

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2000
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-3229

NORTHROP GRUMMAN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

No. 95-1055798

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1840 Century Park East, Los Angeles, California 90067
(address of principal executive offices)

(310) 553-6262

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock outstanding as of April 24, 2000 69,811,638 shares

Northrop Grumman Corporation and Subsidiaries

Part I. Financial Information
Item 1. Financial Statements
CONSOLIDATED CONDENSED STATEMENTS
OF FINANCIAL POSITION

Dollars in millions

	March 31, 2000	December 31, 1999

Assets:		
Cash and cash equivalents	\$ 41	\$ 142
Accounts receivable, net of progress payments of \$1,724 in 2000 and \$1,714 in 1999	1,450	1,402
Inventoried costs, net of progress payments of \$596 in 2000 and \$521 in 1999	1,240	1,190

Deferred income taxes	22	23
Prepaid expenses	50	36

Total current assets	2,803	2,793

Property, plant and equipment	2,854	2,895
Accumulated depreciation	(1,630)	(1,655)

	1,224	1,240

Goodwill, net of accumulated amortization of \$468 in 2000 and \$441 in 1999	3,445	3,469
Other purchased intangibles, net of accumulated amortization of \$406 in 2000 and \$388 in 1999	736	761
Prepaid pension cost, intangible pension asset and benefit trust fund	1,106	946
Assets available for sale	26	26
Investments in and advances to affiliates and sundry assets	49	50

	5,362	5,252

	\$ 9,389	\$ 9,285
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Northrop Grumman Corporation and Subsidiaries

Dollars in millions	March 31, 2000	December 31, 1999
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Liabilities and Shareholders' Equity:		
Notes payable to banks	\$ 95	\$ 25
Current portion of long-term debt	200	200
Trade accounts payable	436	490
Accrued employees' compensation	326	366
Advances on contracts	347	316
Income taxes payable including deferred income taxes of \$561 in 2000 and \$550 in 1999	641	608
Other current liabilities	489	459
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Total current liabilities	2,534	2,464
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Long-term debt	1,800	2,000
Accrued retiree benefits	1,468	1,458
Other long-term liabilities	41	42
Deferred income taxes	137	64
Paid-in capital		
Preferred stock, 10,000,000 shares authorized; none issued		
Common stock, 200,000,000 shares authorized; issued and outstanding:		
2000 - 69,805,396; 1999 - 69,719,164	1,035	1,028
Retained earnings	2,393	2,248
Accumulated other comprehensive loss	(19)	(19)
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	3,409	3,257
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	\$ 9,389	\$ 9,285
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The accompanying notes are an integral part of these consolidated financial statements.

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF OPERATIONS

Dollars in millions, except per share	Three months ended March 31,	
	2000	1999
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Net sales	\$ 2,080	\$ 2,093
Cost of sales		
Operating costs	1,521	1,609
Administrative and general expenses	245	268
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Operating margin	314	216
Interest expense	(46)	(55)
Other, net	2	3
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Income before income taxes and cumulative effect of accounting change	270	164
Federal and foreign income taxes	97	60
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Income before cumulative effect of accounting change	173	104
Cumulative effect of change in accounting for start-up costs, net of income tax benefit of \$11 in 1999		(16)
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Net income	\$ 173	\$ 88
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Weighted average shares outstanding, in millions	69.9	68.9
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Basic earnings per share:		
Before cumulative effect of accounting change	\$ 2.47	\$ 1.51
Accounting change		(.24)
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Basic earnings per share	\$ 2.47	\$ 1.27
<hr style="border-top: 3px double black;"/>		
Diluted earnings per share:		
Before cumulative effect of accounting change	\$ 2.47	\$ 1.50
Accounting change		(.24)
<hr style="border-top: 1px dashed black;"/>		
Diluted earnings per share	\$ 2.47	\$ 1.26
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Dividends per share	\$.40	\$.40
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The accompanying notes are an integral part of these consolidated financial statements.

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY

Dollars in millions	Three months ended March 31,	
	2000	1999

Paid-in Capital		
At beginning of year	\$ 1,028	\$ 989
Employee stock awards and options exercised	7	1

	1,035	990

Retained Earnings		
At beginning of year	2,248	1,892
Net income	173	88
Cash dividends	(28)	(28)

	2,393	1,952

Accumulated Other Comprehensive Loss	(19)	(31)

Total shareholders' equity	\$ 3,409	\$ 2,911
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The accompanying notes are an integral part of these consolidated financial statements.

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CASH FLOWS

Dollars in millions	Three months ended March 31,	
	2000	1999

Operating Activities		
Sources of Cash		
Cash received from customers		
Progress payments	\$ 380	\$ 786
Other collections	1,763	1,367
Income tax refunds received	7	22
Interest received	2	
Other cash receipts	1	3

Cash provided by operating activities	2,153	2,178

Uses of Cash		
Cash paid to suppliers and employees	2,009	1,967
Interest paid	50	59
Income taxes paid	2	8
Other cash disbursements	1	1

Cash used in operating activities	2,062	2,035

Net cash provided by operating activities	91	143

Investing Activities		
Additions to property, plant and equipment	(36)	(42)
Payment for businesses purchased	(3)	
Proceeds from sale of property, plant and equipment	7	9
Other investing activities	(3)	4

Net cash used in investing activities	(35)	(29)

Financing Activities		
Repayment of borrowings under lines of credit	(80)	(53)
Principal payments of long-term debt	(50)	(50)
Proceeds from issuance of stock	1	2
Dividends paid	(28)	(28)

Net cash used in financing activities	(157)	(129)

Decrease in cash and cash equivalents	(101)	(15)
Cash and cash equivalents balance at beginning of period	142	44

Cash and cash equivalents balance at end of period	\$ 41	\$ 29
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Northrop Grumman Corporation and Subsidiaries

Dollars in millions	Three months ended March 31,	
	2000	1999
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Net income	\$ 173	\$ 88
Adjustments to reconcile net income to net cash provided		
Depreciation	45	43
Amortization of intangible assets	50	47
Common stock issued to employees	7	
Retiree benefits income	(133)	(57)
Decrease(increase) in		
Accounts receivable	(53)	(50)
Inventoried costs	(127)	(122)
Prepaid expenses	(15)	20
Increase(decrease) in		
Progress payments	85	136
Accounts payable and accruals	1	10
Provisions for contract losses	(20)	4
Deferred income taxes	84	43
Income taxes payable	23	23
Retiree benefits	(33)	(45)
Other transactions	4	3
Net cash provided by operating activities	\$ 91	\$ 143

The accompanying notes are an integral part of these consolidated financial statements.

Northrop Grumman Corporation and Subsidiaries

SELECTED INDUSTRY SEGMENT INFORMATION

Dollars in millions	Three months ended March 31,	
	2000	1999

Net Sales		
Integrated Systems & Aerostructures	\$ 1,134	\$ 1,173
Electronic Sensors & Systems	601	615
Logicon	378	353
Intersegment sales	(33)	(48)

	\$ 2,080	\$ 2,093
=====		
Operating Margin		
Integrated Systems & Aerostructures	\$ 117	\$ 82
Electronic Sensors & Systems	34	45
Logicon	31	19

Total	182	146
Other items included in operating margin:		
Corporate expenses	(7)	(8)
Deferred state tax provision	(11)	(5)
Pension income	150	83

Operating margin	\$ 314	\$ 216
=====		
Contract Acquisitions		
Integrated Systems & Aerostructures	\$ 518	\$ 1,429
Electronic Sensors & Systems	595	575
Logicon	437	409
Intersegment acquisitions	(36)	(29)

	\$ 1,514	\$ 2,384
=====		
Funded Order Backlog		
Integrated Systems & Aerostructures	\$ 5,760	\$ 7,189
Electronic Sensors & Systems	3,518	3,079
Logicon	668	622
Intersegment backlog	(88)	(150)

	\$ 9,858	\$10,740
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NOTES TO CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission. They do not include all information and notes necessary for a complete presentation of financial position, results of operations, changes in shareholders' equity, and cash flows in conformity with generally accepted accounting principles. They do, however, in the opinion of management, include all adjustments necessary for a fair statement of the results for the periods presented. The financial statements should be read in conjunction with the Notes and Independent Auditors' Report contained in the company's 1999 annual report on Form 10-K report.

Earnings per Share

Basic earnings per share are calculated using the weighted average number of shares of common stock outstanding during each period, after giving recognition to stock splits and stock dividends. Diluted earnings per share reflect the dilutive effect of stock options and other stock awards granted to employees under stock-based compensation plans.

Basic and diluted earnings per share are calculated as follows:

Three months ended March 31,	Net Income ----- (millions)	Shares ----- (millions)	Earnings per Share -----
2000			
Basic earnings per share	\$ 173 =====	69.9	\$ 2.47 =====
Dilutive effect of stock options and awards		-----	
Diluted earnings per share	\$ 173 =====	69.9 =====	\$ 2.47 =====
1999			
Basic earnings per share before cumulative effect of accounting change	\$ 104 =====	68.9	\$ 1.51 =====
Dilutive effect of stock options and awards		.4 -----	
Diluted earnings per share before cumulative effect of accounting change	\$ 104 =====	69.3 =====	\$ 1.50 =====
Basic earnings per share	\$ 88 =====	68.9	\$ 1.27 =====
Dilutive effect of stock options and awards		.4 -----	
Diluted earnings per share	\$ 88 =====	69.3 =====	\$ 1.26 =====

Northrop Grumman Corporation and Subsidiaries

Item 2. MANAGEMENT'S DISCUSSION AND
ANALYSIS OF THE COMPANY'S FINANCIAL
CONDITION AND THE RESULTS OF ITS OPERATIONS

Sales for the first quarter of 2000 were \$2.1 billion, essentially unchanged from the year ago period. Small decreases in Integrated Systems and Aerostructures (ISA) segment and Electronic Sensors and Systems (ESS) segment sales were nearly offset by an increase in Logicon segment sales.

ISA sales decreased by 3 percent in the first quarter of 2000 compared with the first quarter of 1999, primarily due to lower Aerostructures sales, partially offset by increased Air Combat Systems (ACS) sales. The Aerostructures sales decrease was due to lower commercial work. The ACS increase reflects increased F/A-18E/F sales, as this program transitioned from the development phase in early 1999 to the current production phase, partially offset by lower B-2 and F/A-18C/D sales.

ESS sales for the quarter ended March 31, 2000, were 2 percent lower than the same period a year ago. The Command, Control, Communications, Intelligence and Naval Systems (C3I&N) business area decrease is primarily attributable to lower air defense and air traffic control radar systems sales for international customers.

Logicon sales were 7 percent higher in the first quarter of 2000 versus the same period in 1999, with all three business areas reporting increased sales.

Northrop Grumman Corporation and Subsidiaries

Sales by business area and units delivered in the first quarter were:

\$ in millions	Three months ended March 31,	
	2000	1999

Integrated Systems & Aerostructures		
Air Combat Systems (ACS)	\$ 502	\$ 451
Aerostructures	282	391
Airborne Early Warning and Electronic Warfare (AEW/EW)	183	192
Airborne Ground Surveillance and Battle Management (AGS/BM)	176	161
Intrasegment Eliminations	(9)	(22)
	-----	-----
	1,134	1,173

Electronic Sensors & Systems		
Aerospace Electronic Systems	257	254
Command, Control, Communications, Intelligence and Naval Systems (C3I&N)	177	214
Defensive Electronic Systems	96	111
Other	71	36
	-----	-----
	601	615

Logicon		
Government Information Technology	253	241
Technology Services	92	83
Commercial Information Technology	33	29
	-----	-----
	378	353

Intersegment eliminations	(33)	(48)

Total sales	\$ 2,080	\$ 2,093
=====		

Units

	-----	-----
B-2	1	1
F/A-18 C/D		9
F/A-18 E/F	7	
747	6	12
C-17	2	2
	-----	-----

Northrop Grumman Corporation and Subsidiaries

Operating margin includes pension income of \$150 million in the first quarter of 2000, a \$67 million increase from the first quarter of 1999. Pension income for 2000 is expected to be approximately \$600 million.

ISA operating margin for the quarter was \$117 million, up 43 percent from the \$82 million reported for the first quarter of 1999. The 2000 results reflect the return to profitability on the Joint STARS production contracts as well as upward cumulative margin rate adjustments of \$9 million on the C-17 program and \$8 million on the F/A-18E/F program.

ESS operating margin in the first quarter of 2000 was \$34 million as compared with \$45 million in last year's first quarter. The decrease is primarily the result of the July 1999 merger of three of the company's pension plans into one.

Logicon operating margin for the quarter was \$31 million as compared with \$19 million for the first quarter of 1999. The increase is attributable in part to increased sales volume and improved performance in all three business areas. Logicon also benefited from replacing several defined-contribution employee benefit plans with a defined-benefit type pension plan in the first quarter of 2000. While the total cash contributions remain the same, the cost is now included in net pension income, in accordance with company policy. As a result, the company's pension income is lower than it otherwise would have been and Logicon's reported operating margin is higher by \$5 million for the quarter, with an additional \$5 million of cash contributions expected to be made in each of the remaining quarters of this year.

Interest expense for this year's first quarter was \$46 million, a \$9 million decrease from the \$55 million reported in the first quarter of 1999. The decrease resulted principally from a lower level of average borrowings in the quarter compared with the first quarter of 1999.

The company's effective tax rate was 36 percent for the first quarter of 2000, essentially unchanged from the same period in 1999.

Effective January 1, 1999, the company adopted the new accounting standard, SOP 98-5 - Reporting on the Costs of Start-Up Activities, which requires that certain costs that previously had been deferred be expensed and reported as a cumulative effect of a change in accounting principle. In 1999, the company reported a \$16 million after-tax charge, or \$.24 per share, to write off the previously deferred start-up costs. All such costs incurred after January 1, 1999, are expensed as incurred.

During the first quarter of 2000, \$91 million of cash was generated by operating activities versus the \$143 million generated in the same period last year. The decline is attributable in part to accelerated cash collections in 1999 due to customers' Year 2000 concerns. The decline is somewhat mitigated by improved operating margin and lower pension plan contributions as a result of the July 1999 pension plan merger. For the remainder of 2000, cash generated from operations, supplemented by borrowings under the credit agreement, are expected to be more than sufficient to service debt, finance capital expenditures, and continue paying dividends to the shareholders. The company's liquidity and financial flexibility will continue to be provided by cash flow generated by operating activities, supplemented by the unused borrowing capacity available under the company's credit agreement and other short-term credit facilities.

Northrop Grumman Corporation and Subsidiaries

As previously announced, the company is exploring strategic alternatives regarding its commercial aerostructures business area. As part of this review, the company is in discussions with interested parties, and has retained Salomon Smith Barney to aid in these efforts. The company cannot predict the outcome of these discussions.

Forward-Looking Information

Certain statements and assumptions in Management's Discussion and Analysis and elsewhere in this quarterly report on Form 10-Q contain or are based on "forward-looking" information (that the company believes to be within the definition in the Private Securities Litigation and Reform Act of 1995) that involves risk and uncertainties, including statements and assumptions with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, and anticipated costs of capital investments and planned dispositions. The company's operations are necessarily subject to various risks and uncertainties; actual outcomes are dependent upon factors, including, without limitation, the company's successful performance of internal plans; government customers' budgetary restraints; customer changes in short-range and long-range plans; domestic and international competition in both the defense and commercial areas; product performance; continued development and acceptance of new products; performance issues with key suppliers and subcontractors; government import and export policies; termination of government contracts; the outcome of political and legal processes; legal, financial, and governmental risks related to international transactions and global needs for military and commercial aircraft and electronic systems and support; as well as other economic, political and technological risks and uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

The company has fixed-rate long-term debt obligations, most of which are not callable until maturity. The company also has financial instruments that are subject to interest rate risk, principally variable-rate short-term debt outstanding under the Credit Agreement. The company may enter into interest rate swap agreements to offset the variable-rate characteristics of these loans. At March 31, 2000, no interest rate swap agreements were in effect.

Only a small portion of the company's transactions are contracted in foreign currencies. The company does not consider the market risk exposure relating to foreign currency exchange to be material.

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors and Shareholders
Northrop Grumman Corporation
Los Angeles, California

We have reviewed the accompanying condensed consolidated balance sheet of Northrop Grumman Corporation and Subsidiaries as of March 31, 2000, and the related condensed consolidated statements of income and cash flows for the three-month periods ending March 31, 2000 and 1999. These financial statements are the responsibility of the Corporation's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Northrop Grumman Corporation and Subsidiaries as of December 31, 1999, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 26, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1999 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Los Angeles, California
April 24, 2000

Northrop Grumman Corporation and Subsidiaries

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Fanni and related cases

Five shareholder class action lawsuits, making similar allegations, were filed between July and September, 1998 in the United States District Court for the Central District of California against the company, its directors, and certain of its officers. Three of these lawsuits, respectively encaptioned Fanni v. Northrop Grumman Corp., et al., Schnee

v. Northrop Grumman Corp., et al., and Florida State Board of Admin. v.

Northrop Grumman Corp., et al. allege that defendants issued misleading

proxy materials in connection with the proposed acquisition of the company by Lockheed Martin Corporation, in violation of the federal securities laws. These actions were later consolidated and seek unspecified damages on behalf of a class of shareholders related to the accelerated vesting of stock incentive plans upon the shareholder vote to approve the merger. On April 11, 2000, the Court entered an order dismissing these actions with prejudice. The other lawsuits, respectively encaptioned Burroughs v. Northrop Grumman Corp., et al., and Miller, et al. v. Northrop Grumman Corp., et al., were also consolidated and allege that defendants disseminated misleading information in connection with the proposed acquisition, in violation of the federal securities laws, thereby artificially inflating the market price of the company's common stock. These actions seek unspecified damages for a class of shareholders who purchased Northrop Grumman stock between July 3, 1997 and March 9, 1998. On April 11, 2000, the Court entered an order dismissing these actions without prejudice, allowing plaintiffs thirty days to file an amended complaint. The company and the individual defendants deny the allegations made in these actions and intend to defend the actions vigorously.

U.S. ex rel. McMorrough v. Northrop Grumman Corporation

In October 1998, the United States, acting through the Department of Justice, intervened in a portion of this civil action initially filed under seal in the U.S. District Court for the Western District of Louisiana in March 1995. The government intervened in the portion of the complaint that alleges the company knowingly supplied improperly heat-treated parts for Joint STARS aircraft in 1994 and 1995, in violation of the False Claims Act. The government's allegations regarding the heat treatment of parts have been settled for \$750,000. The Company denied any liability as part of the settlement and continues to vigorously defend the allegations being pursued separately by the relators.

General

The company, as a government contractor, is from time to time subject to U.S. Government investigations relating to its operations. Government contractors that are found to have violated the False Claims Act, or are indicted or convicted for violations of other Federal laws, or are considered not to be responsible contractors may be suspended or debarred from government contracting for some period of time. Such convictions could also result in fines. Given the company's dependence on government contracting, suspension or debarment could have a material adverse effect on the company.

The company is involved in certain other legal proceedings arising in the ordinary course of business, none of which the company's management believes will have a material adverse effect on the company's financial condition.

Northrop Grumman Corporation and Subsidiaries

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 3(a) Northrop Grumman Corporation Bylaws, as amended and restated March 15, 2000.

- 10(a) Northrop Grumman Corporation Non-Employee Directors Equity Participation Plan, as amended March 15, 2000.

- 15 Letter from independent accountants regarding unaudited interim financial information.

- 27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended March 31, 2000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Northrop Grumman Corporation (Registrant)

Date: May 9, 2000

by/s/ R. B. Waugh, Jr.

R. B. Waugh, Jr.
Corporate Vice President and
Chief Financial Officer

Date: May 9, 2000

by/s/J. H. Mullan

John H. Mullan
Corporate Vice President and Secretary

EXHIBIT (15)
Letter from Independent Accountants Regarding
Unaudited Interim Financial Information

May 9, 2000

Northrop Grumman Corporation
Los Angeles, California

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Northrop Grumman Corporation and subsidiaries for the periods ended March 31, 2000 and 1999, as indicated in our report dated April 24, 2000; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, is incorporated by reference in Registration Statement Nos. 33-55143, 333-78251, 333-85633, and 333-02453 on Form S-3 and Registration Statement Nos. 33-28797 and 333-02653 on Form S-4.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

DELOITTE & TOUCHE LLP
Los Angeles, California

BYLAWS
OF
NORTHROP GRUMMAN CORPORATION
(A Delaware Corporation)
ARTICLE I

OFFICES

Section 1.01. REGISTERED OFFICE. The registered office of Northrop Grumman Corporation (the "Corporation") in the State of Delaware shall be at Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, and the name of the registered agent at that address shall be The Corporation Trust Company.

Section 1.02. PRINCIPAL EXECUTIVE OFFICE. The principal executive office of the Corporation shall be located at 1840 Century Park East, Los Angeles, California 90067. The Board of Directors of the Corporation (the "Board of Directors") may change the location of said principal executive office.

Section 1.03. OTHER OFFICES. The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 2.01. ANNUAL MEETINGS. The annual meeting of stockholders of the Corporation shall be held between May 1 and July 1 of each year on such date and at such time as the Board of Directors shall determine. At each annual meeting of stockholders, directors shall be elected in accordance with the provisions of Section 3.04 hereof and any other proper business may be transacted.

Section 2.02. SPECIAL MEETINGS. Special meetings of stockholders for any purpose or purposes may be called at any time by a majority of the Board of Directors, the Chairman of the Board, or by the President and Chief Executive Officer. Special meetings may not be called by any other person or persons. Each special meeting shall be held at such date and time as is requested by the person or persons calling the meeting, within the limits fixed by law.

Section 2.03. PLACE OF MEETINGS. Each annual or special meeting of stockholders shall be held at such location as may be determined by the Board of Directors or, if no such determination is made, at such place as may be determined by the Chairman of the Board. If no location is so determined, any annual or special meeting shall be held at the principal executive office of the Corporation.

Section 2.04. NOTICE OF MEETINGS. Written notice of each annual or special meeting of stockholders stating the date and time when, and the place where, it is to be held shall be delivered either personally or by mail to stockholders entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. The purpose or purposes for which the meeting is called may, in the case of an annual meeting, and shall, in the case of a special meeting, also be stated. If mailed, such notice shall be directed to a stockholder at his address as it shall appear on the stock books of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices intended for him be mailed to some other address, in which case such notice shall be mailed to the address designated in such request.

Section 2.05. CONDUCT OF MEETINGS. All annual and special meetings of stockholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine

subject to the requirements of applicable law and, as to matters not governed by such rules and procedures, as the chairman of such meeting shall determine. The chairman of any annual or special meeting of stockholders shall be the Chairman of the Board. The Secretary, or in the absence of the Secretary, a person designated by the Chairman of the Board, shall act as secretary of the meeting.

Section 2.06. NOTICE OF STOCKHOLDER BUSINESS AND NOMINATIONS. Nominations of persons for election to the Board and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board or (c) by any stockholder of record of the Corporation who was a stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this section.

For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, (1) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) such business must be a proper matter for stockholder action under the General Corporation Law of the State of Delaware, (3) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in subclause (c)(iii) of this paragraph, such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice and (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this section. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 45 or more than 75 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be more timely must be so delivered not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the filing of a stockholder's notice as described herein. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to serve as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of

proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

2

Notwithstanding anything in the second sentence of the second paragraph of this Section 2.06 to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board made by the Corporation at least 55 days prior to the Anniversary, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

Only persons nominated in accordance with the procedures set forth in this Section 2.06 shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. The chair of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board or (b) by any stockholder of record of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.06. Nominations by stockholders of persons for election to the Board may be made at such a special meeting of stockholders if the stockholder's notice required by the second paragraph of this Section 2.06 shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

For purposes of this section, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Section 2.06, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.06. Nothing in this Section 2.06 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.07. QUORUM. At any meeting of stockholders, the presence, in person or by proxy, of the holders of record of a majority of shares then issued and outstanding and entitled to vote at the meeting shall constitute a quorum for the transaction of business; provided, however, that this Section 2.07 shall not affect any different requirement which may exist under statute, pursuant to the rights of any authorized class or series of

stock, or under the Certificate of Incorporation of the Corporation (the "Certificate") for the vote necessary for the adoption of any measure governed thereby. In the absence of a quorum, the stockholders present in person or by proxy, by majority vote and without further notice, may adjourn the meeting from time to time until a quorum is attained. At any reconvened meeting following such an adjournment at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

3

Section 2.08. VOTES REQUIRED. A majority of the votes cast at a duly called meeting of stockholders, at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless the vote of a greater or different number thereof is required by statute, by the rights of any authorized class of stock or by the Certificate. Unless the Certificate or a resolution of the Board of Directors adopted in connection with the issuance of shares of any class or series of stock provides for a greater or lesser number of votes per share, or limits or denies voting rights, each outstanding share of stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders.

Section 2.09. PROXIES. A stockholder may vote the shares owned of record by him either in person or by proxy executed in writing (which shall include writings sent by telex, telegraph, cable or facsimile transmission) by the stockholder himself or by his duly authorized attorney-in-fact. No proxy shall be valid after three (3) years from its date, unless the proxy provides for a longer period. Each proxy shall be in writing, subscribed by the stockholder or his duly authorized attorney-in-fact, and dated, but it need not be sealed, witnessed or acknowledged.

Section 2.10. STOCKHOLDER ACTION. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual meeting or special meeting of stockholders of the Corporation, unless such action requiring or permitting shareholder approval is approved by a majority of the Continuing Directors (as defined in the Certificate), in which case such action may be authorized or taken by the written consent of the holders of outstanding shares of stock having not less than the minimum voting power that would be necessary to authorize or take such action at a meeting of stockholders at which all shares entitled to vote thereon were present and voted, provided all other requirements of applicable law and the Certificate have been satisfied.

Section 2.11. LIST OF STOCKHOLDERS. The Secretary of the Corporation shall prepare and make (or cause to be prepared and made), at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of, and the number of shares registered in the name of, each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the duration thereof, and may be inspected by any stockholder who is present.

Section 2.12. INSPECTORS OF ELECTION. In advance of any meeting of stockholders, the Board of Directors may appoint Inspectors of Election to act at such meeting or at any adjournment or adjournments thereof. If such Inspectors are not so appointed or fail or refuse to act, the chairman of any such meeting may (and, upon the demand of any stockholder or stockholder's proxy, shall) make such an appointment.

The number of Inspectors of Election shall be one (1) or three (3). If there are three (3) Inspectors of Election, the decision, act or certificate of a majority shall be effective and shall represent the decision, act or certificate of all. No such Inspector need be a stockholder of the Corporation.

The Inspectors of Election shall determine the number of shares outstanding, the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies; they shall receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close and determine the result; and finally, they shall do such acts as may be proper to conduct the election or vote with fairness to all stockholders. On request, the Inspectors shall make a report in writing to the secretary of the meeting concerning any challenge, question or other matter as may have been determined by them and shall execute and deliver to such secretary a certificate of any fact found by them.

4

ARTICLE III

DIRECTORS

Section 3.01. POWERS. The business and affairs of the Corporation shall be managed by and be under the direction of the Board of Directors. The Board of Directors shall exercise all the powers of the Corporation, except those that are conferred upon or reserved to the stockholders by statute, the Certificate or these Bylaws.

Section 3.02. NUMBER. Except as otherwise fixed pursuant to the provisions of Section 2 of Article Fourth of the Certificate in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, par value One Dollar (\$1.00) per share of the Corporation ("Preferred Stock"), the number of directors shall be fixed from time to time by resolution of the Board of Directors but shall not be less than three (3). The Board of Directors, as of May 17, 1989, and thereafter, shall consist of fourteen (14) directors until changed as herein provided.

Section 3.03. INDEPENDENT OUTSIDE DIRECTORS. At least sixty percent (60%) of the members of the Board of Directors of the Corporation shall at all times be "Independent Outside Directors", which term is hereby defined to mean any director who:

1. has not in the last five (5) years been an officer or employee of the Corporation or any of its subsidiaries or affiliates; and

2. is not related to an officer of the Corporation (or an officer of any of the Corporation's parents, subsidiaries or affiliates) by blood, marriage or adoption (except relationships more remote than first cousin); and

3. is not, and has not within the last two (2) years been, an officer, director or employee of, and does not own, and has not within the last two (2) years owned, directly or indirectly, in excess of one percent (1%) of any firm, corporation or other business or professional entity which has made or proposes to make during either the Corporation's or such entity's last or next fiscal year payments for property or services in excess of one percent (1%) of the gross revenues either of the Corporation for its last fiscal year or of such entity for its last fiscal year, but excluding payments determined by competitive bids, public utility services at rates set by law or government authority, or payments arising solely from the ownership of securities, or to which the Corporation was indebted at any time during the Corporation's last fiscal year in an aggregate amount in excess of one percent (1%) of the Corporation's total assets at the end of such fiscal year or Five Million dollars (\$5,000,000), whichever is less, but excluding debt securities which have been publicly offered or which are publicly traded; and

4. is not a director, partner, officer or employee of an investment banking firm which has performed services for the Corporation in the last two (2) years or which the Corporation proposes to have perform services in the next year other than as a participating underwriter in a syndicate; and

5. is not a control person of the Corporation (other than

as a director of the Corporation) as defined by the regulations of the Securities and Exchange Commission.

Section 3.04. ELECTION AND TERM OF OFFICE. Except as provided in Section 3.07 hereof and subject to the right to elect additional directors under specified circumstances which may be granted, pursuant to the provisions of Section 2 of Article Fourth of the Certificate, to the holders of any class or series of Preferred Stock, directors shall be elected by the stockholders of the Corporation. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient obtained by dividing the authorized number of directors (fixed pursuant to Section 3.02 hereof) by three. If a fraction is also contained in such quotient, then additional directors shall be apportioned as follows: if such fraction is one-third, the additional director shall be a member of Class I; and if such fraction is two-thirds, one of the additional directors shall be a member of Class I and the other shall be a member of Class II. Each director shall serve for a term ending on the date of the third annual meeting of stockholders of the Corporation following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term ending on the date of the annual meeting next following the end of the calendar year 1985, the directors first elected to Class II shall serve for a term ending on the date of the second annual meeting next following the end of the calendar year 1985 and the directors first elected to Class III shall serve for a term ending on the date of the third annual meeting next following the end of the calendar year 1985.

Notwithstanding the foregoing provisions of this Section 3.04: each director shall serve until his successor is elected and qualified or until his death, resignation or removal; no decrease in the authorized number of directors shall shorten the term of any incumbent director; and additional directors, elected pursuant to Section 2 of Article Fourth of the Certificate in connection with rights to elect such additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, shall not be included in any class, but shall serve for such term or terms and pursuant to such other provisions as are specified in the resolution of the Board of Directors establishing such class or series.

Nominations for the election of directors may be made by the Board or a committee thereof or by any stockholder entitled to vote in the election of directors; provided, however, that a stockholder may nominate a person for election as a director at a meeting only if written notice of such stockholder's intent to make such nomination has been given by such stockholder to, and received by, the Secretary of the Corporation at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that (a) in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs; and (b) in the event that less than seventy (70) days shall remain from the date of public disclosure of the adoption of this bylaw provision to the date of any meeting, notice by the stockholder to be timely with respect to such meeting must be so received not later than the close of business on the 10th day following the date on which such public disclosure was made. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) the name and address as they appear on the Corporation's books of the stockholder intending to make such nomination; (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by such stockholder (d) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (e) the occupations

and business history for the previous five years, other directorships, names of business entities of which the proposed nominee owns a 10 percent or more equity interest, a list of any criminal convictions, including federal and state securities violations and such other information regarding each proposed nominee as may be required by the federal proxy rules in effect at the time the notice is submitted and (f) the consent of each nominee to serve as a director of the Corporation if so elected. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.04. The Chairman of any meeting of stockholders shall direct that any nomination not made in accordance with these procedures be disregarded.

6

Section 3.05. ELECTION OF CHAIRMAN OF THE BOARD. At the organizational meeting immediately following the annual meeting of stockholders, the directors shall elect a Chairman of the Board from among the directors who shall hold office until the corresponding meeting of the Board of Directors in the next year and until his successor shall have been elected or until his earlier resignation or removal. Any vacancy in such office may be filled for the unexpired portion of the term in the same manner by the Board of Directors at any regular or special meeting.

Section 3.06. REMOVAL. Subject to the right to elect directors under specified circumstances which may be granted pursuant to Section 2 of Article Fourth of the Certificate to the holders of any class or series of Preferred Stock, any director may be removed from office only as provided in Article Tenth of the Certificate.

Section 3.07. VACANCIES AND ADDITIONAL DIRECTORSHIPS. Except as otherwise provided pursuant to Section 2 of Article Fourth of the Certificate in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.08. REGULAR AND SPECIAL MEETINGS. Promptly after, and on the same day as, each annual election of directors by the shareholders, the Board shall, if a quorum be present, meet in an organizational meeting to elect a chairman, appoint members of the standing committees of the Board, elect officers of the Corporation and conduct other business as appropriate. Additional notice of such meeting need not be given if such meeting is conducted promptly after the annual meeting to elect directors and if the meeting is held in the same location where the election of directors was conducted. Regular meetings of the Board shall be held at such times and places as the Board shall determine. Notice of regular meetings shall be mailed to each director at least five days before the meeting, addressed to the director's usual place of business or to his or her residence address or to an address specifically designated by the director.

Section 3.09. QUORUM. At all meetings of the Board of Directors, a majority of the fixed number of directors shall constitute a quorum for the transaction of business, except that when the Board of Directors consists of one director, then the one director shall constitute a quorum. In the absence of a quorum, the directors present, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum shall be present. At any reconvened meeting following such an adjournment at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 3.10. VOTES REQUIRED. Except as otherwise provided

by applicable law or by the Certificate, the vote of a majority of the directors present at a meeting duly held at which a quorum is present shall be sufficient to pass any measure.

Section 3.11. PLACE AND CONDUCT OF MEETINGS. Each regular meeting and special meeting of the Board of Directors shall be held at a location determined as follows: The Board of Directors may designate any place, within or without the State of Delaware, for the holding of any meeting. If no such designation is made: (i) any meeting called by a majority of the directors shall be held at such location, within the county of the Corporation's principal executive office, as the directors calling the meeting shall designate; and (ii) any other meeting shall be held at such location, within the county of the Corporation's principal executive office, as the Chairman of the Board may designate or, in the absence of such designation, at the Corporation's principal executive office. Subject to the requirements of applicable law, all regular and special meetings of the Board of Directors shall be conducted in accordance with such rules and procedures as the Board of Directors may approve and, as to matters not governed by such rules and procedures, as the chairman of such meeting shall determine. The chairman of any regular or special meeting shall be the Chairman of the Board, or in his absence a person designated by the Board of Directors. The Secretary, or in the absence of the Secretary a person designated by the chairman of the meeting, shall act as secretary of the meeting.

7

Section 3.12. FEES AND COMPENSATION. Directors shall be paid such compensation as may be fixed from time to time by resolutions of the Board of Directors (a) for their usual and contemplated services as directors, (b) for their services as members of committees appointed by the Board of Directors, including attendance at committee meetings as well as services which may be required when committee members must consult with management staff, and (c) for extraordinary services as directors or as members of committees appointed by the Board of Directors, over and above those services for which compensation is fixed pursuant to items (a) and (b) in this Section 3.12. Compensation may be in the form of an annual retainer fee or a fee for attendance at meetings, or both, or in such other form or on such basis as the resolutions of the Board of Directors shall fix. Directors shall be reimbursed for all reasonable expenses incurred by them in attending meetings of the Board of Directors and committees appointed by the Board of Directors and in performing compensable extraordinary services. Nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity, such as an officer, agent, employee, consultant or otherwise, and receiving compensation therefor.

Section 3.13. COMMITTEES OF THE BOARD OF DIRECTORS. Subject to the requirements of applicable law, the Board of Directors may from time to time establish committees, including standing or special committees, which shall have such duties and powers as are authorized by these Bylaws or by the Board of Directors. Committee members, and the chairman of each committee, shall be appointed by the Board of Directors. The Chairman of the Board, in conjunction with the several committee chairmen, shall make recommendations to the Board of Directors for its final action concerning members to be appointed to the several committees of the Board of Directors. Any member of any committee may be removed at any time with or without cause by the Board of Directors. Vacancies which occur in any committee shall be filled by a resolution of the Board of Directors. If any vacancy shall occur in any committee by reason of death, resignation, disqualification, removal or otherwise, the remaining members of such committee, so long as a quorum is present, may continue to act until such vacancy is filled by the Board of Directors. The Board of Directors may, by resolution, at any time deemed desirable, discontinue any standing or special committee. Members of standing committees, and their chairmen, shall be elected yearly at the organizational meeting of the Board of Directors which is held immediately following the annual meeting of stockholders.

Section 3.14. AUDIT COMMITTEE. There shall be an Audit

Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall have at least three (3) members. All members of the Committee shall be Independent Directors, which term is hereby defined to mean any director that is "Independent" within the meaning of Rule 303.01 of the New York Stock Exchange Listed Company Manual, as such rule (or any successor rule) may be amended from time to time.

2. The Committee shall recommend to the Board of Directors for its action the appointment or discharge of the Corporation's independent auditors, based upon the Committee's judgment of the independence of the auditors (taking into account the fees charged both for audit and non-audit services) and the quality of its audit work. Ratification by the stockholders of the Board of Directors' appointment of the Corporation's independent auditors may be sought in conjunction with management's solicitation of proxies for the annual meeting of stockholders, if so determined by the Board of Directors. If the auditors must be replaced, the Committee shall recommend to the Board of Directors for its action the appointment of new auditors until the next annual meeting of stockholders.

8

3. The Committee shall review and approve the scope and plan of the audit.

4. The Committee shall meet with the independent auditors at appropriate times to review, among other things, the results of the audit and any certification, report or opinion which the auditors propose to render in connection with the Corporation's financial statements.

5. The Committee shall review and approve each professional service of a non-audit nature to be provided by the auditors.

6. The Committee shall meet with the Corporation's chief internal auditor at least once a year to review his comments concerning the adequacy of the Corporation's system of internal controls and such other matters as the Committee may deem appropriate.

7. The Committee shall have the power to direct the auditors and the internal audit staff to inquire into and report to it with respect to any of the Corporation's contracts, transactions or procedures, or the conduct of the Corporate Office, or any division, profit center, subsidiary or other unit, or any other matter having to do with the Corporation's business and affairs. If authorized by the Board of Directors, the Committee may initiate special investigations in these regards.

8. The Committee shall have such other duties as may be lawfully delegated to it from time to time by the Board of Directors.

Section 3.15. COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE. There shall be a Compensation and Management Development Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall be composed of at least three (3) members. All members of the Committee shall be Independent Outside Directors. The principal Human Resources officer of the Corporation shall be a non-voting member of the Committee.

2. The Committee shall recommend to the Board of Directors for its action the amount to be appropriated for awards to be made each year to elected officers under the Corporation's incentive compensation plan.

3. The Committee shall establish the Corporation's annual performance objectives under the Corporation's incentive compensation plans.

4. The Committee shall make recommendations to the Board of Directors with respect to the base salary and incentive compensation of the elected officers. The Committee shall take final action with respect to the base salary and incentive compensation of the ten (10) employees, who are not elected officers, receiving the highest base salaries immediately preceding the date of any such action.

5. The Committee shall review management's recommendations and take final action with respect to all awards to be made under the Corporation's long-term incentive plans or other similar benefit plans which may be adopted by the Board of Directors or the stockholders and in which corporate officers or directors are eligible to participate, provided however that all such awards relative to the five (5) most highly compensated officers must be reported to the Board of Directors.

9

6. The Committee shall review on a continuing basis the Corporation's general compensation policies and practices, fringe benefits and the Corporation's compliance with its various affirmative action plans and programs. The committee shall also review and recommend to the Board of Directors for its final action all compensation plans in which elected officers or directors are eligible to participate.

7. The Committee shall review from time to time and report to the Board of Directors actions taken by management concerning the Corporation's overall executive structure and the steps being taken to assure the succession of qualified management.

8. The Committee shall have such other duties as may be lawfully delegated to it from time to time by the Board of Directors.

Section 3.16. PUBLIC ISSUES AND POLICY COMMITTEE. There shall be a Public Issues and Policy Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall have at least five (5) members. At least sixty percent (60%) of the members shall be Independent Outside Directors.

2. The Committee shall review, approve and monitor the policy, organization, charter and implementation of the Northrop Grumman Employees Political Action Committee.

3. The Committee shall review and approve the policy of the Corporation for engaging the services of Consultants and Commission Agents.

4. The Committee shall review and report to the Board of Directors from time to time concerning the Corporation's compliance with the Corporation's policies, practices and procedures with respect to consultants and commission agents.

5. The Committee shall review and make policy and budget recommendations to the Board of Directors for its actions concerning proposed charitable contributions and aid to higher education to be given by the Corporation each year.

6. The Committee shall have such other duties as lawfully may be delegated to it from time to time by the Board of Directors.

Section 3.17. FINANCE COMMITTEE. There shall be a Finance Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall have at least five (5) members. At least fifty percent (50%) of the members of the Committee shall be Independent Outside Directors. The chief financial officer of

the Corporation shall be a non-voting member of the Committee.

10

2. The Committee shall review and give consideration to management requests for required specific new financing of a long-term nature, whether debt or equity, and make recommendations to the Board of Directors for its final action.

3. The Committee shall review the current financial condition of the Company and planned financial requirements.

4. The Committee shall review periodically the Corporation's dividend policy in connection with dividend declarations and make recommendations to the Board of Directors for its final action.

5. The Committee shall consider management's recommendations concerning acquisitions, mergers or divestments which management has determined to be of an unusual or material nature and shall make recommendations to the Board of Directors for its final action.

6. The Committee shall consider management's recommendations concerning contracts or programs which management has determined to be of an unusual or material nature and shall make recommendations to the Board of Directors for its final action.

7. The Committee shall periodically review the investment performance of the employee benefit plans, capital asset requirements and short-term investment policy when appropriate.

8. The Committee shall have such other duties as lawfully may be delegated to it from time to time by the Board of Directors.

Section 3.18. NOMINATING AND CORPORATE GOVERNANCE COMMITTEE. There shall be a Nominating and Corporate Governance Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall have at least three (3) members. All members of the Committee shall be Independent Outside Directors.

2. The Committee shall review candidates to serve as directors and shall recommend nominees to the Board of Directors for election at each annual meeting of stockholders or other special meetings where directors are to be elected and shall recommend persons to serve as proxies to vote proxies solicited by management in connection with such meetings.

3. The Committee shall cause the names of all director candidates that are approved by the Board of Directors to be listed in the Corporation's proxy materials and shall support the election of all candidates so nominated by the Board of Directors to the extent permitted by law.

4. The Committee shall review and make recommendations to the Board of Directors for its final action concerning the composition and size of the Board of Directors, its evaluation of the performance of incumbent directors, its recommendations concerning the compensation of the Directors, its recommendations concerning directors to fill vacancies and its evaluation and recommendations concerning potential candidates to serve in the future on the Board of Directors to assure the Board's continuity and succession and its evaluation and recommendations on matters of corporate governance as appropriate.

5. The Committee shall have such other duties as lawfully may be delegated to it from time to time by the Board of Directors.

11

Section 3.19. MEETINGS OF COMMITTEES. Each committee of the Board of Directors shall fix its own rules of procedure consistent with the provisions of applicable law and of any resolutions of the Board of Directors governing such committee. Each committee shall meet as provided by such rules or such resolution of the Board of Directors, and shall also meet at the call of its chairman or any two (2) members of such committee. Unless otherwise provided by such rules or by such resolution, the provisions of these Bylaws under Article III entitled "Directors" relating to the place of holding meetings and the notice required for meetings of the Board of Directors shall govern the place of meetings and notice of meetings for committees of the Board of Directors. A majority of the members of each committee shall constitute a quorum thereof, except that when a committee consists of one (1) member, then the one (1) member shall constitute a quorum. In the absence of a quorum, a majority of the members present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present and the meeting may be held as adjourned without further notice or waiver. Except in cases where it is otherwise provided by the rules of such committee or by a resolution of the Board of Directors, the vote of a majority of the members present at a duly constituted meeting at which a quorum is present shall be sufficient to pass any measure by the committee.

ARTICLE IV

OFFICERS

Section 4.01. DESIGNATION, ELECTION AND TERM OF OFFICE. The Corporation shall have a Chairman of the Board and/or a President either of whom may be designated Chief Executive Officer by the Board of Directors, such Vice Presidents (each of whom may be assigned by the Board of Directors or the Chief Executive Officer an additional title descriptive of the functions assigned to him and one or more of whom may be designated Executive, Group or Senior Vice President) as the Board of Directors deems appropriate, a Secretary and a Treasurer. These officers shall be elected annually by the Board of Directors at the organizational meeting immediately following the annual meeting of stockholders, and each such officer shall hold office until the corresponding meeting of the Board of Directors in the next year or until his earlier resignation, death or removal. Any vacancy in any of the above offices may be filled for an unexpired portion of the term by the Board of Directors at any regular special meeting. The Chief Executive Officer may, by a writing filed with the Secretary, designate titles for employees and agents, as, from time to time, may appear necessary or advisable in the conduct of the affairs of the Corporation and, in the same manner, terminate or change such titles.

Section 4.02. CHAIRMAN OF THE BOARD. The Board of Directors shall designate the Chairman of the Board from among its members. The Chairman of the Board of Directors shall preside at all meetings of the Board and the Shareholders, and shall perform such other duties as shall be delegated to him by the Board or the officer designated as chief executive.

Section 4.03. PRESIDENT. The President shall perform such duties and have such responsibilities as may from time to time be delegated or assigned to him by the Board of Directors or the officer designated as chief executive.

Section 4.04. CHIEF EXECUTIVE. The Board of Directors shall designate either the Chairman of the Board or the President to be the chief executive of the Corporation. The officer so designated shall be responsible for the general supervision, direction and control of the business and affairs of the Corporation.

Section 4.05. CHIEF FINANCIAL OFFICER. The Chief Financial Officer of the Corporation shall be responsible to the Chief Executive Officer for the management and supervision of all financial matters and to provide for the financial growth and stability of the Corporation. He shall attend all regular meetings of the Board of Directors and keep the Directors currently informed concerning all significant financial matters

that could impact upon the business or affairs of the Corporation. He shall also perform such additional duties as may be assigned to him from time to time by the Board of Directors or the Chief Executive Officer.

Section 4.06. EXECUTIVE VICE PRESIDENTS, SENIOR VICE PRESIDENTS AND VICE PRESIDENTS. Executive vice presidents, senior vice presidents and vice presidents of the Corporation that are elected by the Board of Directors shall perform such duties as may be assigned to them from time to time by the Chief Executive Officer.

Section 4.07. CHIEF LEGAL OFFICER. The chief legal officer of the Corporation shall be the General Counsel who shall be responsible to the Chief Executive Officer for the management and supervision of all legal matters. The General Counsel shall attend all regular meetings of the Board of Directors and shall keep the Directors currently informed concerning all significant legal matters, particularly those involving important business, legal, moral or ethical issues that could impact upon the business or affairs of the Corporation.

Section 4.08. SECRETARY. The Secretary shall keep the minutes of the meetings of the stockholders, the Board of Directors and all committee meetings. The Secretary shall be the custodian of the corporate seal and shall affix it to all documents which he is authorized by law or the Board of Directors to sign and seal. The Secretary also shall perform such other duties as may be assigned from time to time by the Chief Executive Officer.

Section 4.09. TREASURER. The Treasurer shall be accountable to the Senior Vice President, Finance, and shall perform such duties as may be assigned to the Treasurer from time to time by the Senior Vice President, Finance.

Section 4.10. APPOINTED OFFICERS. The Chief Executive Officer may appoint one or more Corporate Staff Vice Presidents, officers of groups or divisions or assistant secretaries, assistant treasurers and such other assistant officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as may be specified from time to time by the Chief Executive Officer.

Section 4.11. ABSENCE OR DISABILITY OF AN OFFICER. In the case of the absence or disability of an officer of the Corporation the Board of Directors, or any officer designated by it, or the Chief Executive Officer may, for the time of the absence or disability, delegate such officer's duties and powers to any other officer of the Corporation.

Section 4.12. OFFICERS HOLDING TWO OR MORE OFFICES. The same person may hold any two or more of the above-mentioned offices. However, no officer shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law, by the Certificate or by these Bylaws, to be executed, acknowledged or verified by any two or more officers.

Section 4.13. COMPENSATION. The Board of Directors shall have the power to fix the compensation of all officers and employees of the Corporation.

Section 4.14. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Board of Directors, to the Chief Executive Officer, or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein unless otherwise determined by the Board of Directors. The acceptance of a resignation by the Corporation shall not be necessary to make it effective.

Section 4.15. REMOVAL. Any officer of the Corporation may be removed, with or without cause, by the affirmative vote of a majority of the entire Board of Directors. Any assistant officer of the Corporation may be removed, with or without cause, by the Chief Executive Officer, or by the Board of Directors.

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

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 "indemnatee") 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 indemnatee 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 indemnatee for the purposes 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 indemnatee in connection with a proceeding (or part thereof) initiated by such indemnatee 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 its final disposition (hereinafter an "advancement of expenses") paid by the Corporation; provided, however, that an advancement of expenses incurred by an indemnatee 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 indemnatee, 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 indemnatee, 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 indemnatee 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 indemnatee 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.

ARTICLE VI

STOCK

Section 6.01. CERTIFICATES. Except as otherwise provided by law, each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number and class (and series, if appropriate) of shares of stock owned by him in the Corporation. Each certificate shall be signed in the name of the Corporation by the Chairman of the Board, or the President, or a Vice President, together with the Secretary, or an Assistant Secretary, or the Treasurer or Assistant Treasurer. Any or all of the signatures on any certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Section 6.02. TRANSFER OF SHARES. Shares of stock shall be transferable on the books of the Corporation only by the holder thereof, in person or by his duly authorized attorney, upon the surrender of the certificate representing the shares to be transferred, properly endorsed, to the Corporation's registrar if the Corporation has a registrar. The Board of Directors shall have power and authority to make such other rules and regulations concerning the issue, transfer and registration of certificates of the Corporation's stock as it may deem expedient.

Section 6.03. TRANSFER AGENTS AND REGISTRARS. The Corporation may have one or more transfer agents and one or more registrars of its stock whose respective duties the Board of

Directors or the Secretary may, from time to time, define. No certificate of stock shall be valid until countersigned by a transfer agent, if the Corporation has a transfer agent, or until registered by a registrar, if the Corporation has a registrar. The duties of transfer agent and registrar may be combined.

Section 6.04. STOCK LEDGERS. Original or duplicate stock ledgers, containing the names and addresses of the stockholders of the Corporation and the number of shares of each class of stock held by them, shall be kept at the principal executive office of the Corporation or at the office of its transfer agent or registrar.

Section 6.05. RECORD DATES. The Board of Directors shall fix, in advance, a date as the record date for the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or in order to make a determination of stockholders for any other proper purpose. Such date in any case shall be not more than sixty (60) days, and in case of a meeting of stockholders, not less than ten (10) days, prior to the date on which the particular action, requiring such determination of stockholders is to be taken. Only those stockholders of record on the date so fixed shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after any such record date fixed by the Board of Directors.

Section 6.06. NEW CERTIFICATES. In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors may authorize the issuance of a new certificate in place thereof upon such terms and conditions as it may deem advisable; or the Board of Directors may delegate such power to any officer or officers or agents of the Corporation; but the Board of Directors or such officer or officers or agents, in their discretion, may refuse to issue such a new certificate unless the Corporation is ordered to do so by a court of competent jurisdiction.

ARTICLE VII

RESTRICTIONS ON SECURITIES REPURCHASES

Section 7.01. RESTRICTIONS ON SECURITIES REPURCHASES.

1. Vote required for certain acquisition of securities. Except as set forth in Subsection 2 of this Section 7.01, in addition to any affirmative vote of stockholders required by any provision of law, the Certificate of Incorporation or Bylaws of this Corporation, or any policy adopted by the Board of Directors, neither the Corporation nor any Subsidiary shall knowingly effect any direct or indirect purchase or other acquisition of any equity security of a class of securities which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), issued by the Corporation at a price which is in excess of the highest Market Price of such equity security on the largest principal national securities exchange in the United States on which such security is listed for trading on the date that the understanding to effect such transaction is entered into by the Corporation (whether or not such transaction is concluded or a written agreement relating to such transaction is executed on such date, and such date to be conclusively established by determination of the Board of Directors), from any Interested Person, without the affirmative vote of the holders of the Voting Shares representing at least a majority of the aggregate voting power of all outstanding voting shares, excluding Voting Shares beneficially owned by such Interested Person, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or any agreement with any national securities exchange, or otherwise.

2. When A Vote Is Not Required. The provisions of Subsection 1 of this Section 7.01 shall not be applicable with respect to:

a. any purchase, acquisition, redemption or exchange of such equity securities, the purchase, acquisition, redemption or exchange of which is provided for in the Corporation's Certificate of Incorporation;

b. any purchase or other acquisition of equity securities made as part of a tender or exchange offer by the Corporation to purchase securities of the same class made on the same terms to all holders of such securities and complying with the applicable requirements of the Exchange Act of 1934, as amended and the rules and regulations thereunder (or any successor provisions to such Act, rules or regulations);

c. any purchase or acquisition of equity securities made pursuant to an open market purchase program which has been approved by the Board of Directors.

3. Certain definitions. For the purpose of this Section:

a. "Affiliate" and "Associate" shall have their respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 1991.

b. "Beneficial Owner" and "Beneficial Ownership" shall have the meanings ascribed to such terms in Rule 13d-3 and Rule 13d-5 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 1991.

c. "Interested person" shall mean any person (other than the Corporation or any subsidiary) that is the direct or indirect Beneficial Owner of five percent (5%) or more of the aggregate voting power of the Voting Shares, and any Affiliate or Associate of any such person. For the purpose of determining whether a person is an Interested Person, the outstanding Voting Shares include unissued shares of voting stock of the Corporation of which the Interested Person is the Beneficial Owner, but shall not include any other shares of voting stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise or conversion of rights, warrants or options, or otherwise to any person who is not the Interested Person.

d. "Market Price" of shares of the class of equity security of the Corporation on any day shall mean the highest sale price (regular way) of shares of such class of such equity security on such day, or, if that day is not a trading day, on the trading day immediately preceding such day, on the largest principal national securities exchange on which such class of stock is then listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, then the highest reported sale price for such shares in the over-the-counter market as reported on the NASDAQ National Market System, or if such sale price shall not be reported thereon, the highest bid price so reported, or, of such price shall not be reported thereon, as the same shall be reported by the National Quotation Bureau, Incorporated, or if the price is not determinable as set forth above, as determined in good faith by the Board of Directors.

e. "Person" shall mean any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person pursuant to Section 13(d)(3) of the Exchange Act, as in effect on January 1, 1991.

f. "Subsidiary" shall mean any company or entity of

which the Corporation owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities, or (ii) shares having a majority of the voting power represented by all of the outstanding Voting Stock of such company entitled to vote generally in the election of directors. For the purpose of determining whether a company is a Subsidiary, the outstanding voting stock and shares of equity securities thereof shall include unissued shares of which The Corporation is the beneficial owner but, except for the purpose of determining whether a company is a Subsidiary for the purpose of Subsection 3(c) hereof shall not include any shares which may be issuable pursuant to any agreement, arrangement, or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise to any Person who is not the Corporation.

g. "Voting shares" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

ARTICLE VIII

SUNDRY PROVISIONS

Section 8.01. FISCAL YEAR. The fiscal year of the Corporation shall end on the 31st day of December of each year.

Section 8.02. SEAL. The seal of the Corporation shall bear the name of the Corporation and the words "Delaware" and "Incorporated March 12, 1985."

Section 8.03. VOTING OF STOCK IN OTHER CORPORATIONS. Any shares of stock in other corporations or associations, which may from time to time be held by the Corporation, may be represented and voted at any of the stockholders' meetings thereof by the Chief Executive Officer or his designee. The Board of Directors, however, may by resolution appoint some other person or persons to vote such shares, in which case such person or persons shall be entitled to vote such shares upon the production of a certified copy of such resolution.

Section 8.04. AMENDMENTS. These Bylaws may be adopted, repealed, rescinded, altered or amended only as provided in Articles Fifth and Sixth of the Certificate.

March 15, 2000

NORTHROP GRUMMAN CORPORATION

NON-EMPLOYEE DIRECTORS EQUITY PARTICIPATION PLAN

Effective March 1, 1998

TABLE OF CONTENTS

ARTICLE 1-Introduction	1
Section 1.01. Purpose	1
Section 1.02. Effective Date	1
ARTICLE 2-Definitions	2
Section 2.01. Accruals	2
Section 2.02. Annual Accrual	2
Section 2.03. Annual Retainer Fee	2
Section 2.04. Board	2
Section 2.05. Change in Control	2
Section 2.06. Common Stock	2
Section 2.07. Company	2
Section 2.08. Conversion Date	2
Section 2.09. Debilitating Illness	3
Section 2.10. Director	3
Section 2.11. Dividend Equivalent	3
Section 2.12. Electing Outside Director	3
Section 2.13. Equity Participation Account	3
Section 2.14. Fair Market Value Of The Common Stock	3
Section 2.15. Outside Director	4
Section 2.16. Participant	4
Section 2.17. Plan	4
Section 2.18. Retired Outside Director	5
Section 2.19. Retirement Plan	5
Section 2.20. Special Accrual	5
Section 2.21. Surviving Spouse	5
Section 2.22. Total Disability	5
Section 2.23. Unit	5
Section 2.24. Year Of Service	6
ARTICLE 3-Participation	7
Section 3.01. In General	7
ARTICLE 4-Entitlement To Benefits	8
Section 4.01. Normal Benefit	8
Section 4.02. Partial Benefit	8
Section 4.03. Change in Control Benefit	8
Section 4.04. Better-Of Benefit	9
Section 4.05. Surviving Spouse Benefit	9
Section 4.06. Other Participants	9
ARTICLE 5-Amount Of Benefit	10
Section 5.01. Normal Benefit Amount	10
Section 5.02. Partial Benefit Amount	10
Section 5.03. Change in Control Benefit Amount	10
Section 5.04. Better-Of Benefit Amount	10
ARTICLE 6-Accounts	12
Section 6.01. Equity Participation Accounts	12
Section 6.02. Annual Accruals	12
Section 6.03. Special Accruals	13
Section 6.04. Conversion Of Accruals Into Units	13
Section 6.05. Dividend Equivalents	14
Section 6.06. Change in the Common Stock	14
ARTICLE 7-Distributions	15
Section 7.01. In General	15
Section 7.02. Amount of Installments	15
Section 7.03. Conversion of Units into Dollars	16
Section 7.04. T-Bond Election	16
Section 7.05. Payment to a Trust	18
ARTICLE 8-Miscellaneous Provisions	19

Section 8.01. Amendment And Termination	19
Section 8.02. Plan Unfunded	19
Section 8.03. No Assignments	19
Section 8.04. No Double Payment	20
Section 8.05. No Other Rights	20
Section 8.06. Successors of the Company	21
Section 8.07. Law Governing	21
Section 8.08. Actions By Company	21
Section 8.09. Plan Representatives	21
ARTICLE 5-Change In Control Benefits	22
Section A.01. In General	22
Section A.02. Change In Control	22
Section A.03. Override by Board	24
Section A.04. February, 1998 Vote	24
Section A.05. Vesting at Change in Control	25
Section A.06. Limitation on Amendment Authority	25

ARTICLE 1

Introduction

Section 1.01. Purpose. The purposes of the Plan are to enable the Company to attract and retain outstanding individuals to serve as non-employee directors of the Company, and to further align the interests of non-employee directors with the interests of the other shareholders of the Company by making the amount of the compensation of non-employee directors dependent in part on the value and appreciation over time of the Common Stock of the Company.

Section 1.02. Effective Date. This restatement of the Plan is effective as of March 1, 1998. The Plan was originally effective March 19, 1997.

ARTICLE 2

Definitions

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

Section 2.01. Accrual. Any dollar amounts credited to the Equity Participation Account, including any Special Accrual, Annual Accruals, Additional Accruals and Dividend Equivalents.

Section 2.02. Additional Accrual. This is defined in Section 6.02.

Section 2.03. Annual Accrual. This is defined in Section 6.02.

Section 2.04. Annual Retainer Fee. That fixed amount paid to Directors exclusive of travel expenses, meeting fees, committee fees, or any other similar remuneration.

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

Section 2.06. Change in Control. This is defined in

Section 2.07. Common Stock. The Common Stock of the Company.

Section 2.08. Company. Northrop Grumman Corporation.

Section 2.09. Conversion Date. The date the Outside Director's service as a member of the Board terminates for any reason, including death.

2

Section 2.10. Debilitating Illness. Any physical or mental condition which renders an individual unable to carry on the normal duties of his or her active business career.

Section 2.11. Director. A member of the Board.

Section 2.12. Dividend Equivalent. An amount equal to the cash dividend per share which is payable on any dividend payment date for the Common Stock.

Section 2.13. Electing Outside Director. An Outside Director participating in the Retirement Plan who, at the inception of this Plan, elected to terminate participation in the Retirement Plan and to participate in this Plan instead.

Section 2.14. Equity Participation Account. An unfunded bookkeeping account maintained by the Company for a Participant to which amounts are credited under the Plan.

Section 2.15. Fair Market Value Of The Common Stock. This is determined as follows:

(a) for relevant Accruals and Conversion Dates that occur on or before February 18, 1998, the closing price of a share of Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange (the "Exchange") for the date in question. If no sales of Common Stock were made on the Exchange on that date, the closing price of a share of Common Stock as reported on said composite tape for the preceding day on which sales of Common Stock were made on the Exchange shall be substituted; and

3

(b) for relevant Accruals and Conversion Dates that occur after February 18, 1998, the average of the daily closing prices of a share of Common Stock as reported on the composite tape for securities listed on the Exchange for the 20 trading days (counting as trading days only days on which sales of Common Stock are reported) ending with the date in question.

Section 2.16. Outside Director. A Director who is not a common law employee of the Company.

Section 2.17. Participant. Each current or former Outside Director eligible for benefits under the Plan who has not yet received a complete distribution of his or her benefits under the Plan, other than a former Outside Director who terminated service with the Board without any entitlement to benefits under Sections 4.01-4.03.

Section 2.18. Plan. The Northrop Grumman Corporation Non-Employee Directors Equity Participation Plan.

4

Section 2.19. Retired Outside Director. An Outside Director whose service as a member of the Board for any reason has terminated and who is entitled to receive a distribution.

Section 2.20. Retirement Plan. The Northrop Grumman Corporation Board of Directors Retirement Plan.

Section 2.21. Special Accrual. This is defined in Section 6.03.

Section 2.22. Surviving Spouse. A person who:

(a) was legally married to the Participant for at least one year prior to the date the Participant ceases to serve on the Board (including death while serving on the Board), and

(b) outlives the deceased Participant by at least 30 calendar days,

to the extent he or she is not prevented from receiving benefits under the Plan by a court order or property settlement at the time payments would otherwise be due.

Section 2.23. Total Disability. Total disability as defined in the Northrop Grumman Long-Term Disability

Insurance Plan.

Section 2.24. Unit. An equivalent to a share of Common Stock, which is the denomination into which all dollar Accruals to any Equity Participation Account are to be converted.

Section 2.25. Year Of Service. A 12-consecutive-month period of service as an Outside Director.

5

ARTICLE 3

Participation

Section 3.01. In General. A Director is eligible to participate in the Plan if he or she:

(a) becomes an Outside Director after March 19, 1997,

or

(b) is an Electing Outside Director.

6

ARTICLE 4

Entitlement To Benefits

Section 4.01. Normal Benefit. Each Participant who terminates service on the Board will be entitled to receive a benefit under Section 5.01 if he or she satisfies (a) or (b):

(a) He or she completes at least three consecutive Years of Service.

(b) He or she retires from the Board as a result of Total Disability or a Debilitating Illness.

Section 4.02. Partial Benefit. A Participant will be entitled to receive a partial benefit under Section 5.02 if:

(a) he or she terminates service on the Board prior to completing three consecutive Years of Service, and

(b) his or her termination occurs because he or she will have attained age 70 prior to the Annual Meeting of Shareholders.

Section 4.03. Change in Control Benefit. A Participant who is not entitled to benefits under Section 4.01 will be entitled to receive a Change in Control benefit under Section 5.03 if the conditions described in Appendix A are

met.

7

Section 4.04. Better-Of Benefit. A Participant entitled to a benefit under Sections 4.01-4.03 will be entitled to "better-of" benefits under Section 5.04 if he or she:

(a) was a Participant in the Plan and a current Outside Director as of March 1, 1998, and

(b) terminates service on account of death, Debilitating Illness or Total Disability.

Section 4.05. Surviving Spouse Benefit. Upon a Participant's death, his or her Surviving Spouse, if any, will be eligible to receive the remainder of the payments due the Participant. If there is no Surviving Spouse, all payments will cease.

Section 4.06. Other Participants. No benefits will be paid with respect to a Participant who terminates service with the Board unless the eligibility conditions of Section 4.01, 4.02 or 4.03 are satisfied.

8

ARTICLE 5

Amount Of Benefit

Section 5.01. Normal Benefit Amount. The normal benefit amount is the full balance of the Participant's Equity Participation Account.

Section 5.02. Partial Benefit Amount. The partial benefit amount is the Participant's Equity Participation Account multiplied by a fraction.

(a) The numerator of the fraction is the number of the Participant's completed consecutive Years of Service and the denominator is three.

(b) For purposes of (a), completed Years of Service include completed months of service (rounded up to the nearest month) expressed as a fraction of a year to the nearest quarter.

Section 5.03. Change in Control Benefit Amount. The Change in Control benefit is equal to the full balance of the Participant's Equity Participation Account.

Section 5.04. Better-Of Benefit Amount. A Participant entitled to "better-of" benefits will have his or her benefits determined under this Section if that would result in greater benefits than those provided under Sections 5.01-5.03, as applicable.

9

(a) The benefit under this Section equals the benefit the Participant would receive (if any) if he or she were a participant under the Retirement Plan.

(b) If a Participant would not be entitled to any benefit under the Retirement Plan (e.g., because he or she failed to meet the five years of service requirement), this Section will not provide any alternative benefits.

(c) The Retirement Plan benefit will be considered greater for purposes of this Section if the present value of the projected Retirement Plan benefit is greater than the Participant's balance in his or her Equity Participation Account at the Conversion Date.

(d) For purposes of determining the present value of the Retirement Plan benefit, the following assumptions will be used:

(1) An interest rate assumption of 6.5% will be used.

(2) No mortality factor will be applied. The Participant will be assumed to get all payments before dying.

(3) The Annual Retainer Fee used by the Retirement Plan will be assumed to remain constant for all future years.

11

ARTICLE 6

Accounts

Section 6.01. Equity Participation Accounts. An Equity Participation Account will be maintained for each Participant having an amount to his or her credit under the Plan. The account will keep track of Accruals and payments

for a Participant's benefit.

Section 6.02. Annual Accruals. On each March 19, the Company will credit an amount equal to 50% of the Annual Retainer Fee in effect on that date (an "Annual Accrual") to the Equity Participation Account of each Participant who provided a full Year of Service in the immediately preceding 12-month period.

(a) On each March 19 (starting in 2001), the Company also will credit an amount equal to 5% of the Annual Retainer Fee in effect on that date (an "Additional Accrual") to the Equity Participation Account of each Participant who provided a full Year of Service in the immediately preceding 12-month period, if the following two conditions are met:

(1) an amount was appropriated for payment of awards with respect to the preceding calendar year pursuant to the Company's Incentive Compensation Plan, and

12

(2) the Company attained the pre-established financial and non-financial measures set by the Compensation and Management Development Committee for payment of awards pursuant to such Incentive Compensation Plan with respect to that preceding year.

(b) No accrual will be made for any Outside Director who has provided at least ten consecutive Years of Service.

(c) Participants who have provided less than a full Year of Service for the immediately preceding 12-month period will receive a pro rated portion of the normal Annual Accrual and any Additional Accrual based on their months of service for the period (rounded up to the nearest month) divided by 12.

Section 6.03. Special Accruals. As of March 19, 1997, the Company credited to the Equity Participation Account of each Electing Outside Director a special, one-time credit (a "Special Accrual"). The dollar amount of the Special Accrual was equal to the present value (calculated at a 6.5% discount rate) of the accrued benefits of an Electing Outside Director under the Retirement Plan.

Section 6.04. Conversion Of Accruals Into Units. Each Accrual will be converted into Units by dividing the dollar amount of the Accrual by the Fair Market Value of the Common Stock on the day the Accrual is made. Units will be calculated and recorded in Equity Participation Accounts rounded to the third decimal place.

Section 6.05. Dividend Equivalents. On each date on which cash dividends are paid on shares of the Common Stock, Equity Participation Accounts will be credited with one Dividend Equivalent for each Unit credited to such Account.

(a) Each fraction of a Unit will be credited with a like fraction of a Dividend Equivalent on such date.

(b) Dividend Equivalents credited to each Equity Participation Account will be converted into Units by dividing the dollar amount of the Dividend Equivalent by the Fair Market Value of the Common Stock on the date the Dividend Equivalent is accrued.

Section 6.06. Change in the Common Stock. In the event of any stock dividend, stock split, recapitalization, distribution of property, merger, split-up, spin-off, or other change affecting or distribution with respect to the Common Stock of the Company (other than cash dividends), the Units in each Account will be adjusted in the same manner and proportion as the change to the Common Stock.

ARTICLE 7

Distributions

Section 7.01. In General.

(a) All distributions of Equity Participation Accounts to Participants will be made in cash.

(b) The Equity Participation Account of each Retired Outside Director will be paid in a number of annual installments equal to the number of full Years of Service for which benefits have been accrued (not to exceed ten), subject to (d).

(c) Payments will commence on the 20th business day

following the Conversion Date for such Equity Participation Account, and then on each anniversary of the Conversion Date.

(d) All payments will cease no later than:

(1) upon the death of the Surviving Spouse, or

(2) if there is no Surviving Spouse, upon the

death of the Participant.

Section 7.02. Amount of Installments. Each installment will be in an amount equal to the total dollar value of the Equity Participation Account as of the Conversion Date or the applicable anniversary date of the Conversion Date to which the payment relates divided by the number of installments remaining to be paid.

15

Section 7.03. Conversion of Units into Dollars. The total dollar value of the Equity Participation Account will be determined by multiplying the number of Units then in the account by the Fair Market Value of the Common Stock on the Conversion Date or any applicable anniversary. The number of Units in the account will be reduced by the Unit equivalent of each payment.

Section 7.04. T-Bond Election: If a Participant makes an election under this section, the amount of each payment will be determined under this section rather than under Section 7.03. The timing and number of payments will still be determined under Section 7.01.

(a) Account Balance: If a Participant makes an election under this section, his or her Equity Participation Account will be converted to a deemed principal amount at the Conversion Date which will earn deemed interest on the remaining balance. The Account will be increased for deemed interest and reduced for payments made. The Account will no longer be based on the value of the Common Stock.

(b) Initial Principal Amount: The initial principal amount for any Participant will be determined on the Conversion Date by multiplying the number of Units in the Participant's Equity Participation Account by the Fair Market Value of the Common Stock on the Conversion Date.

(c) Initial Payment: The initial payment will be equal to the Initial Principal Amount divided by the total number of installments to be paid.

(d) Later Payments: Each annual installment after the Initial Payment will be equal to the remaining Account balance at the applicable anniversary of the Conversion Date divided by the number of remaining installments.

(e) Interest Credits: Interest will be credited on the amount remaining after the Initial Payment and future account balances at the rate specified in (f), compounded daily.

(f) T-Bond Rate: The interest rate will be equal to the average interest rate on 10-year U.S. Treasury bonds for the 52 weeks ending immediately prior to the applicable anniversary of the Conversion Date.

(g) Elections: An election under this subsection may be made only by delivering a written election of this T-Bond option to the Secretary of Northrop Grumman Corporation (or its successor), on a form specified by the Secretary:

(1) no later than March 1, 1998, in the case of Participants who were Outside Directors as of February 18, 1998, or

17

(2) no later than 30 days after becoming an Outside Director with respect to Participants who become Outside Directors after March 1, 1998.

After the relevant date in (1) or (2), an election (or failure to make an election) under this Section will become irrevocable.

Section 7.05. Payment to a Trust. The Participant may elect that payments under this Article be made to a trust. Any payments due will be made to the trust as long as the election by the Participant remains in effect.

18

ARTICLE 8

Miscellaneous Provisions

Section 8.01. Amendment And Termination. The Board may

at any time, or from time to time, amend or terminate the Plan.

(a) No such amendment or termination may reduce Plan benefits which accrued prior to the amendment or termination without the prior written consent of each person entitled to receive benefits under the Plan who is adversely affected by such action.

(b) The amendment and termination power of this Section is also subject to the provisions of Section A.06.

Section 8.02. Plan Unfunded. The Plan is unfunded. Benefits under the Plan represent only a general contractual conditional obligation of the Company to pay in accordance with the provisions of the Plan.

Section 8.03. No Assignments. All payments under the Plan will be made only to the Participant, to his or her Surviving Spouse, or to any trust designated by the Participant under Section 7.05. The right to receive payments under the Plan may not otherwise be assigned or transferred by, and is not subject to the claims of creditors of, any Participant or his or her Surviving Spouse.

Section 8.04. No Double Payment. This Section applies if, despite the prior Section, with respect to any Participant (or his or her Surviving Spouse), the Company is required to make payments under this Plan to a person or entity other than the proper payees described in the Plan. In such a case, any amounts due the Participant (or his or her Surviving Spouse) under this Plan will be reduced by the actuarial value of the payments required to be made to such other person or entity.

(a) Actuarial value will be determined using the following actuarial assumptions specified by Treas. Reg. 1.417(e)-1(d)(2)-(4) (or any successor regulation). The stability period will be one calendar month and the lookback month will be the second calendar month preceding the stability period.

(b) In dividing a Participant's benefit between the

Participant and another person or entity, consistent actuarial assumptions and methodologies will be used so that there is no increased cost to the Company on an actuarial basis.

Section 8.05. No Other Rights. Neither the establishment of the Plan, nor any action taken under it, will in any way obligate the Company to nominate an Outside Director for re-election or continue to retain an

20

Outside Director on the Board or confer upon any Outside Director any other rights with respect to the Company.

Section 8.06. Successors of the Company. The Plan will be binding upon any successor to the Company, whether by merger, acquisition, consolidation or otherwise.

Section 8.07. Law Governing. The Plan will be governed by the laws of the State of California.

Section 8.08. Actions By Company. Any powers exercisable by the Company under the Plan will be utilized by written resolution adopted by the Board or its delegate. The Board may by written resolution delegate any of the Company's powers under the Plan and any such delegations may provide for subdelegations, also by written resolution.

Section 8.09. Plan Representatives. Those authorized to act as Plan representatives will be designated in writing by the Board or its delegate.

21

APPENDIX A

Change In Control Benefits

Section A.01. In General. This Appendix provides for accelerated vesting of benefits in the event of a Change of Control.

Section A.02. Change In Control. Except as provided in Sections A.03 and A.04, a Change in Control occurs under any of the following circumstances:

(a) Any "person" as such term is used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act") or any successor

provisions, other than a trustee or other fiduciary holding securities under any other employee benefit plan of the Company or an Affiliate, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act or any successor provisions), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities (unless the event causing the fifteen percent (15%) threshold to be crossed is an acquisition of securities directly from the Company).

(c) During any period of two consecutive years, "Continuing Directors", as described in (2), cease for any reason to constitute at least a majority of the Board.

22

(1) The period of two consecutive years does not include any period prior to the adoption of this Plan on March 19, 1997.

(2) The term "Continuing Directors", for purposes of this Appendix, means:

(A) individuals who at the beginning of the two-consecutive-year period constitute the Board, and

(B) any new director whose nomination by the Board or election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-consecutive-year period or whose election or nomination for election was previously so approved. This clause (B) does not include a director designated by a person who has entered into an agreement with the Company to effect a transaction described in (a) or (c) of this Section.

(c) The shareholders of the Company approve a merger or consolidation of the Company with any other corporation, but only if the transaction closes or is otherwise effectuated. This subsection (c) does not cover a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into

23

voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

(d) The shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition of the Company or all or substantially all of the Company's assets, but only if the transaction closes or is otherwise effectuated.

Section A.03. Override by Board. Transactions described in the previous Section do not constitute Changes in Control if, immediately prior to the change in ownership, merger, consolidation, sale or other disposition, liquidation or change in the Board, the Board shall pass a resolution approved by a vote of the majority of the Continuing Directors to the effect that it has determined that such transaction does not constitute a Change in Control within the intention of this definition. In addition, if a Change in Control has occurred, no subsequent event shall result in another Change in Control.

Section A.04. February, 1998 Vote. No Change in Control will be deemed to have occurred by virtue of the vote of shareholders on February 26, 1998 to merge with Lockheed Martin Corporation unless and until that merger closes.

Section A.05. Vesting at Change in Control. Any Participant serving as an Outside Director at the time of a Change in Control will immediately become entitled to Change in Control benefits under Section 5.03. Actual payment of benefits will not commence until termination of his or her service in accordance with Section 7.01.

Section A.06. Limitation on Amendment Authority. The Plan may not be amended, terminated, or otherwise modified or interpreted to eliminate, reduce or defer Change in Control benefits with respect to the circumstances described in Section A.02(c) or (d), between the date of the shareholder vote and the closing or other effectuation of the transaction. This Section is not intended to reduce the

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	41
	0
	1,559
	109
	1,240
	2,803
	2,854
	(1,630)
	9,389
2,534	
	2,000
0	
	0
	1,035
	2,374
9,389	
	2,080
2,080	
	1,766
	1,766
	(2)
	0
	46
	270
	97
173	
	0
	0
	0
	173
	2.47
	2.47