitted by law. The Trust Agreement shall be deemed to form a part of this Plan and all rights and benefits that may accrue to any person under this Plan shall be subject to all the terms and provisions of the Trust Agreement.

Section 16.02. Temporary Investments and Uninvested Funds. The Trustee

temporarily may hold in cash, may deposit at reasonable rates with banks, including deposits with itself or affiliated banks, and may invest in short-term investments, either directly or through a commingled trust fund maintained by the Trustees, funds received for investment in the Funds. The Trustee may keep uninvested an amount of cash sufficient in its opinion to enable it to carry out the purposes of the Plan. No income shall accrue to an account of any Participating Employee on such uninvested funds.

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ARTICLE 17  
TRANSFERS AMONG AFFILIATED COMPANIES

Section 17.01. General Rule. Transfer by a Participating Employee from one

Employing Company to another Employing Company shall not affect participation under the Plan.

Section 17.02. Transfer to an Affiliated Company Which is Not an Employing

Company. In the event a Participating Employee is transferred from an Employing

Company to an Affiliated Company, and such transferee company is not an Employing Company, then all such employees' rights under the Plan shall continue except that he or she shall no longer be entitled to make any allotments or to receive Employing Company Contributions. The Participating Employee will continue to earn Vesting Service under this Plan for the period of employment with the Affiliated Corporation.

Section 17.03. Transfer from an Affiliated Company which is not an Employing

Company. In the event an Eligible Employee has been transferred from an

Affiliated Company which is not an Employing Company, the period of employment with the Affiliated Company will be included in Vesting Service under this Plan.

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ARTICLE 18  
AMENDMENT AND TERMINATION

Section 18.01. Right to Amend the Plan. The Company by written resolution of

the Board may amend the Plan at any time and in any respect. The Committee through written resolution may amend the Plan to the extent necessary to keep the Plan in compliance with law and with respect to administrative and procedural matters. However, any amendments contemplated by the Committee that may have a significant financial impact for the Company must be referred to the Board for approval.

Section 18.02. Termination or Reduction. The Plan is entirely voluntary on the

part of the Employing Companies.

(a) The Employing Companies reserve the right at any time to terminate the Plan or to suspend, reduce or partially or completely discontinue contributions to the Plan through written resolution of the Board.

(b) In the event of a termination of or a complete discontinuance of contributions to the Plan (as defined under section 411(d)(3) of the U.S. Code), the interests of all Participating Employees in their Accounts are fully vested and nonforfeitable.

(c) Distributions may be made only in the event of a complete termination of the Plan and only to the extent permitted by the tax rules governing the Plan.

(d) This Section does not apply to partial terminations.

Section 18.03. Partial Terminations. The Company reserves the right at any

time to partially terminate the Plan through written resolution of the Board.

(a) In the event of a partial termination of the Plan (as defined under section 411(d)(3) of the U.S. Code), the rights of Participating Employees affected by the partial termination shall automatically become fully vested but only to the extent required by statute and regulation.

(b) In the event of a horizontal partial termination, only that portion of a Participating Employee's benefit (if any) which is affected by the horizontal partial termination will become vested.

(c) No amounts will be distributed on account of a partial termination.

(d) Nothing in this Plan is intended to give any rights greater than those required by statute or regulation with respect to partial terminations.

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ARTICLE 19  
MERGERS

Section 19.01. Merger of Plans. If the Plan shall merge or consolidate with,  
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or transfer its assets or liabilities to, any other plan, then, to the extent required by ERISA, each Participating Employee shall be entitled to receive a benefit immediately after such merger, consolidation or transfer (assuming that the Plan had then terminated) which is equal to or greater than the benefit which he or she would have been entitled to receive immediately before such merger, consolidation or transfer (assuming that the Plan had then terminated).

(a) This Section is intended only to implement sections 401(a)(12) and 414(l) of the U.S. Code and section 208 of ERISA and shall not be construed to require anything more than those statutes require.

(b) In particular, a merger or transfer under this Section shall not be deemed to require any act or change in status that would be required by an actual termination, such as liquidation of the Trust Fund.

(c) This Section is also not intended to guarantee Accounts at the level they were at immediately prior to a merger or transfer. Accounts may decrease in value following a merger or transfer just as in the ordinary course and the risk of any such decreases remains on the Participating Employees.

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ARTICLE 20  
RETURN OF CONTRIBUTIONS

Section 20.01. In General. Unless one of the exceptions in the next Section  
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applies, ERISA requires that the Trust Fund must be used for the exclusive benefit of Participating Employees and their beneficiaries and to pay reasonable Plan expenses.

Section 20.02. Exceptions. In the case any contribution is made:  
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(a) by a mistake of fact, or

(b) which is made conditioned on its deductibility (all contributions are conditioned on their deductibility) and which is not currently deductible under section 404 of the U.S. Code, or

(c) which is made pending initial qualification of the Plan and the Plan fails to receive initial qualification under either the U.S. Code or P.R. Code,

to the extent permitted by ERISA, the contribution shall be returned to the Employing Company within one year after the date of payment by mistake or the date of disallowance or the date of the nonqualification determination, whichever applies.

Section 20.03. Amount to be Returned. The amount of the contribution which may  
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be returned under the previous Section is:

(a) the excess of the amount contributed over the amount that would have been contributed if there had been no mistake of fact or a mistake in determining the deduction or a plan in existence, as applicable, reduced by

(b) the amount of losses, if any, attributable to the amount determined in (a).

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ARTICLE 21  
MISCELLANEOUS

Section 21.01. Headings. The headings and subheadings in this Plan have been inserted for convenience of reference only. In the event of a conflict between a heading and the content of a section, the content of the section shall control.

Section 21.02. Construction. The Plan shall be governed by the laws of Puerto Rico, where such laws are not in conflict with the applicable federal laws.

Section 21.03. Employment Rights. Nothing contained in this Plan shall require the Employing Companies to retain any Eligible Employee in their service, or shall be construed as a contract of employment between the Employing Companies and any Eligible Employee, or as a limitation of the right of the Employing Companies to discharge any of their Eligible Employees, with or without cause.

Section 21.04. Limitation to Trust Fund. The Affiliated Companies shall have no liability for benefits under the Plan beyond the contributions required by the terms of the Plan. Nothing in the Plan shall be deemed to give any Participating Employee or beneficiary any right to assets of the Affiliated Companies and all Plan benefits shall be limited to the amounts in the Trust Fund. The Affiliated Companies, the Committee and the Investment Committee do not guarantee the Trust Fund in any manner against loss or depreciation and do not guarantee the payment of any benefit which may become due under the Plan.

Section 21.05. Separability. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of the Plan, and the Plan shall be construed and enforced as if such provision had not been included.

Section 21.06. Top Heavy Rules. The Plan shall be subject to the top heavy provisions of Appendix B in the event that the Plan should ever become top-heavy.

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APPENDIX A  
SECTION 415 LIMITS

Section A.01. In General. Contributions under this Plan will be subject to the limitations of section 415 of the U.S. Code and its regulations, which are incorporated here by reference.

Section A.02. Reductions Among Defined Contribution Plans. For Participating Employees participating in more than one defined contribution plan, any reductions required by section 415 will be made first with respect to the plan in which the Participating Employee most recently accrued benefits. Any further reductions will be made according the priorities established by the Committee and the administrators of the other plans.

Section A.03. Reductions Under the Overall Limit. For Participating Employees subject to the overall limit for contributions and benefits under both defined contribution and defined benefit plans, reductions will be made under defined

benefit plans rather than defined contribution plans. The defined benefit reductions will be made as set forth in those plans.

Section A.04. Treatment of Excesses. Amounts under this Plan which are in  
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excess of the section 415 limits will be treated as follows:

(a) First, Participating Employee contributions and earnings allocable to them will be returned to them in the following order:

- (1) Unmatched employee contributions;
- (2) Matched employee contributions;

(b) If any excess still remains, and the Participating Employee is still covered by the Plan at the end of the Plan Year, the remaining excess will be placed in a suspense account and allocated to the Participating Employee in the following Plan Year or Years in addition to Employing Company contributions and forfeitures which would otherwise be allocated to the Participating Employee.

(c) If any excess still remains, and the Participating Employee is not covered by the Plan at the end of the Plan Year, the excess amount will be placed in a suspense account and allocated to other Participating Employees in the following Plan Year or Years, reducing dollar-for-dollar the Employing Company contributions and forfeitures that would otherwise be allocated to them.

(d) Amounts in the suspense account will not be credited with any earnings or losses. If the Plan is terminated, a special allocation of any amounts in a suspense account will be made to all Participating Employees employed as of the termination date in proportion to their Compensation to date for the Plan Year, subject to the section 415 limitations. Any amount which cannot be allocated at Plan termination will revert to the Employing Companies.

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APPENDIX B  
TOP HEAVY PROVISIONS

Section B.01. Generally. The provisions of this Appendix only apply if the  
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Plan becomes Top-Heavy. The rules in this Appendix are intended to conform to section 416 of the U.S. Code.

Section B.02. Vesting. If the Plan becomes Top-Heavy, it shall have no effect  
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on vesting.

Section B.03. Eligibility for Required Contributions. For any Plan Year in  
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which the Plan is Top Heavy, the required contributions described in Section B.04 shall be provided under this Plan to any employee who meets the requirements of (a) and (b):

- (a) The employee is not a Key Employee.
- (b) The employee has previously become a participant in the Plan and has not separated from service by the end of the Plan Year, with the determination of whether or not an Eligible Employee is a participant for purposes of this Section to be made without regard to whether or not the employee:
  - (1) Would otherwise be excluded from participation (or receive no contributions or less than a full contribution) because of a failure to make mandatory employee contributions (or elective deferrals); or
  - (2) Would otherwise be excluded from participation (or receive no contributions or less than a full contribution) because his or her earnings are less than a stated amount.

Section B.04. Required Contribution. The required contribution under this  
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Section shall be:

- (a) An employer contribution equal to the employer contribution to be provided under this Plan without regard to the provisions of this Appendix, increased by

the Top-Heavy Minimum under Section B.05 or B.06, whichever applies.

(b) For purposes of this Appendix, references to "employer contributions" shall include amounts attributable to forfeitures but shall not include amounts attributable to a salary reduction or similar arrangement.

Section B.05. Top-Heavy Minimum. Unless Section B.06 applies, the Top-Heavy  
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Minimum shall be determined under (a) as modified by (b), when applicable,  
reduced by (c):

(a) The amount of the minimum employer contribution shall be the lesser of the following percentages of Compensation:

(1) Three percent, or

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(2) The highest percentage at which employer contributions are made under the Plan for the Plan Year on behalf of a Key Employee.

(A) For purposes of this paragraph (2), all defined contribution plans required to be included in an Aggregation Group shall be treated as one plan.

(B) This paragraph (2) shall not apply if the Plan is required to be included in an Aggregation Group and the Plan enables a defined benefit plan required to be included in the Aggregation Group to meet the requirements of sections 401(a)(4) or 410 of the U.S. Code.

(C) For purposes of this paragraph (2), the calculation of the percentage at which contributions are made for a Key Employee shall be based only on his or her Compensation.

(b) For any Plan Year in which the conditions in (1) and (2) below are met, "Four percent" shall be substituted for "Three percent" in (a)(1). The conditions are:

(1) For the Plan Year in question, the Plan must be Top-Heavy but not Super Top-Heavy, and

(2) The Plan Year must overlap any Limitation Year in which a Key Employee who participates in any plan in the Aggregation Group would (after all appropriate adjustments allowed by statute and regulation) exceed the limitations on contributions and benefits under section 415 of the U.S. Code if the dollar limitations in the defined benefit plan fraction and the defined contribution plan fraction under U.S. Code section 415(e) are multiplied by 1.0 rather than 1.25.

(c) The Top-Heavy Minimum of this Section shall be reduced by the amount of Nonintegrated employer contributions otherwise made on the Employee's behalf under this Plan and all other defined contribution plans of the Affiliated Companies.

Section B.06. Participants Under Defined Benefit Plans. For any Plan Year in  
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which the Plan is Top-Heavy, if any employee for whom a contribution is required under the provisions of Section B.03 with respect to such Plan Year would also be eligible for a top-heavy minimum benefit for a corresponding plan year (as defined in (d)) under a defined benefit plan of the Affiliated Companies (prior to the application of the provisions of this Section), then:

(a) This Section rather than Section B.05 shall apply as to such employee for such Plan Year, and

(b) The Top-Heavy Minimum shall be a Nonintegrated employer contribution for such employee for such Plan Year, equal to 5% (7-1/2% if the conditions in Section B.05(b)(1) and (2) are met) of such employee's Compensation (without regard to profits and without regard to the amount of contributions, if any, made to defined contribution plans on behalf of Key Employees).

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(c) The Top-Heavy Minimum in (b) shall be reduced by the amount of Nonintegrated employer contributions otherwise made on the employee's behalf under this Plan and all other defined contribution plans of the Affiliated Companies.

(d) The corresponding plan year shall be determined as follows:

(1) Ascertain the Determination Date for this Plan utilized to determine that this Plan is Top-Heavy for the relevant year.

(2) Next ascertain the Determination Date for the defined benefit plan which was aggregated with the Determination Date in (d) (1) under the provisions of Section B.12(i).

(3) The corresponding plan year for the defined benefit plan shall be the plan year for which the defined contribution plan was determined to be Top-Heavy on the basis of the Determination Date ascertained in (d) (2).

Section B.07. Super Top-Heavy Plans. For any Plan Year in which the Plan is  
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Super Top-Heavy, then (a) or (b) shall apply as applicable:

(a) Except as provided in (b), for purposes of the limitations on contributions and benefits under section 415 of the U.S. Code, for any Limitation Year overlapping a Plan Year in which the Plan is Super Top-Heavy, the dollar limitations in the defined benefit plan fraction and the defined contribution plan fraction under U.S. Code section 415(e) (after all appropriate adjustments allowed by statute and regulation) shall be multiplied by 1.0 rather than 1.25.

(b) If the application of (a) would cause an individual to exceed the combined section 415 limitations on contributions and benefits under U.S. Code section 415(e), then the application of (a) shall be suspended as to such individual until such time as he or she or she no longer exceeds the combined section 415 limitations as modified by (a). During the period of such suspension, there shall be no employer contributions, forfeitures or voluntary employee nondeductible contributions allocated to such individual under any defined contribution plan of the Affiliated Companies and there shall be no accruals for such individual under any defined benefit plan of the Affiliated Companies.

Section B.08. Leased Employees. For purposes of this Appendix, Leased  
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Employees are not considered "employees" unless they are eligible to participate under the terms of the Plan.

Section B.09. Determination of Top Heaviness. The determination of whether a  
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plan is Top-Heavy is made as follows:

(a) If the Plan is not required to be included in an Aggregation Group with other plans, then it is Top-Heavy only if:

(1) when considered by itself it is a Top-Heavy Plan and

(2) it is not included in a permissive Aggregation Group that is not a Top-Heavy Group.

(b) If the Plan is required to be included in an Aggregation Group with other plans, it is Top-Heavy only if the Aggregation Group, including any permissively aggregated plans, is Top-Heavy.

(c) If a plan is not a Top-Heavy Plan and is not required to be included in an Aggregation Group, then it is not Top-Heavy even if it is permissively aggregated in an Aggregation Group which is a Top-Heavy Group.

(d) For purposes of this Appendix, except where otherwise indicated, a reference to a plan being Top-Heavy is meant to include a plan which is Top-Heavy or Super Top-Heavy.

Section B.10. Determination of Super Top Heaviness. The determination of  
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whether a plan is Super Top-Heavy is made in the same manner as the determination for Top-Heaviness under the provisions of Sections B.09 and B.11, but substituting "90%" for "60%" in the ratio test in Section B.11.

Section B.11. Calculation of Top-Heavy Ratios. A plan is Top-Heavy and an

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Aggregation Group is a Top-Heavy Group with respect to any plan year if the sum as of the Determination Dates of the Cumulative Accrued Benefits and the Cumulative Accounts of Special Members who are Key Employees for the plan year exceeds 60% of a similar sum determined for all Special Members, excluding Cumulative Accrued Benefits and Cumulative Accounts of former Key Employees from the calculations entirely.

Section B.12. Cumulative Accounts and Cumulative Accrued Benefits. The

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Cumulative Accounts and Cumulative Accrued Benefits for any Employee are determined as follows:

(a) "Cumulative Account" means the sum of the amounts of a Special Member's accounts under a defined contribution plan (for an unaggregated plan) or under all defined contribution plans included in an Aggregation Group (for aggregated plans) determined as of the most recent plan valuation date within a 12-month period ending on the Determination Date, increased by:

(1) For plans not subject to the minimum funding requirements of U.S. Code section 412, except for the first plan year, amounts actually contributed after the valuation date and on or before the Determination Date.

(2) For plans not subject to the minimum funding requirements of U.S. Code section 412, for the first plan year, the contributions referred to in (1) as well as amounts contributed after the Determination Date but allocated as of a date within the first plan year.

(3) For plans subject to the minimum funding requirements of U.S. Code section 412, amounts that would be allocated as of a date after the valuation date but no later than the Determination Date (even though not then required to be contributed) and

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amounts contributed or due before the expiration of the 412(c)(10) extended payment period.

(b) "Cumulative Accrued Benefit" means the sum of the present value of a Special Member's accrued benefits under a defined benefit plan (for an unaggregated plan) or under all defined benefit plans included in an Aggregation Group (for aggregated plans), determined under the actuarial assumptions set forth in such plan or plans, as of the most recent plan valuation date within a 12-month period ending on the Determination Date as if the participant voluntarily terminated service--

(1) as of the Determination Date, for the first plan year of the plan, or

(2) for any other plan year, as of the most recent valuation date within the 12-month period ending on the Determination Date, or

(3) if earlier, the participant's actual termination date.

The valuation date used must be the same valuation date used for computing costs for minimum funding purposes, regardless of whether a valuation is performed for the year.

(c) Accounts and benefits are calculated to include all amounts attributable to both employer and employee contributions and forfeitures but excluding amounts attributable to voluntary deductible employee contributions.

(d) Accounts and benefits are increased by the aggregate distributions (except for amounts already included at the valuation date under (a) and (b)) during the Test Period made with respect to a Special Member under the plan or plans as the case may be or under a terminated plan which, if it had not been terminated, would have been required to be included in the Aggregation Group.

(e) Rollovers and direct plan-to-plan transfers are treated as follows:

(1) If the transfer is initiated by the Special Member and made from a plan maintained by an employer not a member of the Affiliated Companies to a plan maintained by the Affiliated Companies, or vice-versa, the transferring plan continues to count the amount transferred under the rules for counting distributions. The receiving plan does not count the amount if accepted after December 31, 1983, but does count it if accepted prior to January 1, 1984.

(2) If the transfer is not initiated by the Special Member or is made between plans maintained by the Affiliated Companies, the transferring plan no longer counts the amount transferred and the receiving plan does count the amount transferred.

(f) For plan years beginning after December 31, 1984, the accrued benefits and accounts attributable to any Employee who has not performed services for the Affiliated Companies at any time during the Test Period are not taken into account.

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(g) Benefits paid on account of death are counted as distributions only to the extent they do not exceed the present value of accrued benefits existing immediately prior to death. For life insurance under defined contribution plans, only the cash value of life insurance policies distributed on account of death will be counted as a distribution.

(h) Solely for the purpose of determining if the Plan, or any other plan included in a required Aggregation Group of which this Plan is a part, is Top-Heavy, the accrued benefit of a Special Member other than a Key Employee shall be determined under:

(1) The method, if any, that uniformly applies for accrual purposes under all plans maintained by the Affiliated Companies, or

(2) If there is no such method, as is described in (1), as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rule of section 411(b)(1)(C) of the U.S. Code.

(I) Calculations are made separately for each plan as of each plan's Determination Date and then all plans are combined by utilizing the Determination Dates for such plans that fall within the same calendar year.

Section B.13. Other Definitions. For purposes of this Appendix, the  
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definitions in Sections B.14-B.23 apply.

Section B.14. Affiliated Companies. The Company and any entity which is or  
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which is a part of an entity which is:

(a) a member of a controlled group of corporations (within the meaning of section 414(b) of the U.S. Code) with the Company,

(b) under common control (within the meaning of section 414(c) of the U.S. Code) with the Company,

(c) a member of an affiliated service group (within the meaning of section 414(m) of the U.S. Code) with the Company, or

(d) otherwise required to be aggregated with the Company pursuant to regulations under section 414(o) of the U.S. Code.

Section B.15. Aggregation Group. For any Determination Date, the Aggregation  
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Group includes a plan or group of plans qualified under sections 401(a), 403(a) or 408(k) of the U.S. Code maintained by the Affiliated Companies (including plans which have terminated within the Test Period) which:

(a) during the Test Period had a Key Employee participant, or

(b) during the Test Period enabled any plan in which a Key Employee was a participant to meet the requirements of U.S. Code section 401(a)(4) or U.S. Code section 410, or

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(c) were selected by the Company for permissive aggregation (as long as inclusion of the permissive plans would not prevent the entire group of plans from continuing to meet the requirements of U.S. Code sections 401(a)(4) or 410).

Section B.16. Compensation. Compensation shall include, with respect to a  
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Limitation Year--

(a) Amounts actually paid or made available by the Special Aggregation Group in the Limitation Year to an Employee (regardless of whether he or she was a participant in a plan during the entire Limitation Year);

(1) As wages, salaries, fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Special Aggregation Group including, but not limited to, commissions paid to salespeople, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses.

(2) Foreign earned income (as defined in U.S. Code section 911(b)), whether or not excludable from gross income under U.S. Code section 911.

(3) Amounts described in U.S. Code sections 104(a)(3), 105(a) and 105(h) but only to the extent that these amounts are includible in the gross income of the Employee.

(4) Amounts paid or reimbursed by the Special Aggregation Group for moving expenses incurred by the Employee, but only to the extent that these amounts are not deductible by the Employee under U.S. Code section 217.

(5) The value of a nonqualified stock option granted to the Employee by the Special Aggregation Group, but only to the extent that the value of the option is includible in the gross income of the Employee for the taxable year in which granted.

(6) The amount includible in the gross income of a participant upon making the election described in U.S. Code section 83(b).

(7) Any amounts received by the Employee pursuant to an unfunded nonqualified plan in the year such amounts are includible in the gross income of the Employee.

(b) Compensation does not include -

(1) Contributions made by the Special Aggregation Group to a plan of deferred compensation to the extent that, before the application of the U.S. Code section 415 limitations to that plan, the contributions are not includible in the gross income of the Employee for the taxable year in which contributed.

(2) Elective deferrals by an Employee under a cash or deferred arrangement qualified under section 401(k) or 408(k)(6) of the U.S. Code.

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(3) Contributions made by an employer (whether or not under a salary reduction agreement) towards the purchase of an annuity contract described in section 403(b) (whether or not the contributions are excludable from the gross income of the Employee).

(4) Employer contributions made on behalf of an Employee to a simplified Employee pension described in section 408(k) for the taxable year in which contributed to the extent such contributions are excludable by the Employee under U.S. Code section 402(h).

(5) Any distributions from a plan of deferred compensation, regardless of whether such amounts are includible in the gross income of the Employee when distributed (except as provided in (a)(7) above).

(6) Amounts realized from the exercise of a nonqualified stock option.

(7) Amounts realized when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a

substantial risk of forfeiture (see U.S. Code section 83 and the regulations thereunder).

(8) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option.

(9) Premiums for group term life insurance (but only to the extent that the premiums are not includible in the gross income of the Employee).

(10) Other amounts which receive special tax benefits.

Section B.17. Determination Date. With respect to a plan for any plan year,  
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(a) the last day of the preceding plan year, or

(b) in the case of the first plan year of the plan, the last day of the plan year.

Section B.18. Key Employee. Any Special Member who is or was, at any time  
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during the Test Period, any one or more of the following:

(a) A person who in the same plan year was both an officer of any member of the Affiliated Companies and had annual Compensation with respect to such plan year greater than 50% of the amount in effect under section 415(b)(1)(A) for the calendar year in which the plan year ends. The maximum number of officers shall be the lesser of:

(1) Fifty or,

(2) The greater of (A) three or (B) 10 percent (rounded to the next highest integer) of the greatest number of Employees who performed services for the Affiliated

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Companies in any year in the Test Period. The following Employees are excluded in determining the number of Employees:

- (i) Employees who have not completed 6 months of service;
- (ii) Employees who normally work less than 17-1/2 hours per week;
- (iii) Employees who normally work during not more than 6 months during any year;
- (iv) Employees who have not attained age 21;
- (v) Employees who are nonresident aliens and who receive no earned income (within the meaning of section 911(d)(2) of the U.S. Code) from the Affiliated Companies which constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the U.S. Code).

If there are more officers than are to be counted under such maximum, then the Key Employees shall be those who have the highest annual Compensation while officers in any of the years in the Test Period.

(b) One of the 10 Employees of the Affiliated Companies who, in the same plan year of the Test Period:

(1) have annual Compensation with respect to the plan year greater than the limitation in effect under U.S. Code section 415(c)(1)(A) for the calendar year in which the plan year ends,

(2) own (or are considered to own within the meaning of U.S. Code section 318) a half-percent interest in a member of the Affiliated Companies, and

(3) own (or are considered to own within the meaning of U.S. Code section 318) interests (in terms of percentage) in any member of the Affiliated Companies in any plan year in which they meet (1) and (2) which are the largest when compared to such ownership interests of all other Employees of the Affiliated Companies during the Test Period in which such other Employees

also meet (1) and (2).

For purposes of this paragraph (b), a person's ownership interest for any year shall be his or her highest ownership interest at any point in the year and, if two persons have the same ownership interest, the one with the greater annual Compensation with respect to the plan year during which any part of that ownership interest existed shall be treated as owning the larger interest.

(c) An Employee of the Affiliated Companies who, during the Test Period, owns (or is considered to own within the meaning of U.S. Code section 318) more than five percent of the outstanding stock of any member of the Affiliated Companies or stock possessing more than five percent of the total combined voting power of such stock.

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(d) An Employee of the Affiliated Companies who would be described in paragraph (c) above if "one percent" were substituted for "five percent" each place it appears in paragraph (c) above, and who has annual pay of more than \$150,000 with respect to the plan year of such ownership. An Employee's "pay" for this purpose includes all amounts paid to the Employee by the Affiliated Companies which is treated as "Compensation" under section 415(c)(3) of the U.S. Code plus salary reduction contributions to a cafeteria plan, a 401(k) plan or a simplified Employee pension.

For purposes of determining ownership under this Section, U.S. Code section 318(a)(2)(C) shall be applied by substituting "five percent" for "50 percent" and the rules of subsections (b), (c), (m) and (o) of section 414 of the U.S. Code shall not apply.

Section B.19. Limitation Year. The limitation year specified in a plan, but if  
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none is specified, the calendar year.

Section B.20. Nonintegrated. A "Nonintegrated" benefit means a benefit  
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determined without taking into account contributions or benefits under U.S. Code chapter 2 (relating to tax on self-employment income), U.S. Code chapter 21 (relating to the Federal Insurance Contributions Act), title II of the Social Security Act, or any other Federal or State Law.

Section B.21. Special Member. For purposes of this Appendix, any person  
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employed or formerly employed by the Affiliated Companies and shall also include any Beneficiary of any such person, provided that the requirements of Sections B.02-B.06 shall not apply to any person included in a unit of Employees covered by an agreement which the Secretary of Labor finds (in accordance with the rules of section 7701(b) of the U.S. Code) to be a collective bargaining agreement between Employee representatives and one or more members of the Affiliated Companies if there is evidence that retirement benefits were the subject of good faith bargaining between such Employee representatives and such member or members of the Affiliated Companies.

Section B.22. Test Period. The plan year containing the Determination Date  
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concerned, and the four preceding plan years.

Section B.23. Year of Service. Years of Service shall be determined under the  
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same rules as for vesting under the Plan, to the extent not inconsistent with the provisions of this Appendix.

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#### EXHIBIT AA

The Employing Companies under this Plan shall include only those entities which became part of the Northrop Grumman affiliated group as a result of the ESSD acquisition, and only to the extent of:

(a) former Westinghouse employees who participated in the Predecessor Plan and who became employees of the Northrop Grumman affiliated group on March 1, 1996 as a result of the ESSD Acquisition, and

(b) new hires, on or after March 1, 1996, who work at the same locations as the employees described in (a).

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Northrop Grumman Corporation on Form S-8 of our report dated February 7, 1996, appearing in the Annual Report on Form 10-K of Northrop Grumman Corporation for the year ended December 31, 1995.

DELOITTE & TOUCHE LLP  
Los Angeles, California

May 16, 1996

EXHIBIT 23.1

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POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-8

KNOWN ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of NORTHROP GRUMMAN CORPORATION, a Delaware corporation, (the "Company"), nominate, constitute and appoint RICHARD R. MOLLEUR and JAMES C. JOHNSON, and each of them, acting or signing singly, as his or her agents and attorneys-in-fact, in his or her respective name in the capacity indicated below to execute and/or file (1) a registration statement on Form S-8 under the Securities Act of 1933, as amended (the "Act"), in connection with the registration under the Act of interests in the Northrop Grumman Electronic Sensors & Systems Division Savings Program and Northrop Grumman PEI Savings Plan (collectively, the "Plans") and of securities which are proposed to be offered to participants of the Plans; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness (including the financial statements, prospectus, schedules and all exhibits and other documents filed therewith or constituting a part thereof).

Further, the undersigned do hereby authorize and direct the said agents and attorneys-in-fact to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission ("SEC"), or State Regulatory Agency, necessary, proper or convenient in their opinion to comply with the Act and the rules and regulations or orders of the SEC, or State Regulatory Agency, adopted or issued pursuant thereto, including the making of any requests for acceleration of the effective date of said registration statement, to the end that the registration statement of the Company shall become effective under the Act and any other applicable law.

Finally, each of the undersigned does hereby ratify, confirm and approve each and every act and document which the said appointed agents and attorneys-in-fact may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such document had been executed or filed by the undersigned, respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 15th day of May 1996.

Signature

Title

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/s/ Kent Kresa

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Kent Kresa

Chairman of the Board, President and Chief  
Executive Officer and Director (Principal  
Executive Officer)

/s/ Jack R. Borsting

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Jack R. Borsting

Director

/s/ John T. Chain, Jr.

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John T. Chain, Jr.

Director

EXHIBIT 24.1

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/s/ Jack Edwards  
-----  
Jack Edwards Director

/s/ Phillip Frost  
-----  
Phillip Frost Director

/s/ Aulana L. Peters  
-----  
Aulana L. Peters Director

/s/ John E. Robson  
-----  
John E. Robson Director

/s/ Richard M. Rosenberg  
-----  
Richard M. Rosenberg Director

/s/ Brent Scowcroft  
-----  
Brent Scowcroft Director

/s/ John Brooks Slaughter  
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John Brooks Slaughter Director

/s/ Wallace C. Solberg  
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Wallace C. Solberg Director

/s/ Richard J. Stegemeier  
-----  
Richard J. Stegemeier Director

/s/ Nelson F. Gibbs  
-----  
Nelson F. Gibbs Corporate Vice President and Controller  
(Principal Accounting Officer and Acting  
Principal Financial Officer)