
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

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

For the fiscal year ended December 31, 2009

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 1-16411

NORTHROP GRUMMAN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

95-4840775

(I.R.S. Employer Identification Number)

1840 Century Park East, Los Angeles, California 90067 (310) 553-6262

(Address and telephone number of principal executive offices)

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes

No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes

No

As of June 30, 2009, the aggregate market value of the common stock (based upon the closing price of the stock on the New York Stock Exchange) of the registrant held by non-affiliates was approximately \$14,547 million.

As of February 5, 2010, 302,771,417 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Northrop Grumman Corporation's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Rule 14A for the 2010 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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PART I

Item 1. Business

HISTORY AND ORGANIZATION

History

Northrop Grumman Corporation (herein referred to as “Northrop Grumman”, the “company”, “we”, “us”, or “our”) is an integrated enterprise consisting of businesses that cover the entire global security spectrum, from undersea to outer space and into cyberspace. The companies that are part of today’s Northrop Grumman have achieved historic accomplishments, from transporting Charles Lindbergh across the Atlantic to carrying astronauts to the moon’s surface and back.

The company was originally formed as Northrop Corporation in California in 1939 and was reincorporated in Delaware in 1985. From 1994 through 2002, we entered a period of significant expansion through acquisitions of other businesses, most notably:

- n In 1994, Northrop Corporation acquired Grumman Corporation (Grumman) and was renamed Northrop Grumman Corporation. Grumman was a premier military aircraft systems integrator and builder of the Lunar Module that first delivered men to the surface of the moon.
- n In 1996, we acquired the defense and electronics businesses of Westinghouse Electric Corporation, a world leader in the development and production of sophisticated radar and other electronic systems for the nation’s defense, civil aviation, and other international and domestic applications.
- n In 2001, we acquired Litton Industries (Litton), a global electronics and information technology enterprise, and one of the nation’s leading full-service design, engineering, construction, and life cycle supporters of major surface ships for the United States (U.S.) Navy, U.S. Coast Guard, and international navies.
- n Also in 2001, we acquired Newport News Shipbuilding (Newport News). Newport News is the nation’s sole designer, builder and refueler of nuclear-powered aircraft carriers and one of only two companies capable of designing and building nuclear-powered submarines.
- n In 2002, we acquired TRW Inc. (TRW), a leading developer of military and civil space systems and satellite payloads, as well as a leading global integrator of complex, mission-enabling systems and services.

Since 2002, other notable acquisitions include Integric Corporation (2005), an information technology provider specializing in enterprise health and business process management solutions and Essex Corporation (2007), a signal processing product and services provider to U.S. intelligence and defense customers. In addition, we divested our Advisory Services Division, TASC, Inc., in 2009.

These and other transactions have shaped us into our present position as a premier provider of technologically advanced, innovative products, services and solutions in aerospace, electronics, information and services and shipbuilding. As prime contractor, principal subcontractor, partner, or preferred supplier, we participate in many high-priority defense and commercial technology programs in the U.S. and abroad. We conduct most of our business with the U.S. Government, principally the Department of Defense (DoD). We also conduct business with local, state, and foreign governments and domestic and international commercial customers. For a discussion of risks associated with our DoD and foreign operations, see Risk Factors in Part I, Item 1A.

Organization

From time to time, we acquire or dispose of businesses, and realign contracts, programs or business areas among and within our operating segments that possess similar customers, expertise, and capabilities. Internal realignments are designed to more fully leverage existing capabilities and enhance development and delivery of products and services. The operating results for all periods presented have been revised to reflect these changes made through December 31, 2009.

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In January 2009, we streamlined our organizational structure by reducing the number of operating segments from seven to five. The five segments are Aerospace Systems, which combines the former Integrated Systems and Space Technology segments; Electronic Systems; Information Systems, which combines the former Information Technology and Mission Systems segments; Shipbuilding; and Technical Services. Creation of the Aerospace Systems and Information Systems segments was intended to strengthen our alignment with customers, improve our ability to execute on programs and win new business, and enhance cost competitiveness.

During the first quarter of 2009, we realigned certain logistics, services, and technical support programs and transferred assets from the Information Systems and Electronic Systems segments to the Technical Services segment. This realignment was intended to strengthen our core capability in aircraft and electronics maintenance, repair and overhaul, life cycle optimization, and training and simulation services.

During the first quarter of 2009, we transferred certain optics and laser programs from the Information Systems segment to the Aerospace Systems segment. The prior year sales and segment operating income were not reclassified to reflect this business transfer as the operating results of this business were not considered material.

In December 2009, we sold our Advisory Services Division (ASD), for \$1.65 billion in cash to an investor group led by General Atlantic LLC and affiliates of Kohlberg Kravis Roberts & Co. L.P., and recognized a gain of \$15 million, net of taxes. ASD was a business unit comprised of the assets and liabilities of TASC, Inc., its wholly-owned subsidiary TASC Services Corporation, and certain contracts carved out from other businesses also in our Information Systems segment that provide systems engineering technical assistance (SETA) and other analysis and advisory services.

In January 2008, we realigned the Newport News and Ship Systems businesses into a single operating segment called Northrop Grumman Shipbuilding. Previously, these businesses were separate operating segments which were aggregated into a single reporting segment for financial reporting purposes. In addition, we transferred certain Electronic Systems businesses to the former Mission Systems segment during the first quarter of 2008.

During the second quarter of 2008, we transferred certain programs and assets from the missiles business in the Information Systems segment to the Aerospace Systems segment. This transfer allowed Information Systems to focus on the rapidly growing command, control, communications, computing, intelligence, surveillance, and reconnaissance (C4ISR) business. The missiles business became an integrated element of our Aerospace business growth strategy.

AEROSPACE SYSTEMS

Aerospace Systems, headquartered in Redondo Beach, California, is a premier developer, integrator, producer and supporter of manned and unmanned aircraft, spacecraft, high-energy laser systems, microelectronics and other systems and subsystems critical to maintaining the nation's security and leadership in technology. Aerospace Systems' customers, primarily government agencies, use these systems in many different mission areas including intelligence, surveillance and reconnaissance; communications; battle management; strike operations; electronic warfare; missile defense; earth observation; space science; and space exploration. The segment consists of four business areas: Strike & Surveillance Systems, Space Systems, Battle Management & Engagement Systems, and Advanced Programs & Technology.

Strike & Surveillance Systems – designs, develops, manufactures and integrates tactical and long-range strike aircraft systems, unmanned systems, and missile systems. These include the RQ-4 Global Hawk unmanned reconnaissance system, B-2 stealth bomber, F-35 Lightning II joint strike fighter, F/A-18 Super Hornet strike fighter, Minuteman III Intercontinental Ballistic Missile (ICBM), MQ-8B Fire Scout unmanned aircraft system, Multi-Platform Radar Technology Insertion Program (MP-RTIP), and aerial targets.

Space Systems – designs, develops, manufactures, and integrates spacecraft systems, subsystems and electronic and communications payloads. Major programs include the National Polar-orbiting Operational Environmental

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Satellite System (NPOESS), the James Webb Space Telescope (JWST), Advanced Extremely High Frequency (AEHF) payload, Space Tracking and Surveillance System (STSS) and many restricted programs.

Battle Management & Engagement Systems – designs, develops, manufactures, and integrates airborne early warning, surveillance, battlefield management, and electronic warfare systems. Key programs include the E-2 Hawkeye, Joint Surveillance Target Attack Radar System (Joint STARS), Broad Area Maritime Surveillance (BAMS) unmanned aircraft system, the EA-6B Prowler, and its next generation platform, the EA-18G Growler.

Advanced Programs & Technology – creates advanced technologies and concepts to satisfy existing and emerging customer needs. It matures these technologies and concepts to create and capture new programs that other Aerospace Systems business areas can execute. Existing programs include the Navy Unmanned Combat Air System (N-UCAS), the Airborne Laser (ABL), and other directed energy and advanced concepts programs.

ELECTRONIC SYSTEMS

Electronic Systems, headquartered in Linthicum, Maryland, is a leading designer, developer, manufacturer and integrator of a variety of advanced electronic and maritime systems for national security and select non-defense applications. Electronic Systems provides systems to U.S. and international customers for such applications as airborne surveillance, aircraft fire control, precision targeting, electronic warfare, automatic test equipment, inertial navigation, integrated avionics, space sensing, intelligence processing, air and missile defense, communications, mail processing, biochemical detection, ship bridge control and radar, ship machinery controls, and shipboard components. The segment is composed of seven business areas: Aerospace Systems; Defensive Systems; Government Systems; Land Forces; Naval & Marine Systems; Navigation Systems; and Space & Intelligence, Surveillance & Reconnaissance (ISR) Systems.

Aerospace Systems – provides sensors, sensor processing, integrated sensor suites, and radar countermeasure systems for military surveillance and precision-strike; missile tracking and warning; and radio frequency electronic warfare. Fire control radars include systems for the F-16, F-22A, F-35, and B-1B. Navigation radars include commercial and military systems for transport and cargo aircraft. Surveillance products include the Airborne Warning and Control System radar, the Multi-role Electronically Scanned Array (MESA) radar, the MP-RTIP, the ship-board Cobra Judy Replacement radar, and multiple payloads on the P-8A. Radio frequency electronic warfare products include radar warning receivers, self-protection jammers, and integrated electronic warfare systems for aircraft such as the EA-6B, EA-18, F-16, and F-15.

Defensive Systems – provides systems that support combat aviation by protecting aircraft and helicopters from attack, by providing capabilities for precise targeting and tactical surveillance, by improving mission availability through automated test systems, and by improving mission skills through advanced simulation systems. A wide variety of fixed wing and helicopter protection systems include threat detection and laser-based countermeasures systems to defeat ground-launched infrared-guided missiles. Defensive Systems' countermeasures systems are currently installed on over 40 types of aircraft, many of which are conducting combat operations in Iraq and Afghanistan. Targeting systems utilize lasers for target designation and precision weapon delivery, image processing, and target acquisition, identification, and tracking. The LITENING targeting pod system is combat-proven on the AV-8B, A-10A/C, B-52H, F-15E, F-16, and F/A-18A/C/D. Test systems include systems to test electronic components of combat aircraft on the flight line and in repair facilities. Defensive Systems also provides advanced simulators for use on test ranges and training facilities to emulate threats of potential adversaries. Customers include the U.S. government and a wide variety of international allies.

Government Systems – provides products and services to meet the needs of governments for improvements in the effectiveness of their civil and military infrastructure and of their combat and counter-terrorism operations. This includes systems and system integration of products and services for postal automation, for the detection and alert of chemical, biological, radiological, nuclear, and explosive material, and for homeland defense, communications, and enterprise management. Key programs include: Flats Sequencing System; International Sorting Centers;

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U.S. Postal Service bio-detection systems; and national level command and control, integrated air and missile defense and homeland defense systems for international customers.

Land Forces – provides a full range of warfighting system solutions for the “digital battlefield,” including fire control systems for airborne and tracked vehicles, air and ground sensors to detect enemy movement, tactical range finding and precise laser designation, and systems that detect and defend against enemy fire. These solutions include laser designators and rangefinders, ground-based tactical radars for warning of missile and artillery attack, situational awareness sensors, unattended sensor systems, ground vehicle communication networks, precision guided munitions and compact lightweight Synthetic Aperture Radar /Ground Moving Target Indicator (SAR/GMTI) radars for unmanned/rotary wing aircraft. Sensor technologies provided include radio frequency, infrared, and electro-optical. Principal programs include the Longbow Weapons System for the Apache attack helicopter, the Lightweight Laser Designator Rangefinder, the Vehicular Intercommunication System – Extended (VIS-X), the Firefinder counter-battery integrated radar system, the Ground/Air Task Oriented Radar System (G/ATOR), and the lightweight STARLite SAR/GMTI for unmanned air vehicles.

Naval & Marine Systems – provides major subsystems and subsystem integration for sensors, sensor processing, missile launching, ship controls and power generation. It provides systems to military surface and subsurface platforms, and bridge and machinery control systems for commercial maritime applications. Principal programs include: radars for navigation; radars for gun fire control and cruise missile defense; bridge management and control systems; power generation systems for aircraft carriers; power, propulsion, and launch systems for *Virginia*-class submarines; launch systems for Trident submarines; and unmanned semi-autonomous naval systems.

Navigation Systems – provides advanced navigation, avionics systems, and command and control centers for military and commercial applications. Its products are used in military air, land, sea, and space systems as well as commercial space and aircraft in both U.S. and international markets. Its subsidiaries, Northrop Grumman LITEF (Freiburg, Germany) and Northrop Grumman Italia (Pomezia, Italy), are leading European inertial sensors and systems suppliers. Key Navigation Systems programs and applications include: integrated avionics for the U.S. Marine Corps attack and utility helicopters and U.S. Navy E-2 aircraft; military navigation and positioning systems for the F-16 fighter, F-22A fighter/attack aircraft, Eurofighter, and U.S. Navy MH-60 helicopter; navigation systems for commercial aircraft; navigation systems for military and civil space satellites and deep space exploration. Navigation Systems also develops and produces fiber-optic acoustic systems for underwater surveillance for *Virginia*-class submarines and the AN/TYQ-23 multi-service mobile tactical command centers for the U.S. Marine Corps and U.S. Air Force.

Space & ISR Systems – provides space-based sensor and exploitation systems for civil, military, and U.S. intelligence community customers, as well as ground/surface based command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) solutions to process, exploit, and disseminate multi-sensor data. Capabilities include space-based payloads, radar, Overhead Non-Imaging Infrared sensors, electro-optic & multi/hyper-spectral sensors, passive microwave sounders, mission processing solutions, and Service-Oriented open architecture C4ISR systems. The current portfolio of programs includes the Spaced-Based Infrared System as the lead for the payload and mission processing systems, the Distributed Common Ground System-Army as the system integrator, as well as a variety of civil space and restricted programs.

INFORMATION SYSTEMS

Information Systems, headquartered in Reston, Virginia, is a leading global provider of advanced solutions for the DoD, national intelligence, federal civilian, state and local agencies, and commercial customers. Products and services are focused on the fields of command, control, communications, computers and intelligence; air and missile defense; airborne reconnaissance; intelligence processing; decision support systems; cybersecurity; information technology; and systems engineering and systems integration. The segment consists of three business areas: Defense Systems; Intelligence Systems; and Civil Systems.

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Defense Systems – is a major end-to-end provider of net-enabled Battle Management C4ISR systems, decision superiority, and mission-enabling solutions and services in support of the national defense and security of our nation and its allies. The division is a prime developer and integrator of many of DoD’s programs-of-record, particularly for command and control and communications for the Air Force, the Army, the Navy, and Joint Forces. Major product and services include Enterprise Infrastructure and Applications, Mission Systems Integration, Military Communications & Networks, BMC2 and Decision Support Systems, Global and Operational C2, Ground and Maritime Combat Systems, Air and Missile Defense, Combat Support Solutions and Services, Defense Logistics Automation, and Force and Critical Infrastructure Protection. Systems are installed in operational and command centers world-wide and across all DoD services and joint command.

Intelligence Systems – is focused on the delivery of world-class systems and services to the U.S. intelligence community. Major offerings include Studies & Analysis, Systems Development, Enterprise IT, Prime Systems Integration, Products, Sustainment, and Operations and Maintenance. Customer focus addresses several mission areas including Airborne ISR, Geospatial Intelligence, Ground Systems, Integrated Intelligence and dynamic Cyber defense. Sustaining and growing the business in today’s market mandates sharing meaningful information across agencies through development of cost effective systems that are responsive to mutual requirements. Intelligence Systems is also creating new responsive capabilities leveraging existing systems to provide solutions to customer needs through labs and integration centers.

Civil Systems – provides specialized information systems and services in support of critical government civil missions, such as homeland security, public health, cyber security, air traffic management and public safety. Primary customers are federal civilian agencies, with state and local customers and the U.S. Postal Service also being served. Civil Systems develops and implements solutions that combine a deep understanding of civil government domains with core expertise in prime systems integration, enterprise applications development, and high value IT services including cyber security, identity management and advanced network communications.

SHIPBUILDING

Shipbuilding, headquartered in Newport News, Virginia, is the nation’s sole industrial designer, builder, and refueler of nuclear-powered aircraft carriers and one of only two companies capable of designing and building nuclear-powered submarines for the U.S. Navy. Shipbuilding is also one of the nation’s leading full service systems providers for the design, engineering, construction, and life cycle support of major programs for the surface ships of the U.S. Navy, U.S. Coast Guard, and international navies. The segment includes the following areas of business: Aircraft Carriers; Expeditionary Warfare; Surface Combatants; Submarines; Coast Guard & Coastal Defense; Fleet Support; and Services & Other.

Aircraft Carriers – The U.S. Navy’s newest carrier and the last of the Nimitz class, the *USS George H. W. Bush*, was delivered in May 2009. Design work on the next generation carrier, the *Ford* class has been underway for over eight years. The *Ford* class incorporates transformational technologies including an enhanced flight deck with increased sortie rates, improved weapons movement, a redesigned island, a new nuclear power plant design, flexibility to incorporate future technologies, and reduced manning. In 2008, Shipbuilding was awarded a \$5.1 billion contract for construction of the first ship of the class, the *Gerald R. Ford*, which is scheduled for delivery in 2015. The segment also provides ongoing maintenance for the U.S. Navy aircraft carrier fleet through overhaul, refueling, and repair work. In 2009, the completion of the refueling and complex overhaul of the *USS Carl Vinson* was followed by the arrival of the *USS Theodore Roosevelt*, which is expected to be redelivered to the U.S. Navy following its refueling in early 2013. Shipbuilding is also currently performing a multi-year maintenance service of the first nuclear-powered carrier, *USS Enterprise*, with redelivery anticipated in early 2010.

Expeditionary Warfare – Shipbuilding is the sole provider of amphibious assault ships for the U.S. Navy. In 2009, construction of the *Wasp* class multipurpose amphibious assault ship was concluded with the delivery of LHD 8. Construction of the *San Antonio* class continues, with five ships delivered from 2005 to 2009 and four currently in construction. In 2007, Shipbuilding was awarded the construction contract for LHA 6, the first in a new class

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of enhanced amphibious assault ships. The first ship of the *America* class ships is currently under construction and is expected to join the fleet in 2013.

Surface Combatants – Shipbuilding designs and constructs *Arleigh Burke* class Aegis guided missile destroyers, as well as major components for the *Zumwalt* class, a land attack destroyer. Shipbuilding has delivered 26 *Arleigh Burke* destroyers to the U.S. Navy, currently has two under construction, and was awarded a long lead time material contract for a restart of the *Arleigh Burke* class in December 2009. Shipbuilding's participation in the *Zumwalt* program includes detailed design and construction of the ships' integrated composite deckhouses, as well as portions of the ships' peripheral vertical launch systems. The U.S. Navy expects to build three *Zumwalt* class destroyers.

Submarines – Northrop Grumman is one of only two U.S. companies capable of designing and building nuclear-powered submarines. In February 1997, the company and Electric Boat, a wholly owned subsidiary of General Dynamics Corporation, reached an agreement to cooperatively build *Virginia* class nuclear attack submarines. The initial four submarines in the class were delivered in 2004, 2006, and 2008. Shipbuilding and Electric Boat were awarded a construction contract in August 2003 for the second block of six *Virginia* class submarines, the first two of which were delivered in 2008 and 2009, respectively. Construction on the remaining four submarines is underway, with the last scheduled to be delivered in 2014. In December 2008, Shipbuilding and Electric Boat were awarded a construction contract for the third block of eight *Virginia* class submarines. The multi-year contract allows Shipbuilding and its teammate to proceed with the construction of one submarine per year in 2009 and 2010, and two submarines per year from 2011 to 2013. The eighth submarine to be procured under this contract is scheduled for delivery in 2019.

Coast Guard & Coastal Defense – Shipbuilding is a joint venture partner along with Lockheed Martin for the Coast Guard's Deepwater Modernization Program. Shipbuilding has design and production responsibility for surface ships. In 2006, the Shipbuilding/Lockheed Martin joint venture was awarded a 43-month contract extension for the Deepwater program. The first National Security Cutter (NSC), USCGC *Berthoff*, was delivered to the Coast Guard in 2008 followed by the *Waesche* (NSC2) in 2009. Currently, the *Stratton* (NSC3) is in construction, and long lead procurement is underway for NSC4.

Fleet Support – Fleet Support provides after-market services, including on-going maintenance and repair work, for a wide array of naval and commercial vessels. The segment has ship repair facilities in the U.S. Navy's largest homeports of Norfolk, Virginia, and San Diego, California.

Services & Other – Shipbuilding provides various services to commercial nuclear and non-nuclear industrial customers. In January 2008, Savannah River Nuclear Solutions, a joint venture among Shipbuilding, Fluor Corporation, and Honeywell, was awarded a contract for site management and operations of the U.S. Department of Energy's Savannah River Site in Aiken, South Carolina. In October 2008, Shipbuilding announced the formation of a joint venture with AREVA NP to build a new manufacturing and engineering facility in Newport News, Virginia, to help supply the growing American nuclear energy sector.

TECHNICAL SERVICES

Technical Services, headquartered in Herndon, Virginia, is a leading provider of logistics, infrastructure, and sustainment support, while also providing a wide array of technical services including training and simulation. The segment consists of three areas of business: Systems Support; Training & Simulation; and Life Cycle Optimization & Engineering.

Systems Support – provides infrastructure and base operations management, including base support and civil engineering work, military aerial and ground range operations, support functions which include space launch services, construction, combat vehicle maintenance, protective and emergency services, and range-sensor-instrumentation operations. Primary customers include the Department of Energy, the DoD, the Department of Homeland Security, and the U.S. intelligence community, in both domestic and international locations.

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Training and Simulation – provides realistic and comprehensive training to senior military leaders and peacekeeping forces, designs and develops future conflict training scenarios, and provides U.S. warfighters and international allies with live, virtual, and constructive training programs. This business area also offers diverse training applications ranging from battle command to professional military education. Primary customers include the DoD, Department of State and Department of Homeland Security.

Life Cycle Optimization and Engineering – provides complete life cycle product support and weapons system sustainment. This business area is focused on providing Performance Based Logistical support to the warfighter including supply chain management services, warehousing and inventory transportation, field services and mobilization, sustaining engineering, maintenance, repair and overhaul supplies, and on-going weapon maintenance and technical assistance. The group specializes in performing Contractor Logistics Support of both original equipment manufacturer (OEM) and third party aviation platforms involving maintenance and modification, and rebuilding essential parts and assemblies. Primary customers include the DoD as well as international military and commercial customers.

Corporate

Our principal executive offices are located at 1840 Century Park East, Los Angeles, California 90067. Our telephone number is (310) 553-6262 and our home page on the Internet is www.northropgrumman.com. References to our website in this report are provided as a convenience and do not constitute, and should not be viewed as, incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report. See Properties in Part I, Item 2.

SUMMARY SEGMENT FINANCIAL DATA

For a more complete understanding of our segment financial information, see Segment Operating Results in Part II, Item 7, and Note 6 to the consolidated financial statements in Part II, Item 8.

CUSTOMERS AND REVENUE CONCENTRATION

Our primary customer is the U.S. Government. U.S. Government revenue (which includes Foreign Military Sales) accounted for approximately 91 percent of total revenues in 2009, 2008, and 2007. No single product or service accounted for more than 10 percent of total revenue during any period presented. See Risk Factors in Part I, Item 1A.

PATENTS

The following table summarizes the number of patents we own or have pending as of December 31, 2009:

	Owned	Pending	Total
U.S. patents	3,144	405	3,549
Foreign patents	2,188	556	2,744
Total	5,332	961	6,293

Patents developed while under contract with the U.S. Government may be subject to use by the U.S. Government. We license intellectual property to, and from, third parties. We believe our ability to conduct operations would not be materially affected by the loss of any particular intellectual property right.

SEASONALITY

No material portion of our business is considered to be seasonal. Our revenue recognition timing is based on several factors, including the timing of contract awards, the incurrence of contract costs, cost estimation, and unit deliveries. See Critical Accounting Policies, Estimates, and Judgments- Revenue Recognition in Part II, Item 7.

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BACKLOG

At December 31, 2009, total backlog was \$69.2 billion compared with \$76.4 billion at the end of 2008. Approximately 37 percent of backlog at December 31, 2009, is expected to be converted into sales in 2010.

Total backlog includes both funded backlog (firm orders for which funding is contractually obligated by the customer) and unfunded backlog (firm orders for which funding is not currently contractually obligated by the customer). Unfunded backlog excludes unexercised contract options and unfunded indefinite delivery indefinite quantity (IDIQ) orders. For multi-year services contracts with non-federal government customers having no stated contract values, backlog includes only the amounts committed by the customer. For backlog by segment see Backlog in Part II, Item 7.

RAW MATERIALS

The most significant raw material we require is steel, used primarily for shipbuilding. We have mitigated supply risk by negotiating long-term agreements with a number of steel suppliers. In addition, we have mitigated price risk related to steel purchases through certain contractual arrangements with the U.S. Government. While we have generally been able to obtain key raw materials required in our production processes in a timely manner, a significant delay in supply deliveries could have a material adverse effect on our consolidated financial position, results of operations, or cash flows. See Risk Factors in Part I, Item 1A and Overview- Outlook in Part II, Item 7.

GOVERNMENT REGULATION

Our businesses are affected by numerous laws and regulations relating to the award, administration and performance of U.S. Government contracts. See Risk Factors in Part I, Item 1A.

The U.S. Government generally has the ability to terminate our contracts, in whole or in part, without prior notice, for convenience or for default based on performance. If any of our government contracts were to be terminated for convenience, we are normally protected by provisions covering reimbursement for costs incurred and profit on those costs. Termination resulting from our default could require us to pay for re-procurement costs in excess of the original contract price, net of the value of work accepted from the original contract. The U.S. Government could also hold us liable for damages resulting from the default. In the event that appropriations for one of our programs becomes unavailable, or is reduced or delayed, our contract or subcontract under such program may be terminated or adjusted by the U.S. Government. See Risk Factors in Part I, Item 1A.

Certain programs with the U.S. Government that are prohibited by the customer from being publicly discussed in detail are referred to as "restricted" in this Form 10-K. The consolidated financial statements and financial information in this Form 10-K reflect the operating results of restricted programs under accounting principles generally accepted in the United States of America (GAAP). See Risk Factors in Part I, Item 1A.

RESEARCH AND DEVELOPMENT

Our research and development activities primarily include independent research and development (IR&D) efforts related to government programs. IR&D expenses are included in general and administrative expenses and are generally allocated to U.S. Government contracts. IR&D expenses totaled \$610 million, \$564 million, and \$522 million in 2009, 2008, and 2007, respectively. We charge expenses for research and development sponsored by the customer directly to the related contracts.

EMPLOYEE RELATIONS

We maintain good relations with our 120,700 employees, of which approximately 20 percent are covered by 32 collective bargaining agreements. We re-negotiated 17 of our collective bargaining agreements in 2009. These negotiations had no material adverse effect on our results of operations. For risks associated with collective bargaining agreements, see Risk Factors in Part I, Item 1A.

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ENVIRONMENTAL MATTERS

Our manufacturing operations are subject to and affected by federal, state, foreign, and local laws and regulations relating to the protection of the environment. We provide for the estimated cost to complete environmental remediation where we determine it is probable that we will incur such costs in the future to address environmental impacts at currently or formerly owned or leased operating facilities, or at sites where we are named a Potentially Responsible Party (PRP) by the U.S. Environmental Protection Agency (EPA) or similarly designated by other environmental agencies. These estimates may change given the inherent difficulty in estimating environmental cleanup costs to be incurred in the future due to the uncertainties regarding the extent of the required cleanup, determination of legally responsible parties, and the status of laws, regulations, and their interpretations.

We assess the potential impact on our financial statements by estimating the possible remediation costs that we could reasonably incur on a site-by-site basis. These estimates consider our environmental engineers' professional judgment and, when necessary, we consult with outside environmental specialists. In most instances, we can only estimate a range of reasonably possible costs. We accrue our best estimate when determinable or the minimum amount when no single amount is more probable. We record accruals for environmental cleanup costs in the accounting period in which it becomes probable we have incurred a liability and the costs can be reasonably estimated. We record insurance recoveries only when we determine that collection is probable and we do not include any litigation costs related to environmental matters in our environmental remediation accrual.

We estimate that at December 31, 2009, the range of reasonably possible future costs for environmental remediation sites is \$239 million to \$483 million, of which we accrued \$115 million in other current liabilities and \$168 million in other long term liabilities in the consolidated statements of financial position. We record environmental accruals on an undiscounted basis. At sites involving multiple parties, we provide environmental accruals based upon our expected share of liability, taking into account the financial viability of other jointly liable parties. We expense or capitalize environmental expenditures as appropriate. Capitalized expenditures relate to long-lived improvements in currently operating facilities. We may have to incur costs in addition to those already estimated and accrued if other PRPs do not pay their allocable share of remediation costs, which could have a material effect on our consolidated financial position, results of operations, or cash flows. We have made the investments we believe necessary to comply with environmental laws. Although we cannot predict whether information gained as projects progress will materially affect the estimated accrued liability, we do not anticipate that future remediation expenditures will have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

We could be affected by future laws or regulations, including those enacted in response to climate change concerns and other actions known as "green initiatives." We recently established a goal of reducing our greenhouse gas emissions during the next five years. To comply with current and future environmental laws and regulations and to meet this goal, we expect to incur capital and operating costs, but at this time we do not expect that such costs will have a material adverse effect upon our financial position, results of operations or cash flows.

COMPETITIVE CONDITIONS

We compete with many companies in the U.S. defense industry for a number of programs, both large and small, but primarily with Lockheed Martin Corporation, The Boeing Company, Raytheon Company, General Dynamics Corporation, L-3 Communications Corporation, SAIC, and BAE Systems. Intense competition and long operating cycles are both key characteristics of our business and the defense industry. It is common in this industry for work on major programs to be shared among a number of companies. A company competing to be a prime contractor may, upon ultimate award of the contract to another party, turn out to be a subcontractor for the ultimate prime contracting party. It is not uncommon to compete for a contract award with a peer company and, simultaneously, perform as a supplier to or a customer of such competitor on other contracts. The nature of major defense programs, conducted under binding contracts, allows companies that perform well to benefit from a level of program continuity not common in many industries.

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Our success in the competitive defense industry depends upon our ability to develop and market our products and services, as well as our ability to provide the people, technologies, facilities, equipment, and financial capacity needed to deliver those products and services with maximum efficiency. We must continue to maintain sources for raw materials, fabricated parts, electronic components, and major subassemblies. In this manufacturing and systems integration environment, effective oversight of subcontractors and suppliers is as vital to success as managing internal operations.

Similarly, there is intense competition among many companies in the information and services markets, which are generally more labor intensive with competitive margin rates over contract periods of shorter duration. Competitors in the information and services markets include the defense industry participants mentioned above as well as many other large and small entities with expertise in various specialized areas. Our ability to successfully compete in the information and services markets depends on a number of factors; most important is the capability to deploy skilled professionals, many requiring security clearances, at competitive prices across the diverse spectrum of these markets. Accordingly, we have implemented various workforce initiatives to ensure our success in attracting, developing and retaining sufficient resources to maintain or improve our competitive position within these markets.

EXECUTIVE OFFICERS

See Part III, Item 10, for information about our executive officers.

AVAILABLE INFORMATION

Throughout this Form 10-K, we incorporate by reference information from parts of other documents filed with the Securities and Exchange Commission (SEC). The SEC allows us to disclose important information by referring to it in this manner, and you should review this information in addition to the information contained in this report.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy statement for the annual shareholders' meeting, as well as any amendments to those reports, are available free of charge through our web site as soon as reasonably practicable after we file them with the SEC. You can learn more about us by reviewing our SEC filings in the investor relations page on our web site at www.northropgrumman.com.

The SEC also maintains a web site at www.sec.gov that contains reports, proxy statements and other information about SEC registrants, including Northrop Grumman. You may also obtain these materials at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

Our consolidated financial position, results of operations and cash flows are subject to various risks, many of which are not exclusively within our control, that may cause actual performance to differ materially from historical or projected future performance. We urge you to carefully consider the risk factors described below in evaluating the information contained in this report.

- n We depend heavily on a single customer, the U.S. Government, for a substantial portion of our business, including programs subject to security classification restrictions on information, and changes affecting this customer's capacity to do business with us could have a material adverse effect on us or our prospects.***

Approximately 92 percent of our revenues during 2009 were derived from products and services ultimately sold to the U.S. Government (which includes Foreign Military Sales). We are a supplier, either directly or as a subcontractor or team member, to the U.S. Government and its agencies. These contracts are subject to the respective customers' political and budgetary constraints and processes, changes in customers' short-range and long-range strategic plans, the timing of contract awards, significant changes in contract scheduling, intense

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competition, difficulty in forecasting costs and schedules when bidding on developmental and highly sophisticated technical work, and delays in the timing of contract approval, as well as other risks such as contractor suspension or debarment in the event of certain violations of legal and regulatory requirements.

In addition, a material amount of our revenues and profits are derived from programs that are subject to security classification restrictions (restricted business), which could limit our ability to discuss details about these programs, their risks or any disputes or claims relating to such programs. As a result, you might have less insight into our restricted business than our other businesses or could experience less ability to evaluate fully the risks, disputes or claims associated with the restricted business.

n ***Contracts with the U.S. Government are subject to uncertain levels of funding, modification due to changes in customer priorities and potential termination.***

The funding of U.S. Government programs is subject to congressional budget authorization and appropriation processes. For certain programs, Congress appropriates funds on a fiscal year basis even though a program may extend over several fiscal years. Consequently, programs are often only partially funded initially and additional funds are committed only as Congress makes further appropriations. We cannot predict the extent to which total funding and/or funding for individual programs will be included, increased or reduced as part of the 2010 and subsequent budgets ultimately approved by Congress or be included in the scope of separate supplemental appropriations. The impact, severity and duration of the current U.S. economic situation, the sweeping economic plans adopted by the U.S. Government, and pressures on the federal budget could also adversely affect the total funding and/or funding for individual programs. In the event that appropriations for one of our programs becomes unavailable, or is reduced or delayed, our contract or subcontract under such program may be terminated or adjusted by the U.S. Government, which could have a material adverse effect on our future sales under such program.

We also cannot predict the impact of potential changes in priorities due to military transformation and planning and/or the nature of war-related activity on existing, follow-on or replacement programs. A shift of government priorities to programs in which we do not participate and/or reductions in funding for or the termination of programs in which we do participate, unless offset by other programs and opportunities, could have a material adverse effect on our results of operations or bid prospects.

In addition, the U.S. Government generally has the ability to terminate contracts, in whole or in part, without prior notice, for convenience or for default based on performance. In the event of termination for the government's convenience, contractors are normally protected by provisions covering reimbursement for costs incurred on the contracts and profit on those costs. Termination resulting from our default can expose us to liability and have a material adverse effect on our ability to compete for contracts.

n ***As a U.S. Government contractor, we are subject to a number of procurement regulations and could be adversely affected by changes in regulations or any negative findings from a U.S. audit or investigation.***

U.S. Government contractors must comply with significant procurement regulations and other requirements. These requirements, although customary in government contracts, increase our performance and compliance costs. If procurement requirements change, our costs of complying with them could increase and reduce our margins.

We operate in a highly regulated environment and are routinely audited and reviewed by the U.S. Government and its agencies such as the Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA). These agencies review our performance under our contracts, our cost structure and our compliance with applicable laws, regulations, and standards, as well as the adequacy of, and our compliance with, our internal control systems and policies. Systems that are subject to review include our purchasing systems, billing systems, property management and control systems, cost estimating systems, compensation systems and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed or must be refunded if already reimbursed. If an audit

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uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspension, or prohibition from doing business with the U.S. Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

We are also, from time to time, subject to U.S. Government investigations relating to our operations and are expected to perform in compliance with a vast array of federal laws, including the Truth in Negotiations Act, the False Claims Act, the International Traffic in Arms Regulations promulgated under the Arms Export Control Act, and the Foreign Corrupt Practices Act. We may be subject to reductions of the value of contracts, contract modifications or termination, and the assessment of penalties and fines, which could negatively impact our results of operations and financial condition, if we are found to have violated the law or are indicted or convicted for violations of federal laws related to government security regulations, employment practices or protection of the environment, or are found not to have acted responsibly as defined by the law. Such convictions could also result in suspension or debarment from government contracting for some period of time. Given our dependence on government contracting, suspension or debarment could have a material adverse effect on us.

n Competition within our markets and an increase in bid protests may reduce our revenues and market share.

We operate in highly competitive markets and our competitors may have more extensive or more specialized engineering, manufacturing and marketing capabilities than we do in some areas. We anticipate higher competition in some of our core markets as a result of the reduction in budgets for many U.S. Government agencies and fewer new program starts. In addition, as discussed in more detail above, projected U.S. defense spending levels for periods beyond the near-term are uncertain and difficult to predict. Changes in U.S. defense spending may limit certain future market opportunities. We are also facing increasing competition in our domestic and international markets from foreign and multinational firms. Additionally, some customers, including the DoD, are more frequently turning to commercial contractors, rather than traditional defense contractors, for information technology and other support work. If we are unable to continue to compete successfully against our current or future competitors, we may experience declines in revenues and market share which could negatively impact our results of operations and financial condition.

The competitive environment is also affected by an increase in bid protests from unsuccessful bidders on new program awards. Bid protests could result in the award decision being overturned, requiring a re-bid of the contract. Even where a bid protest does not result in a re-bid, the resolution extends the time until the contract activity can begin which may reduce our earnings in the period in which the contract would otherwise have commenced.

n Our future success depends, in part, on our ability to develop new products and new technologies and maintain a qualified workforce to meet the needs of current and future customers.

The markets in which we operate are characterized by rapidly changing technologies. The product, program and service needs of our customers change and evolve regularly. Accordingly, our success in the competitive defense industry depends upon our ability to develop and market our products and services, as well as our ability to provide the people, technologies, facilities, equipment and financial capacity needed to deliver those products and services with maximum efficiency. If we fail to maintain our competitive position, we could lose a significant amount of future business to our competitors, which would have a material adverse effect on our ability to generate favorable financial results and maintain market share.

Operating results are heavily dependent upon our ability to attract and retain sufficient personnel with requisite skills and/or security clearances. If qualified personnel become scarce, we could experience higher labor, recruiting or training costs in order to attract and retain such employees or could experience difficulty in performing under our contracts if the needs for such employees are unmet.

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Approximately 20 percent of our 120,700 employees are covered by an aggregate of 32 collective bargaining agreements. We expect to re-negotiate renewals of three of our collective bargaining agreements in 2010, and we are continuing to negotiate an initial contract for a group of employees. Collective bargaining agreements generally expire after three to five years and are subject to renegotiation at that time. We may experience difficulties with renewals and renegotiations of existing collective bargaining agreements. If we experience such difficulties, we could incur additional expenses and work stoppages. Any such expenses or delays could adversely affect programs served by employees who are covered by collective bargaining agreements. In the recent past we have experienced work stoppages and other labor disruptions in Shipbuilding.

- n ***Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, require state-of-the-art manufacturing expertise or are dependent upon factors not wholly within our control. Failure to meet these obligations could adversely affect our profitability and future prospects.***

We design, develop and manufacture technologically advanced and innovative products and services applied by our customers in a variety of environments. Problems and delays in development or delivery as a result of issues with respect to design, technology, licensing and patent rights, labor, learning curve assumptions or materials and components could prevent us from achieving contractual requirements.

In addition, our products cannot be tested and proven in all situations and are otherwise subject to unforeseen problems. Examples of unforeseen problems that could negatively affect revenue and profitability include loss on launch of spacecraft, premature failure of products that cannot be accessed for repair or replacement, problems with quality, country of origin, delivery of subcontractor components or services and unplanned degradation of product performance. These failures could result, either directly or indirectly, in loss of life or property. Among the factors that may affect revenue and profits could be unforeseen costs and expenses not covered by insurance or indemnification from the customer, diversion of management focus in responding to unforeseen problems, loss of follow-on work, and, in the case of certain contracts, repayment to the government customer of contract cost and fee payments we previously received.

Certain contracts, primarily involving space satellite systems, contain provisions that entitle the customer to recover fees in the event of partial or complete failure of the system upon launch or subsequent deployment for less than a specified period of time. Under such terms, we could be required to forfeit fees previously recognized and/or collected. We have not experienced any material losses in the last decade in connection with such contract performance incentive provisions. However, if we were to experience launch failures or complete satellite system failures in the future, such events could have a material adverse effect on our consolidated financial position or results of operations.

- n ***Contract cost growth on fixed-price and other contracts that cannot be justified as an increase in contract value due from customers exposes us to reduced profitability and the potential loss of future business.***

Operating income is adversely affected when we incur contract costs that cannot be billed to customers. This cost growth can occur if estimates to complete increase due to technical challenges, manufacturing difficulties or delays, or workforce-related issues, or if initial estimates used for calculating the contract cost were incorrect. The cost estimation process requires significant judgment and expertise. Reasons for cost growth may include unavailability or reduced productivity of labor, the nature and complexity of the work to be performed, the timelines and availability of materials, major subcontractor performance and quality of their products, the effect of any delays in performance, availability and timing of funding from the customer, natural disasters and the inability to recover any claims included in the estimates to complete. A significant change in cost estimates on one or more programs could have a material adverse effect on our consolidated financial position or results of operations.

Most of our contracts are firm fixed-price contracts or flexibly priced contracts. Flexibly priced contracts include both cost-type and fixed-price incentive contracts. Due to their nature, firm fixed-price contracts

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inherently have more risk than flexibly priced contracts. Approximately 33 percent of our annual revenues are derived from firm fixed-price contracts – see Contracts in Part II, Item 7. We typically enter into firm fixed-price contracts where costs can be reasonably estimated based on experience. In addition, our contracts contain provisions relating to cost controls and audit rights. Should the terms specified in our contracts not be met, then profitability may be reduced. Fixed-price development work comprises a small portion of our firm fixed-price contracts and inherently has more uncertainty as to future events than production contracts and therefore more variability in estimates of the costs to complete the development stage. As work progresses through the development stage into production, the risks associated with estimating the total costs of the contract are generally reduced. In addition, successful performance of firm fixed-price development contracts that include production units is subject to our ability to control cost growth in meeting production specifications and delivery rates. While management uses its best judgment to estimate costs associated with fixed-price development contracts, future events could result in either upward or downward adjustments to those estimates. Examples of our significant fixed-price development contracts include the F-16 Block 60 combat avionics program and the MESA radar system program for the Wedgetail and Peace Eagle contracts, both of which are performed by the Electronic Systems segment.

Under a fixed-price incentive contract, the allowable costs incurred by the contractor are subject to reimbursement, but are subject to a cost-share limit which affects profitability. Contracts in Shipbuilding are often fixed-price incentive contracts for production of a first item without a separate development contract. Accordingly, we face the additional difficulty of estimating production costs on a product that has not yet been designed. Further, Shipbuilding sometimes enters into follow-on fixed-price contracts after a significant delay from the first production request, and the passage of time makes it more difficult for us to accurately estimate costs for renewed production.

Under a cost-type contract the allowable costs incurred by the contractor are also subject to reimbursement plus a fee that represents profit. We enter into cost-type contracts for development programs with complex design and technical challenges. These cost-type programs typically have award or incentive fees that are subject to uncertainty and may be earned over extended periods. In these cases the associated financial risks are primarily in lower profit rates or program cancellation if cost, schedule, or technical performance issues arise.

n Our earnings and margins depend, in part, on our ability to perform under contracts and on subcontractor performance as well as raw material and component availability and pricing.

When agreeing to contractual terms, our management makes assumptions and projections about future conditions and events, many of which extend over long periods. These projections assess the productivity and availability of labor, the complexity of the work to be performed, the cost and availability of materials, the impact of delayed performance, and the timing of product deliveries. If there is a significant change in one or more of these circumstances or estimates, or if we face unanticipated contract costs, the profitability of one or more of these contracts may be adversely affected.

We also rely on other companies to provide raw materials and major components for our products and rely on subcontractors to produce hardware elements and sub-assemblies and perform some of the services that we provide to our customers. Disruptions or performance problems caused by our subcontractors and vendors could have an adverse effect on our ability to meet our commitments to customers. Our ability to perform our obligations as a prime contractor could be adversely affected if one or more of the vendors or subcontractors are unable to provide the agreed-upon products or materials or perform the agreed-upon services in a timely and cost-effective manner.

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- n ***Our business is subject to disruption caused by natural disasters and other factors that could adversely affect our profitability and our overall financial position.***

We have significant operations located in regions of the U.S. that may be exposed to damaging storms and other natural disasters, such as hurricanes or earthquakes. Although preventative measures may help to mitigate damage, the damage and disruption resulting from natural disasters may be significant. Should insurance or other risk transfer mechanisms be insufficient to recover all costs, we could experience a material adverse effect on our financial position. Our suppliers and subcontractors are also subject to natural disasters that could affect their ability to deliver or perform under a contract. Performance failures by our subcontractors due to natural disasters may adversely affect our ability to perform our obligations on the prime contract, which could reduce our profitability due to damages or other costs that may not be fully recoverable from the subcontractor or from the customer and could result in a termination of the prime contract and have an adverse effect on our ability to compete for future contracts.

Natural disasters can also disrupt electrical and other power distribution networks and the critical industrial infrastructure needed for normal business operations. These disruptions could cause adverse effects on our profitability and performance, including computer and internet operation and accessibility.

- n ***We use estimates when accounting for contracts. Changes in estimates could affect our profitability and our overall financial position.***

Contract accounting requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and costs at completion is complicated and subject to many variables. For example, assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. Similarly, assumptions have to be made regarding the future impact of our self-imposed efficiency initiatives and cost reduction efforts. Incentives, awards or penalties related to performance on contracts are considered in estimating revenue and profit rates, and are recorded when there is sufficient information to assess anticipated performance.

Because of the significance of the judgment and estimation processes described above, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may have a material adverse effect upon future period financial reporting and performance. See Critical Accounting Policies, Estimates, and Judgments in Part II, Item 7.

- n ***Our international business is subject to greater risks sometimes associated with doing business in foreign countries.***

Although our international business constitutes only 5 percent of total revenues, we are subject to numerous U.S. and foreign laws and regulations, including, without limitation, regulations relating to import-export control, technology transfer restrictions, repatriation of earnings, exchange controls, the Foreign Corrupt Practices Act and the anti-boycott provisions of the U.S. Export Administration Act. Failure by us or our sales representatives or consultants to comply with these laws and regulations could result in administrative, civil, or criminal liabilities and could, in the extreme case, result in suspension or debarment from government contracts or suspension of our export privileges, which could have a material adverse effect on us. Changes in regulation or political environment may affect our ability to conduct business in foreign markets, including investment, procurement and repatriation of earnings.

- n ***Our reputation and our ability to do business may be impacted by the improper conduct of employees, agents or business partners.***

We have implemented extensive compliance controls, policies and procedures to prevent and detect reckless or criminal acts committed by employees, agents or business partners that would violate the laws of the

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jurisdictions in which we operate, including laws governing payments to government officials, competition and data privacy. However we cannot ensure that we will prevent all such reckless or criminal acts committed by our employees, agents or business partners. Any improper actions could subject us to civil or criminal investigations, monetary and non-monetary penalties and could have a material adverse effect on our ability to conduct business, our results of operations and our reputation.

n ***Our business could be negatively impacted by security threats and other disruptions.***

As a defense contractor, we face certain security threats, including threats to our information technology infrastructure and unlawful attempts to gain access to our proprietary or classified information. Our information technology networks and related systems are critical to the smooth operation of our business and essential to our ability to perform day to day operations. Loss of security within this critical operational infrastructure could disrupt our operations, require significant management attention and resources and could have a material adverse effect on our performance.

We also manage information technology systems for various customers. While we maintain information security policies and procedures for managing these systems, we face generally the same security threats for these systems as for our own systems. Computer viruses, attempts to gain access to our customers' data or other electronic security breaches could lead to disruptions in mission critical systems for our customers, unauthorized release of confidential or personally identifiable information and corruption of customer data. These events could damage our reputation and lead to financial losses from remedial actions we must take, potential liability to customers and litigation expenses.

n ***Our nuclear operations subject us to various environmental, regulatory, financial and other risks.***

The development and operation of nuclear-powered aircraft carriers, nuclear-powered submarines and other nuclear operations subject us to various risks, including:

- n potential liabilities relating to harmful effects on the environment and human health resulting from nuclear operations and the storage, handling and disposal of radioactive materials;
- n unplanned expenditures relating to maintenance, operation, security and repair, including repairs required by the Nuclear Regulatory Commission;
- n limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations; and
- n potential liabilities arising out of a nuclear incident whether or not it is within our control.

The U.S. Government provides indemnity protection against specified risks under Public Law 85-804 and the Price-Anderson Nuclear Indemnities Act for certain of our nuclear operations risks. Our nuclear operations are subject to various safety-related requirements imposed by the U.S. Navy, Department of Energy, and Nuclear Regulatory Commission. In the event of non-compliance, these agencies may increase regulatory oversight, impose fines or shut down our operations, depending upon the assessment of the severity of the situation. Revised security and safety requirements promulgated by these agencies could necessitate substantial capital and other expenditures.

n ***Unforeseen environmental costs could have a material adverse effect on our financial condition or results of operations.***

Our operations are subject to and affected by a variety of federal, state, local and foreign environmental protection laws and regulations. In addition, we could be affected by future laws or regulations, including those imposed in response to climate change concerns and other actions commonly referred to as "green initiatives." Compliance with current and future environmental laws and regulations currently requires and is expected to continue to require significant capital and operating costs, but is not expected to have a material adverse effect on our financial condition.

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Environmental laws and regulations can impose substantial fines and criminal sanctions for violations, and may require the installation of costly pollution control equipment or operational changes to limit pollution emissions or discharges and/or decrease the likelihood of accidental hazardous substance releases. In addition, if we were found to be in violation of the Federal Clean Air Act or the Clean Water Act, the facility or facilities involved in the violation could be placed by the EPA on the “Excluded Parties List” maintained by the General Services Administration. The listing would continue until the EPA concluded that the cause of the violation had been cured. Listed facilities cannot be used in performing any U.S. Government contract while they are listed by the EPA. We also incur, and expect to continue to incur, costs to comply with current federal and state environmental laws and regulations related to the cleanup of pollutants previously released into the environment.

The adoption of new laws and regulations, stricter enforcement of existing laws and regulations, imposition of new cleanup requirements, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, our ability to recover such costs under previously priced contracts or financial insolvency of other responsible parties could cause us to incur costs in the future that would have a material adverse effect on our financial condition or results of operations.

- n ***We are subject to various claims and litigation that could ultimately be resolved against us requiring material future cash payments and/or future material charges against our operating income and materially impairing our financial position.***

The size and complexity of our business make it highly susceptible to claims and litigation. We are subject to various existing environmental claims, income tax matters and other litigation, which, if not resolved within established reserves, could have a material adverse effect on our consolidated financial position, results of operations or cash flows. See Legal Proceedings in Part I, Item 3, Critical Accounting Policies, Estimates, and Judgments in Part II, Item 7 and Note 14 to the consolidated financial statements in Part II, Item 8. Any claims or litigation, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively or obtain adequate insurance in the future.

- n ***We may be unable to adequately protect our intellectual property rights, which could affect our ability to compete.***

We own many U.S. and foreign patents and patent applications, and we have rights in numerous trademarks and copyrights. The U.S. Government has licenses under certain of our patents and certain other intellectual property that are developed in performance of government contracts, and it may use or authorize others to use such patents and intellectual property for government purposes. Our patents and other intellectual property are subject to challenge, invalidation, misappropriation or circumvention by third parties.

We also rely significantly upon proprietary technology, information, processes and know-how that are not subject to patent protection. We seek to protect this information through trade secret or confidentiality agreements with our employees, consultants, subcontractors, or other parties, as well as through other security measures. These agreements and security measures may not provide meaningful protection for our unpatented proprietary information. In the event of an infringement of our intellectual property rights, a breach of a confidentiality agreement or divulgence of proprietary information, we may not have adequate legal remedies to maintain our intellectual property. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management’s attention away from other aspects of our business. In addition, our trade secrets may otherwise become known or be independently developed by competitors.

In some instances, we have augmented our technology base by licensing the proprietary intellectual property of others. In the future, we may not be able to obtain necessary licenses on commercially reasonable terms.

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- n ***Our insurance coverage may be inadequate to cover all of our significant risks or our insurers may deny coverage of material losses we incur, which could adversely affect our profitability and overall financial position.***

We endeavor to identify and obtain in established markets insurance agreements to cover significant risks and liabilities (including, among others, natural disasters, product liability and business interruption). Not every risk or liability can be protected by insurance, and, for insurable risks, the limits of coverage reasonably obtainable in the market may not be sufficient to cover all actual losses or liabilities incurred, including for example, a catastrophic earthquake claim. In some, but not all, circumstances we may receive indemnification from the U.S. Government. Because of the limitations in overall available coverage referred to above, we may have to bear substantial costs for uninsured losses that could have an adverse effect upon our consolidated results of operations and our overall consolidated financial position. Additionally, disputes with insurance carriers over coverage may affect the timing of cash flows and, if litigation with the carrier becomes necessary, an outcome unfavorable to us may have a material adverse effect on our consolidated results of operations. For example, we commenced legal action against an insurance carrier arising out of a disagreement concerning the coverage of certain losses related to Hurricane Katrina, and another carrier has denied coverage for certain other losses related to Hurricane Katrina and advised us that it will seek reimbursement of certain amounts previously advanced by that carrier. See Note 14 to the consolidated financial statements in Part II, Item 8.

- n ***Changes in future business conditions could cause business investments and/or recorded goodwill to become impaired, resulting in substantial losses and write-downs that would reduce our operating income.***

As part of our overall strategy, we will, from time to time, acquire a minority or majority interest in a business. These investments are made upon careful analysis and due diligence procedures designed to achieve a desired return or strategic objective. These procedures often involve certain assumptions and judgment in determining acquisition price. Even after careful integration efforts, actual operating results may vary significantly from initial estimates. Goodwill accounts for approximately half of our recorded total assets. We evaluate goodwill amounts for impairment annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Principally, a significant decrease in expected cash flows or changes in market conditions may indicate potential impairment of recorded goodwill. Adverse equity market conditions that result in a decline in market multiples and our stock price could result in an impairment of goodwill and/or other intangible assets. We continue to monitor the recoverability of the carrying value of our goodwill and other long-lived assets. See Critical Accounting Policies, Estimates, and Judgments in Part II, Item 7.

- n ***Anticipated benefits of mergers, acquisitions, joint ventures or strategic alliances may not be realized.***

As part of our overall strategy, we may, from time to time, merge with or acquire businesses, or form joint ventures or create strategic alliances. Whether we realize the anticipated benefits from these transactions depends, in part, upon the integration between the businesses involved, the performance of the underlying products, capabilities or technologies and the management of the transacted operations. Accordingly, our financial results could be adversely affected from unanticipated performance issues, transaction-related charges, amortization of expenses related to intangibles, charges for impairment of long-term assets and partner performance. Although we believe that we have established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful.

- n ***Market volatility and adverse capital and credit market conditions may affect our ability to access cost-effective sources of funding and expose us to risks associated with the financial viability of suppliers and the ability of counterparties to perform on financial instruments.***

The financial and credit markets recently experienced levels of volatility and disruption, reducing the availability of credit for certain issuers. Historically, we have occasionally accessed these markets to support certain business activities including, acquisitions, capital expansion projects, refinancing existing debt and

NORTHROP GRUMMAN CORPORATION

issuing letters of credit. In the future, we may not be able to obtain capital market financing or credit availability on similar terms, or at all, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

The tightening of credit could also adversely affect our suppliers' ability to obtain financing. Delays in suppliers' ability to obtain financing, or the unavailability of financing could cause us to be unable to meet our contract obligations and could adversely affect our results of operations. The inability of our suppliers to obtain financing could also result in the need for us to transition to alternate suppliers, which could result in significant incremental cost and delay.

We have executed transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional parties. These transactions expose us to potential credit risk in the event of default of a counterparty. In addition, our credit risk may be increased when collateral held by us cannot be realized upon a sale or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it.

- n ***Pension and medical expenses associated with our retirement benefit plans may fluctuate significantly depending upon changes in actuarial assumptions, future market performance of plan assets, future trends in health care costs and legislative or other regulatory actions.***

A substantial portion of our current and retired employee population is covered by pension and post-retirement benefit plans, the costs of which are dependent upon our various assumptions, including estimates of rates of return on benefit related assets, discount rates for future payment obligations, rates of future cost growth and trends for future costs. In addition, funding requirements for benefit obligations of our pension and post-retirement benefit plans are subject to legislative and other government regulatory actions.

Variances from these estimates could have a material adverse effect on our consolidated financial position, results of operations and cash flows. For example, the recent volatility in the financial markets resulted in lower than expected returns on our pension plan assets in 2008, which resulted in higher pension costs in 2009. See Note 16 to the consolidated financial statements in Part II, Item 8.

- n ***Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our profitability.***

We are subject to income taxes in the United States and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Furthermore, changes in domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain sales or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. The final determination of any tax audits or related litigation could be materially different from our historical income tax provisions and accruals. Additionally, changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, the results of audits and the examination of previously filed tax returns by taxing authorities and continuing assessments of our tax exposures could impact our tax liabilities and affect our income tax expense and profitability.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the SEC.

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

Statements in this Form 10-K and the information we are incorporating by reference, other than statements of historical fact, constitute "forward-looking statements" within the meaning of the Private Securities Litigation

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Reform Act of 1995. Words such as “expect,” “intend,” “plan,” “project,” “forecast,” “believe,” “estimate,” “outlook,” “anticipate,” “target,” “trends” and similar expressions generally identify these forward-looking statements. Forward-looking statements are based upon assumptions, expectations, plans and projections that are believed valid when made. These statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict. Specific factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include, but are not limited to, those identified under Risk Factors in Part I, Item 1A and other important factors disclosed in this report and from time to time in our other filings with the SEC.

You are urged to consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. These forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Item 2. Properties

At December 31, 2009, we owned or leased approximately 55 million square feet of floor space at approximately 72 separate locations, primarily in the U.S., for manufacturing, warehousing, research and testing, administration and various other uses. At December 31, 2009, we leased to third parties approximately 863,000 square feet of our owned and leased facilities, and had vacant floor space of approximately 1.6 million square feet.

At December 31, 2009, we had major operations at the following locations:

Aerospace Systems – Carson, El Segundo, Manhattan Beach, Mojave, Palmdale, Redondo Beach, and San Diego, CA; Melbourne and St. Augustine, FL; Bethpage, NY; and Clearfield, UT.

Electronic Systems – Huntsville, AL; Azusa, Sunnyvale and Woodland Hills, CA; Norwalk, CT; Apopka, FL; Rolling Meadows, IL; Annapolis, Baltimore, Elkridge, Linthicum and Sykesville, MD; Williamsville, NY; Cincinnati, OH; Salt Lake City, UT; and Charlottesville, VA. Locations outside the U.S. include France, Belgium, Germany, Italy and the United Kingdom.

Information Systems – Huntsville, AL; Carson, McClellan, Redondo Beach, San Diego, San Jose, and San Pedro, CA; Aurora and Colorado Springs CO; Washington D.C.; Annapolis and Columbia, MD; Omaha, NE; and Chantilly, Chester, Dahlgren, Fairfax, Herndon, McLean, and Reston, VA and the United Kingdom.

Shipbuilding – San Diego, CA; Avondale, Harahan, and Tallulah, LA; Gulfport and Pascagoula, MS; and Hampton, Newport News, and Suffolk, VA.

Technical Services – Sierra Vista, AZ; Warner Robins, GA; Lake Charles, LA; Hagerstown, MD; Herndon, VA.

Corporate and other locations – Los Angeles, CA; Morris Plains, NJ; York, PA; Irving, TX; and Arlington, and Lebanon, VA.

The following is a summary of our floor space at December 31, 2009:

<i>Square feet (in thousands)</i>	Owned	Leased	U.S. Government Owned/Leased	Total
Aerospace Systems	6,223	5,981	2,023	14,227
Electronic Systems	8,117	3,521		11,638
Information Systems	684	7,863		8,547
Shipbuilding	13,724	3,210	163	17,097
Technical Services	128	1,951	5	2,084
Corporate	633	861		1,494
Total	29,509	23,387	2,191	55,087

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We maintain our properties in good operating condition. We believe that the productive capacity of our properties is adequate to meet current contractual requirements and those for the foreseeable future.

In January 2010, we announced our decision to move our corporate office from Los Angeles, California to the Washington D.C. region by the summer of 2011. This move will enable us to better serve our customers. Although we are moving some corporate staff from Los Angeles, the state of California remains a significant business location for us.

Item 3. Legal Proceedings

We have provided information about legal proceedings in which we are involved in Note 14 to the consolidated financial statements contained in Part II, Item 8. In addition to the matters disclosed in Note 14, we are a party to various investigations, lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. Based on information available to us, we do not believe at this time that any of such matters will individually have a material adverse effect on our business, financial condition or results of operations. For further information on the risks we face from existing and future investigations, lawsuits, claims and other legal proceedings, please see Risk Factors in Part I, Item 1A, of this report.

Item 4. Submission of Matters to a Vote of Security Holders

No items were submitted to a vote of security holders during the fourth quarter of 2009.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities(a) *Market Information.*

Our common stock is listed on the New York Stock Exchange.

The following table sets forth, for the periods indicated, the high and low closing sale prices of our common stock as reported in the consolidated reporting system for the New York Stock Exchange Composite Transactions:

	2009		2008	
January to March	\$49.72	to \$34.35	\$82.57	to \$76.41
April to June	\$50.54	to \$43.98	\$79.12	to \$66.53
July to September	\$52.75	to \$43.23	\$71.68	to \$60.54
October to December	\$56.84	to \$49.59	\$56.86	to \$34.20

(b) *Holdings.*

The approximate number of common stockholders was 34,020 as of February 5, 2010.

(c) *Dividends.*

Quarterly dividends per common share for the most recent two years are as follows:

	2009	2008
January to March	\$0.40	\$0.37
April to June	0.43	0.40
July to September	0.43	0.40
October to December	0.43	0.40
	\$1.69	\$1.57

We paid a quarterly dividend of \$1.75 per share for the first quarter of 2008 to the holders of the mandatorily redeemable preferred shares.

Common Stock

We have 800,000,000 shares authorized at a \$1 par value per share, of which 306,865,201 and 327,012,663 shares were outstanding as of December 31, 2009, and 2008, respectively.

Preferred Stock

We had 10,000,000 mandatorily redeemable shares authorized with a liquidation value of \$100 per share (designated as Series B Convertible Preferred Stock), of which zero shares were issued and outstanding as of December 31, 2009, and 2008.

On February 20, 2008, our board of directors approved the redemption of the 3.5 million shares of Series B Convertible Preferred Stock on April 4, 2008. Substantially all of the preferred shares were converted into common stock at the election of stockholders prior to the redemption date. All remaining non-converted shares were redeemed on the redemption date. We issued approximately 6.4 million shares of common stock as a result of the conversion and redemption.

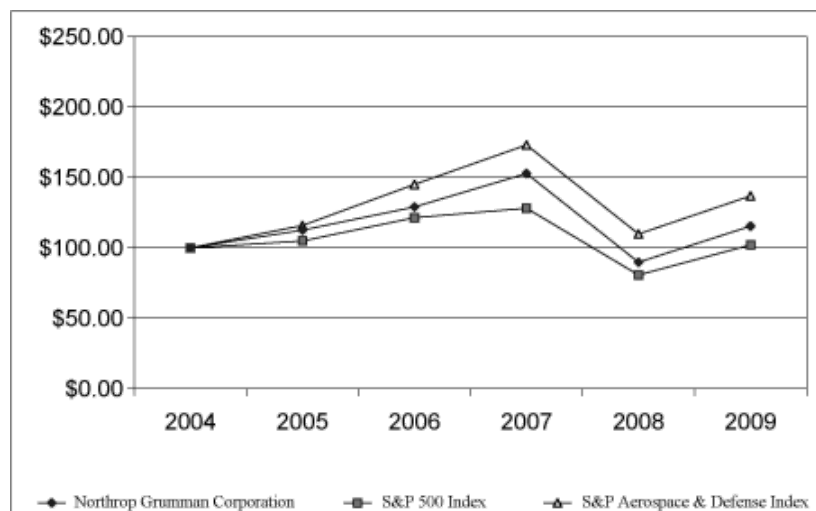
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(d) *Annual Meeting of Stockholders.*

Our Annual Meeting of Stockholders will be held on May 19, 2010, at the Aerospace Systems Presentation Center, One Space Park, Redondo Beach, California 90278.

(e) *Stock Performance Graph.*

**COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN
AMONG NORTHROP GRUMMAN CORPORATION, THE S&P 500 INDEX,
AND THE S&P AEROSPACE & DEFENSE INDEX**



- (1) Assumes \$100 invested at the close of business on December 31, 2004, in Northrop Grumman Corporation common stock, Standard & Poor's (S&P) 500 Index, and the S&P Aerospace Defense Index.
- (2) The cumulative total return assumes reinvestment of dividends.
- (3) The S&P Aerospace Defense Index is comprised of The Boeing Company, General Dynamics Corporation, Goodrich Corporation, Honeywell International Inc., ITT Corporation, L-3 Communications, Lockheed Martin Corporation, Northrop Grumman Corporation, Precision Castparts Corporation, Raytheon Company, Rockwell Collins, Inc., and United Technologies Corporation.
- (4) The total return is weighted according to market capitalization of each company at the beginning of each year.

NORTHROP GRUMMAN CORPORATION**(f) Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

We have summarized our repurchases of common stock during the three months ended December 31, 2009, in the table below.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share(2)	Total Numbers of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$ in millions)
October 1 through October 31, 2009	1,247,600	\$51.01	1,247,600	\$ 218
November 1 through November 30, 2009	2,744,855	55.13	2,744,855	1,167
December 1 through December 31, 2009	4,361,050	55.70	4,361,050	924
Total	8,353,505	\$54.81	8,353,505	\$ 924⁽¹⁾

(1) On December 19, 2007, our board of directors authorized a share repurchase program of up to \$2.5 billion of our outstanding common stock. On November 5, 2009, our board of directors authorized an addition to the December 19, 2007, authorization in the amount of \$1.1 billion. As of December 31, 2009, we have \$924 million authorized for share repurchases.

Share repurchases take place at management's discretion or under pre-established non-discretionary programs from time to time, depending on market conditions, in the open market, and in privately negotiated transactions. We retire our common stock upon repurchase and have not made any purchases of common stock other than in connection with these publicly announced repurchase programs.

(2) Includes commissions paid.

(g) Securities Authorized for Issuance Under Equity Compensation Plans.

For a description of securities authorized under our equity compensation plans, see Note 17 to the consolidated financial statements in Part II, Item 8.

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Item 6. Selected Financial Data

The data presented in the following table is derived from the audited consolidated financial statements and other information adjusted to reflect the effects of discontinued operations. See also Business Acquisitions and Business Dispositions in Part II, Item 7.

Selected Financial Data

<i>\$ in millions, except per share</i>	Year Ended December 31				
	2009	2008	2007	2006	2005
Sales and Service Revenues					
U.S. Government	\$ 31,037	\$ 29,320	\$ 27,361	\$ 25,906	\$ 26,130
Other customers	2,718	2,995	2,980	2,749	2,611
Total revenues	\$ 33,755	\$ 32,315	\$ 30,341	\$ 28,655	\$ 28,741
Goodwill impairment		\$ (3,060)			
Operating income (loss)	\$ 2,483	(263)	\$ 2,925	\$ 2,405	\$ 2,136
Earnings (loss) from continuing operations	1,573	(1,379)	1,751	1,535	1,356
Basic earnings (loss) per share, from continuing operations	\$ 4.93	\$ (4.12)	\$ 5.12	\$ 4.44	\$ 3.80
Diluted earnings (loss) per share, from continuing operations	4.87	(4.12)	5.01	4.28	3.73
Cash dividends declared per common share	1.69	1.57	1.48	1.16	1.01
Year-End Financial Position					
Total assets	\$ 30,252	\$ 30,197	\$ 33,373	\$ 32,009	\$ 34,214
Notes payable to banks and long-term debt	4,294	3,944	4,055	4,162	5,145
Total long-term obligations and preferred stock ⁽¹⁾	10,580	10,828	9,235	8,622	9,399
Financial Metrics					
Free cash flow ⁽²⁾	\$ 1,411	\$ 2,420	\$ 2,072	\$ 947	\$ 1,811
Notes payable to banks and long-term debt as a percentage of shareholders' equity	33.8%	33.1%	22.9%	25.0%	30.6%
Other Information					
Company-sponsored research and development expenses	\$ 610	\$ 564	\$ 522	\$ 559	\$ 522
Maintenance and repairs	481	439	331	354	424
Payroll and employee benefits	14,751	13,036	12,301	11,918	11,654
Number of employees at year-end	120,700	123,600	121,700	121,400	122,800

- (1) In 2008, all of the shares of preferred stock were converted or redeemed. See Preferred Stock in Part II, Item 5 for more information.
- (2) Free cash flow is a non-GAAP financial measure and is calculated as net cash provided by operations less capital expenditures and outsourcing contract and related software costs. Outsourcing contract and related software costs are similar to capital expenditures in that the contract costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition and transition/set-up. These outsourcing contract and related software costs are deferred and expensed over the contract life. See Liquidity and Capital Resources – Free Cash Flow in Part II, Item 7 for more information on this measure.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Business

We provide technologically advanced, innovative products, services, and integrated solutions in aerospace, electronics, information and services and shipbuilding to our global customers. We participate in many high-priority defense and commercial technology programs in the United States (U.S.) and abroad as a prime contractor, principal subcontractor, partner, or preferred supplier. We conduct most of our business with the U.S. Government, principally the Department of Defense (DoD). We also conduct business with local, state, and foreign governments and domestic and international commercial customers.

Notable Events

Certain notable events or activities affecting our 2009 consolidated financial results included the following:

Financial highlights for the year ended December 31, 2009

- n Contributed voluntary pension pre-funding amounts totaling \$800 million.
- n Issued \$850 million of unsecured senior obligations.
- n Repurchased 23.1 million common shares for \$1.1 billion
- n Increased share repurchase authorization by \$1.1 billion.

Notable events for the year ended December 31, 2009

- n Sold our Advisory Services Division (ASD) for \$1.65 billion.
- n Delivered 6 ships in 6 different ship classes, USS *Dewey* (DDG 105), USS *New York* (LPD 21), USS *Makin Island* (LHD 8), *New Mexico* (SSN 779) and USS *George H. W. Bush* (CVN 77) to the U.S. Navy and USCGC *Waesche* (NSC 2) to the U.S. Coast Guard. Completed the USS *Carl Vinson* (CVN 70) refueling and complex overhaul and redelivered the ship to the U.S. Navy.
- n Launched two Space Tracking and Surveillance System (STSS) Demonstrator satellites aboard a Delta II rocket.
- n Reached final settlement with the Internal Revenue Service (IRS) Office of Appeals on tax returns for the years ended 2001 through 2003.
- n Jointly settled the Department of Justice microelectronics claim and our claim against the U.S. Government for the termination of the TSSAM program.
- n Increased quarterly common stock dividend from \$.40 per share to \$.43 per share.
- n Streamlined our organizational structure from seven to five operating segments.

Outlook

From the end of 2008 through 2009, the United States and global economies endured a period of substantial economic uncertainty, and the related financial markets experienced significant volatility. While the financial markets showed signs of stabilization in the second half of 2009, the U.S. and global economies are still recovering and some companies continue to struggle. If the future economic environment continues to be less favorable than it has been in recent years, we could be negatively impacted if the financial viability of certain of our subcontractors and key suppliers is impaired. In addition, the valuation of our pension assets was negatively affected by the volatility in the financial markets in 2008, resulting in higher pension costs in 2009. Should the financial markets experience further decline which impacts our plan asset returns, we could again have higher future pension costs and required plan funding than in prior years.

We conduct business primarily with U.S. Government customers under long-term contracts and we have not materially changed our product and service offerings due to the current economic conditions. The U.S. Government's budgetary processes give us good visibility regarding future spending and the threat areas that it is addressing. We believe that our current contracts, and our strong backlog of previously awarded contracts align well with our customer's future needs, and this provides us with good insight regarding future cash flows from our businesses. Nonetheless, we recognize that no business is completely immune to the current economic

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situation and new policy initiatives could adversely affect future defense spending levels, which could lower our expected future revenues. Certain programs in which we participate may be subject to potential reductions due to a slower rate of growth in the U.S. Defense Budget and funds being utilized to support the ongoing conflicts in Iraq and Afghanistan.

We believe that our portfolio of technologically advanced, innovative products, services, and integrated solutions will generate revenue growth in 2010 and beyond, despite the trend of slower growth rates in the U.S. defense budget. We expect sales in 2010 to be in the range of \$34 to \$34.6 billion based on backlog (funded and unfunded) of approximately \$69.2 billion as of December 31, 2009. We describe in the following paragraphs the major industry and economic factors that may affect our future performance.

Industry Factors

We are subject to the unique characteristics of the U.S. defense industry as a monopsony, whereby demand for our products and services comes primarily from one customer, and by certain elements peculiar to our own business mix.

Liquidity Trends – In light of the ongoing economic situation, we have evaluated our future liquidity needs, both from a short-term and long-term perspective. We expect that cash on hand at the beginning of the year plus cash generated from operations and cash available under credit lines will be sufficient in 2010 to service debt, finance capital expansion projects, pay federal, foreign, and state income taxes, fund pension and other post-retirement benefit plans, and continue paying dividends to shareholders. We have a committed \$2 billion revolving credit facility, with a maturity date of August 10, 2012, that can be accessed on a same-day basis.

During the second quarter of 2009, we issued \$350 million of 5-year and \$500 million of 10-year unsecured senior obligations. Interest on the notes is payable semi-annually in arrears at fixed rates of 3.70 percent and 5.05 percent per annum, and the notes will mature on August 1, 2014, and August 1, 2019, respectively. We can redeem these senior notes at our discretion at any time prior to maturity. We are using the net proceeds from these notes for general corporate purposes including debt repayment, acquisitions, share repurchases, pension plan funding, and working capital. A portion of the net proceeds was used to retire \$400 million of 8 percent senior debt that matured.

We believe we can obtain additional capital to provide for long-term liquidity, if necessary, from such sources as the public or private capital markets, the sale of assets, sale and leaseback of operating assets, and leasing rather than purchasing new assets. We have an effective shelf registration statement on file with the SEC.

Recent Developments in U.S. Cost Accounting Standards (CAS) Pension Recovery Rules – On September 2, 2008, the CAS Board published an Advance Notice of Proposed Rulemaking (ANPRM) that if adopted would provide a framework to partially harmonize the CAS rules with the Pension Protection Act of 2006 (PPA) requirements. The proposed CAS rule includes provisions for a transition period from the existing CAS requirement to a partially harmonized CAS requirement. As published, the proposed rule would partially mitigate the near-term mismatch between PPA-amended Employee Retirement Income Security Act (ERISA) minimum contribution requirements, which would not yet be recoverable under CAS. However, until the final rule is published, (and to the extent that the final rule does not completely eliminate any mismatch between ERISA funding requirements and CAS), government contractors maintaining defined benefit pension plans in general would still experience a timing mismatch between required contributions and the CAS recoverable pension costs. The CAS Board is expected to issue a final rule in 2010, which would apply to our contracts starting in 2011. We anticipate that contractors will be entitled to seek an equitable adjustment for the additional CAS contract costs required by the final rule.

Economic Opportunities, Challenges, and Risks

Today the United States faces a complex and rapidly changing national security environment. The defense of the U.S. and its allies requires the ability to respond to constantly evolving threats, terrorist acts, regional conflicts and cyber attacks, responses to which are increasingly dependent upon early threat identification. National responses to such threats can require unilateral or cooperative initiatives ranging from dissuasion, deterrence,

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active defense, security and stability operations, or peacekeeping. We believe that the U.S. Government will continue to place a high priority on the protection of its engaged forces and citizenry and on minimizing collateral damage when force must be applied in pursuit of national objectives. As a result, the U.S. and its military coalitions increasingly rely on sophisticated systems providing long-range surveillance and intelligence, battle management, and precision strike capabilities. Accordingly, defense procurement spending is expected to include the development and procurement of military platforms and systems demonstrating stealth, long-range, survivability, persistence and standoff capabilities. Advanced electronics and software that enhance the capabilities of individual systems and provide for the real-time integration of individual surveillance, information management, strike, and battle management platforms will also be a priority.

The United States is engaged in a multi-front, multi-decade struggle that we expect will require an affordable balance between investments in current missions and investments in new capabilities to meet future challenges. The recently released 2010 Quadrennial Defense Review emphasizes the related challenge of rebuilding readiness at a time when DoD is pursuing growth, modernization and transformation of its forces and capabilities. We do not expect defense requirements to change significantly in the foreseeable future, and the size of national security budgets is expected to remain responsive. The fiscal year 2011 budget submitted by the President requests \$548.9 billion in discretionary authority for the DoD base budget (and an additional \$159 billion to support contingency operations), representing a slight increase over the 2010 budget. Although the President's budget request proposes reductions to certain programs in which we participate or for which we expect to compete, we believe that spending on recapitalization and modernization of defense and homeland security assets will continue to be a national priority.

Our substantial new competitive opportunities include unmanned vehicles, reconnaissance and surveillance platforms, missile defense radar, satellite communications systems, restricted programs, cybersecurity, technical services and information technology contracts, and numerous international and homeland security programs. In pursuit of these opportunities, we continue to focus on operational and financial performance for continued improvements in earnings in 2010 and beyond.

U.S. Government programs focused on areas involving intelligence, persistent surveillance, directed energy applications, and cyber space in which we either participate, or strive to participate, must compete with other programs for consideration and resources during the U.S. budget formulation and appropriation processes. In addition to domestic and international considerations, the Pentagon faces its own near-term and long-term internal fiscal constraints as it attempts to balance competing pressures from within and adhere to calls for better economy, efficiency and accountability. Budget decisions made in this environment will have long-term consequences for our size and structure and the entire defense industry.

We have historically concentrated our efforts in high technology areas such as stealth, airborne and space surveillance, battle management, systems integration, defense electronics, cybersecurity and information technology. We have a significant presence in federal and civil information systems; the manufacture of combatant ships including aircraft carriers and submarines; space technology; Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR); and missile systems. We believe that our programs are a high priority for national defense, but under budgetary pressures, one or more of our programs may be reduced, extended, or terminated by our U.S. Government customers.

Congress last year passed legislation to add further discipline and accountability to the acquisition system. This legislation, the Weapon System Acquisition Reform Act of 2009, requires DoD to develop mechanisms to address cost, schedule and performance in establishing program requirements. As acquisition reform progresses, we will continue to anticipate and respond to the actions of the Pentagon and Congress to determine their impact on our operations.

We provide certain product warranties that require repair or replacement of non-conforming items for a specified period of time. Most of our product warranties are provided under government contracts, the costs of which are generally incorporated into contract pricing.

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Prime contracts with various agencies of the U.S. Government and subcontracts with other prime contractors are subject to numerous procurement regulations, including the False Claims Act and the International Traffic in Arms Regulations promulgated under the Arms Export Control Act. Noncompliance found by any one agency may result in fines, penalties, debarment, or suspension from receiving additional contracts with all U.S. Government agencies. We could experience material adverse effects on our business and results of operations if we were suspended or debarred from additional contracts.

We could be affected by future laws or regulations, including those enacted in response to climate change concerns and other actions known as “green initiatives.” We recently established a goal of reducing our greenhouse gas emissions during the next five years. To comply with current and future environmental laws and regulations and to meet this goal, we expect to incur capital and operating costs, but at this time we do not expect that such costs will have a material adverse effect upon our financial position, results of operations or cash flows.

See Risk Factors located in Part I, Item 1A for a more complete description of risks faced by us and the defense industry.

BUSINESS ACQUISITIONS

2009 – We acquired Sonoma Photonics, Inc., as well as assets from Swift Engineering’s Killer Bee Unmanned Air Systems product line in April 2009 for an aggregate amount of approximately \$33 million. The operating results from the date of acquisition are reported in the Aerospace Systems segment.

2008 – We acquired 3001 International, Inc. (3001 Inc.) in October 2008 for approximately \$92 million in cash. 3001 Inc. provides geospatial data production and analysis, including airborne imaging, surveying, mapping and geographic information systems for U.S. and international government intelligence, defense and civilian customers. The operating results of 3001 Inc. are reported in the Information Systems segment from the date of acquisition.

2007 – We acquired Xinetics Inc. and the remaining 61 percent of Scaled Composites, LLC, both of which are reported in the Aerospace Systems segment, during the third quarter of 2007, for an aggregate amount of approximately \$100 million in cash.

In July 2007, we reorganized the AMSEC, LLC joint venture (AMSEC) with our partner, Science Applications International Corporation (SAIC), by dividing AMSEC along customer and product lines. AMSEC is a full-service supplier that provides engineering, logistics and technical support services primarily to U.S. Navy ship and aviation programs. Under the reorganization plan, we retained the ship engineering, logistics and technical service businesses under the AMSEC name (the AMSEC Businesses) and, in exchange, SAIC received the aviation, combat systems and strike force integration services businesses (the Divested Businesses). We treated this reorganization as a step acquisition for the acquisition of SAIC’s interests in the AMSEC Businesses, and recognized a pre-tax gain of \$23 million for the effective sale of our interests in the Divested Businesses. From the date of this reorganization, the operating results of the AMSEC Businesses and transaction gain have been consolidated in the Shipbuilding segment. Prior to the reorganization, we accounted for the part of AMSEC, LLC that we did not already own under the equity method.

In January 2007, we acquired Essex Corporation (Essex) for approximately \$590 million in cash, including the assumption of debt totaling \$23 million. Essex provides signal processing services and products, and advanced optoelectronic imaging for U.S. government intelligence and defense customers. We report operating results of Essex in the Information Systems segment.

BUSINESS DISPOSITIONS

2009 – We sold ASD in December 2009, for \$1.65 billion in cash to an investor group led by General Atlantic, LLC and affiliates of Kohlberg Kravis Roberts & Co. L.P., and recognized a gain of \$15 million, net of taxes. ASD was a business unit comprised of the assets and liabilities of TASC, Inc., its wholly-owned subsidiary TASC Services Corporation, and certain contracts carved out from other businesses also in Information Systems that provide systems engineering technical assistance (SETA) and other analysis and advisory services. Sales for ASD in

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the years ended December 31, 2009, 2008, and 2007, were approximately \$1.5 billion, \$1.6 billion, and \$1.5 billion, respectively. The assets, liabilities and operating results of this business unit are reported as discontinued operations in the consolidated statements of operations for all periods presented.

2008 – We sold our Electro-Optical Systems (EOS) business in April 2008 for \$175 million in cash to L-3 Communications Corporation and recognized a gain of \$19 million, net of taxes. EOS, formerly a part of the Electronic Systems segment, produces night vision and applied optics products. Sales for this business through April 2008 and for the year ended December 31, 2007 were approximately \$53 million and \$190 million, respectively. The assets, liabilities and operating results of this business are reported as discontinued operations in the consolidated statements of operations for all periods presented.

2007 – During the second quarter of 2007, we announced our decision to exit the remaining Interconnect Technologies (ITD) business reported within the Electronic Systems segment. Sales for this business in the year ended December 31, 2007 was \$14 million. We completed the shut-down during the third quarter of 2007 and costs associated with the shut-down were not material. The results of this business are reported as discontinued operations in the consolidated statements of operations for all periods presented.

Discontinued Operations – Earnings for the businesses classified within discontinued operations (primarily as a result of the sale of ASD discussed above) were as follows:

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Sales and service revenues	\$1,536	\$1,625	\$1,691
Earnings from discontinued operations	149	146	60
Income tax expense	(54)	(55)	(21)
Earnings, net of tax	\$ 95	\$ 91	\$ 39
Gain on divestitures	446	66	
Income tax expense on gain	(428)	(40)	
Gain from discontinued operations, net of tax	\$ 18	\$ 26	
Earnings from discontinued operations, net of tax	\$ 113	\$ 117	\$ 39

CONTRACTS

We generate the majority of our business from long-term government contracts for development, production, and support activities. Government contracts typically include the following cost elements: direct material, labor and subcontracting costs, and certain indirect costs including allowable general and administrative costs. Unless otherwise specified in a contract, costs billed to contracts with the U.S. Government are determined under the requirements of the Federal Acquisition Regulation (FAR) and CAS regulations as allowable and allocable costs. Examples of costs incurred by us and not billed to the U.S. Government in accordance with the requirements of the FAR and CAS regulations include, but are not limited to, certain legal costs, lobbying costs, charitable donations, interest expense and advertising costs.

Our long-term contracts typically fall into one of two broad categories:

Flexibly Priced Contracts – Includes both cost-type and fixed-price incentive contracts. Cost-type contracts provide for reimbursement of the contractor's allowable costs incurred plus a fee that represents profit. Cost-type contracts generally require that the contractor use its best efforts to accomplish the scope of the work within some specified time and some stated dollar limitation. Fixed-price incentive contracts also provide for reimbursement of the contractor's allowable costs, but are subject to a cost-share limit which affects profitability. Fixed-price incentive contracts effectively become firm fixed-price contracts once the cost-share limit is reached.

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Firm Fixed-Price Contracts – A firm fixed-price contract is a contract in which the specified scope of work is agreed to for a price that is a pre-determined, negotiated amount and not generally subject to adjustment regardless of costs incurred by the contractor.

Time-and-materials contracts are considered firm fixed-price contracts as they specify a fixed hourly rate for each labor hour charged.

The following table summarizes 2009 revenue recognized by contract type and customer:

<i>(\$ in millions)</i>	U.S. Government	Other Customers	Total	Percent of Total
Flexibly priced	\$22,573	\$ 149	\$22,722	67%
Firm fixed-price	8,464	2,569	11,033	33%
Total	\$31,037	\$2,718	\$33,755	100%

Contract Fees – Negotiated contract fee structures, for both flexibly priced and fixed-price contracts include, but are not limited to: fixed-fee amounts, cost sharing arrangements to reward or penalize for either under or over cost target performance, positive award fees, and negative penalty arrangements. Profit margins may vary materially depending on the negotiated contract fee arrangements, percentage-of-completion of the contract, the achievement of performance objectives, and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Award Fees – Certain contracts contain provisions consisting of award fees based on performance criteria such as cost, schedule, quality, and technical performance. Award fees are determined and earned based on an evaluation by the customer of the company's performance against such negotiated criteria. Fees that can be reasonably assured and reasonably estimated are recorded over the performance period of the contract. Award fee contracts are widely used throughout our operating segments. Examples of significant long-term contracts with substantial negotiated award fee amounts are the Global Hawk Engineering and Manufacturing Development and the majority of satellite contracts.

Compliance and Monitoring – We monitor our policies and procedures with respect to our contracts on a regular basis to ensure consistent application under similar terms and conditions as well as compliance with all applicable government regulations. In addition, costs incurred and allocated to contracts with the U.S. Government are routinely audited by the Defense Contract Audit Agency.

CRITICAL ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS**Revenue Recognition**

Overview – We derive the majority of our business from long-term contracts for the production of goods and services provided to the federal government, which are accounted for in conformity with accounting principles generally accepted in the United States of America (GAAP) for construction-type and production-type contracts and federal government contractors. We classify contract revenues as product sales or service revenues depending on the predominant attributes of the relevant underlying contracts. We also enter into contracts that are not associated with the federal government, such as contracts to provide certain services to non-federal government customers. We account for those contracts in accordance with the relevant revenue recognition GAAP.

We consider the nature of these contracts and the types of products and services provided when determining the proper accounting method for a particular contract.

Percentage-of-Completion Accounting – We generally recognize revenues from our long-term contracts under the cost-to-cost or the units-of-delivery measures of the percentage-of-completion method of accounting. The percentage-of-completion method recognizes income as work on a contract progresses. For most contracts, sales are calculated based on the percentage of total costs incurred in relation to total estimated costs at completion of the contract. For certain contracts with large up-front purchases of material, primarily in the Shipbuilding segment, sales are generally calculated based on the percentage that direct labor costs incurred bear to total

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estimated direct labor costs. The units-of-delivery measure is a modification of the percentage-of-completion method, which recognizes revenues as deliveries are made to the customer generally using unit sales values in accordance with the contract terms. We estimate profit as the difference between total estimated revenue and total estimated cost of a contract and recognize that profit over the life of the contract based on deliveries.

The use of the percentage-of-completion method depends on our ability to make reasonably dependable cost estimates for the design, manufacture, and delivery of our products and services. Such costs are typically incurred over a period of several years, and estimation of these costs requires the use of judgment. We record sales under cost-type contracts as costs are incurred.

Many contracts contain positive and negative profit incentives based upon performance relative to predetermined targets that may occur during or subsequent to delivery of the product. These incentives take the form of potential additional fees to be earned or penalties to be incurred. Incentives and award fees that can be reasonably assured and reasonably estimated are recorded over the performance period of the contract. Incentives and award fees that are not reasonably assured or cannot be reasonably estimated are recorded when awarded or at such time as a reasonable estimate can be made.

Other changes in estimates of contract sales, costs, and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. Hence, the effect of the changes on future periods of contract performance is recognized as if the revised estimate had been the original estimate. A significant change in an estimate on one or more contracts could have a material effect on our consolidated financial position or results of operations.

Certain Service Contracts – We generally recognize revenue under contracts to provide services to non-federal government customers when services are performed. Service contracts include operations and maintenance contracts, and outsourcing-type arrangements, primarily in Information Systems and Technical Services. We generally recognize revenue under such contracts on a straight-line basis over the period of contract performance, unless evidence suggests that the revenue is earned or the obligations are fulfilled in a different pattern. Costs incurred under these service contracts are expensed as incurred, except that direct and incremental set-up costs are capitalized and amortized over the life of the agreement. Operating profit related to such service contracts may fluctuate from period to period, particularly in the earlier phases of the contract.

Contracts that include more than one type of product or service are accounted for under the relevant GAAP for revenue arrangements with multiple-elements. Accordingly, for applicable arrangements, revenue recognition includes the proper identification of separate units of accounting and the allocation of revenue across all elements based on relative fair values.

Cost Estimation – The cost estimation process requires significant judgment and is based upon the professional knowledge and experience of our engineers, program managers, and financial professionals. Factors that are considered in estimating the work to be completed and ultimate contract recovery include the availability, productivity and cost of labor, the nature and complexity of the work to be performed, the effect of change orders, the availability of materials, the effect of any delays in performance, the availability and timing of funding from the customer, and the recoverability of any claims included in the estimates to complete. A significant change in an estimate on one or more contracts could have a material effect on our consolidated financial position or results of operations. We update our contract cost estimates at least annually and more frequently as determined by events or circumstances. We generally review and reassess our cost and revenue estimates for each significant contract on a quarterly basis.

We record a provision for the entire loss on the contract in the period the loss is determined when estimates of total costs to be incurred on a contract exceed estimates of total revenue to be earned. We offset loss provisions first against costs that are included in unbilled accounts receivable or inventoried assets, with any remaining amount reflected in liabilities.

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Purchase Accounting and Goodwill

Overview – We allocate the purchase price of an acquired business to the underlying tangible and intangible assets acquired and liabilities assumed based upon their respective fair market values, with the excess recorded as goodwill. Such fair market value assessments require judgments and estimates that can be affected by contract performance and other factors over time, which may cause final amounts to differ materially from original estimates. For acquisitions completed through December 31, 2008, we recorded adjustments to fair value assessments to goodwill over the purchase price allocation period (typically not exceeding twelve months), and adjusted goodwill for the resolution of income tax uncertainties which extended beyond the purchase price allocation period.

In 2009, we implemented new GAAP accounting guidance related to business combinations that impacts how we record adjustments to fair values included in the purchase price allocation and the resolution of income tax uncertainties. For acquisitions completed after January 1, 2009, any adjustments to the fair value of purchased assets and subsequent resolution of uncertain tax positions are recognized in net earnings, rather than as adjustments to goodwill.

Acquisition Accruals – We establish certain accruals in connection with indemnities and other contingencies from our acquisitions and divestitures. We have recorded these accruals and subsequent adjustments during the purchase price allocation period for acquisitions and as events occur for divestitures. The accruals were determined based upon the terms of the purchase or sales agreements and, in most cases, involve a significant degree of judgment. We recorded these accruals in accordance with our interpretation of the terms of the purchase or sale agreements, known facts, and an estimation of probable future events based on our experience.

Tests for Impairment – We perform impairment tests for goodwill as of November 30th of each year, or when evidence of potential impairment exists. We record a charge to operations when we determine that an impairment has occurred. In order to test for potential impairment, we use a discounted cash flow analysis, corroborated by comparative market multiples where appropriate.

The principal factors used in the discounted cash flow analysis requiring judgment are the projected results of operations, weighted average cost of capital (WACC), and terminal value assumptions. The WACC takes into account the relative weights of each component of our consolidated capital structure (equity and debt) and represents the expected cost of new capital adjusted as appropriate to consider lower risk profiles associated with longer term contracts and barriers to market entry. The terminal value assumptions are applied to the final year of the discounted cash flow model.

Due to the many variables inherent in the estimation of a business's fair value and the relative size of our recorded goodwill, differences in assumptions may have a material effect on the results of our impairment analysis.

Litigation, Commitments, and Contingencies

Overview – We are subject to a range of claims, lawsuits, environmental and income tax matters, and administrative proceedings that arise in the ordinary course of business. Estimating liabilities and costs associated with these matters requires judgment and assessment based upon professional knowledge and experience of management and our internal and external legal counsel. In accordance with our practices relating to accounting for contingencies, we record amounts as charges to earnings after taking into consideration the facts and circumstances of each matter, including any settlement offers, and determine that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The ultimate resolution of any such exposure to us may vary from earlier estimates as further facts and circumstances become known.

Environmental Accruals – We are subject to the environmental laws and regulations of the jurisdictions in which we conduct operations. We record a liability for the costs of expected environmental remediation obligations when we determine that it is probable we will incur such costs, and the amount of the liability can be reasonably estimated. When a range of costs is possible and no amount within that range is a better estimate than another, we record the minimum amount of the range.

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Factors which could result in changes to the assessment of probability, range of estimated costs, and environmental accruals include: modification of planned remedial actions, increase or decrease in the estimated time required to remediate, discovery of more extensive contamination than anticipated, results of efforts to involve other legally responsible parties, financial insolvency of other responsible parties, changes in laws and regulations or contractual obligations affecting remediation requirements, and improvements in remediation technology. Although we cannot predict whether new information gained as projects progress will materially affect the estimated liability accrued, we do not anticipate that future remediation expenditures will have a material adverse effect on our financial position, results of operations, or cash flows.

Litigation Accruals – Litigation accruals are recorded as charges to earnings when management, after taking into consideration the facts and circumstances of each matter, including any settlement offers, has determined that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The ultimate resolution of any exposure to us may vary from earlier estimates as further facts and circumstances become known. Based upon the information available, we believe that the resolution of any of these various claims and legal proceedings would not have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

Uncertain Tax Positions – In 2007, we adopted a new accounting standard related to uncertain tax positions, and made a comprehensive review of our portfolio of uncertain tax positions at the date of adoption. Only tax positions meeting the more-likely-than-not recognition threshold may be recognized or continue to be recognized in the financial statements. The timing and amount of accrued interest is determined by the applicable tax law associated with an underpayment of income taxes. If a tax position does not meet the minimum statutory threshold to avoid payment of penalties, we recognize an expense for the amount of the penalty in the period the tax position is claimed in our tax return. We recognize interest accrued related to unrecognized tax benefits in income tax expense. Penalties, if probable and reasonably estimable, are recognized as a component of income tax expense. See Note 12 to the consolidated financial statements in Part II, Item 8. Under existing GAAP, prior to January 1, 2009, changes in accruals associated with uncertainties arising from the resolution of pre-acquisition contingencies of acquired businesses were charged or credited to goodwill; effective January 1, 2009, such changes will be recorded to income tax expense. Adjustments to other tax accruals are generally recorded in earnings in the period they are determined.

Retirement Benefits

Overview – We annually evaluate assumptions used in determining projected benefit obligations and the fair values of plan assets for our pension plans and other post-retirement benefits plans in consultation with our outside actuaries. In the event that we determine that plan amendments or changes in the assumptions are warranted, future pension and post-retirement benefit expenses could increase or decrease.

Assumptions – The principal assumptions that have a significant effect on our consolidated financial position and results of operations are the discount rate, the expected long-term rate of return on plan assets, the health care cost trend rate and the estimated fair market value of plan assets. For certain plan assets where the fair market value is not readily determinable, such as real estate, private equity, and hedge funds, estimates of fair value are determined using the best information available.

Discount Rate – The discount rate represents the interest rate that is used to determine the present value of future cash flows currently expected to be required to settle the pension and post-retirement benefit obligations. The discount rate is generally based on the yield of high-quality corporate fixed-income investments. At the end of each year, the discount rate is primarily determined using the results of bond yield curve models based on a portfolio of high quality bonds matching the notional cash inflows with the expected benefit payments for each significant benefit plan. Taking into consideration the factors noted above, our weighted-average pension composite discount rate was 6.03 percent at December 31, 2009, and 6.25 percent at December 31, 2008. Holding all other assumptions constant, and since net actuarial gains and losses were in excess of the 10 percent accounting corridor in 2009, an increase or decrease of 25 basis points in the discount rate assumption for 2009

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would have decreased or increased pension and post-retirement benefit expense for 2009 by approximately \$80 million, of which \$4 million relates to post-retirement benefits, and decreased or increased the amount of the benefit obligation recorded at December 31, 2009, by approximately \$800 million, of which \$70 million relates to post-retirement benefits. The effects of hypothetical changes in the discount rate for a single year may not be representative and may be asymmetrical or nonlinear for future years because of the application of the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required. Due to adverse capital market conditions in 2008 our pension plan assets experienced a negative return of approximately 16 percent in 2008. As a result, substantially all of our plans experienced net actuarial losses outside the 10 percent accounting corridor at the end of 2008, thus requiring accumulated gains and losses to be amortized to expense. As a result of this condition, sensitivity of net periodic costs to changes in the discount rate were much higher in 2009 than was the case in 2008 and prior. This condition is expected to continue into the near future.

Expected Long-Term Rate of Return – The expected long-term rate of return on plan assets represents the average rate of earnings expected on the funds invested in a specified target asset allocation to provide for anticipated future benefit payment obligations. For 2009 and 2008, we assumed an expected long-term rate of return on plan assets of 8.5 percent. An increase or decrease of 25 basis points in the expected long-term rate of return assumption for 2009, holding all other assumptions constant, would increase or decrease our pension and post-retirement benefit expense for 2009 by approximately \$48 million.

Health Care Cost Trend Rates – The health care cost trend rates represent the annual rates of change in the cost of health care benefits based on estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants. For 2009, we assumed an expected initial health care cost trend rate of 7 percent and an ultimate health care cost trend rate of 5 percent reached in 2014. In 2008, we assumed an expected initial health care cost trend rate of 7.5 percent and an ultimate health care cost trend rate of 5 percent be reached in 2014.

Differences in the initial through the ultimate health care cost trend rates within the range indicated below would have had the following impact on 2009 post-retirement benefit results:

<i>\$ in millions</i>	1-Percentage- Point Increase	1-Percentage- Point Decrease
Increase (Decrease) From Change In Health Care Cost Trend Rates To		
Post-retirement benefit expense	\$ 7	\$ (8)
Post-retirement benefit liability	81	(91)

CONSOLIDATED OPERATING RESULTS

Selected financial highlights are presented in the table below.

<i>\$ in millions, except per share</i>	Year Ended December 31		
	2009	2008	2007
Sales and service revenues	\$33,755	\$32,315	\$30,341
Cost of sales and service revenues	28,130	26,375	24,354
General and administrative expenses	3,142	3,143	3,062
Goodwill impairment		3,060	
Operating income (loss)	2,483	(263)	2,925
Interest expense	281	295	336
Other, net	64	38	17
Federal and foreign income taxes	693	859	855
Diluted earnings (loss) per share from continuing operations	4.87	(4.12)	5.01
Net cash provided by operating activities	2,133	3,211	2,890

NORTHROP GRUMMAN CORPORATION**Sales and Service Revenues**

Sales and service revenues consist of the following:

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Product sales	\$20,914	\$19,634	\$18,577
Service revenues	12,841	12,681	11,764
Sales and service revenues	\$33,755	\$32,315	\$30,341

2009 – Product sales increased by \$1.3 billion, or 7 percent, over 2008, reflecting sales growth at the principal products businesses in Aerospace Systems, Electronic Systems and Shipbuilding. Service revenues increased by \$160 million, or 1 percent, over 2008, reflecting sales growth at the principal services businesses in Information Systems and Technical Services.

2008 – Product sales increased by \$1.1 billion, or 6 percent, over 2007, reflecting sales growth at the principal products businesses in Aerospace Systems, Electronic Systems and Shipbuilding. Service revenues increased by \$917 million, or 8 percent, over 2007, reflecting sales growth at the principal services businesses in Information Systems and Technical Services.

See the Segment Operating Results section below for further information.

Cost of Sales and Service Revenues

Cost of sales and service revenues and general and administrative expenses are comprised of the following:

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Cost of Sales and Service Revenues			
Cost of product sales	\$16,591	\$15,490	\$14,340
<i>% of product sales</i>	79.3%	78.9%	77.2%
Cost of service revenues	11,539	10,885	10,014
<i>% of service revenues</i>	89.9%	85.8%	85.1%
General and administrative expenses	3,142	3,143	3,062
<i>% of total sales and service revenues</i>	9.3%	9.7%	10.1%
Goodwill impairment		3,060	
Cost of sales and service revenues	\$31,272	\$32,578	\$27,416

Cost of Product Sales and Service Revenues

2009 – Cost of product sales in 2009 increased \$1.1 billion, or 7 percent, over 2008 primarily as a result of the higher sales volume described above. The increase in cost of product sales as a percentage of product sales was primarily due to higher GAAP pension costs across all of our businesses.

Cost of service revenues in 2009 increased \$654 million, or 6 percent, over 2008 primarily as a result of the higher sales volume described above. The increase in cost of service revenues as a percentage of service revenues was primarily due to higher U.S. GAAP pension costs across all of our businesses.

2008 – Cost of product sales in 2008 increased \$1.2 billion, or 8 percent, over 2007 and increased 170 basis points as a percentage of product sales over the same period due largely to the sales volume increase described above. The increase in cost of product sales as a percentage of product sales is primarily due to cost growth at the Gulf Coast shipyards. In 2008, we recorded a net charge of \$263 million on LHD-8 and other Shipbuilding programs, as well as additional costs for work delays at a subcontractor on the LPD program as a result of Hurricane Ike.

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Cost of service revenues in 2008 increased \$871 million, or 9 percent, over 2007 primarily due to the sales volume increase described above. The 70 basis points increase in cost of service revenues as a percentage of service revenues is primarily due to lower performance in the Civil Systems business area in Information Systems.

See the Segment Operating Results section below for further information.

General and Administrative Expenses – In accordance with industry practice and the regulations that govern the cost accounting requirements for government contracts, most general corporate expenses incurred at both the segment and corporate locations are considered allowable and allocable costs on government contracts. For most components of the company, these costs are allocated to contracts in progress on a systematic basis, and contract performance factors include this cost component as an element of cost. General and administrative expenses primarily relate to segment operations. General and administrative expenses as a percentage of total sales and service revenues decreased from 9.7 percent in 2008 to 9.3 percent in 2009, primarily as a result of lower corporate overhead costs and a gain resulting from a legal settlement. General and administrative expenses as a percentage of total sales and service revenues decreased from 10.1 percent in 2007 to 9.7 percent in 2008 primarily as a result of costs remaining relatively constant while revenues increased over the same period in 2007.

Goodwill Impairment – In 2008, we recorded a non-cash charge totaling \$3.1 billion at Aerospace Systems and Shipbuilding. See Note 10 to the consolidated financial statements in Part II, Item 8.

Operating Income (Loss)

We consider operating income to be an important measure for evaluating our operating performance and, as is typical in the industry, we define operating income as revenues less the related cost of producing the revenues and general and administrative expenses. We also further evaluate operating income for each of the business segments in which we operate.

We internally manage our operations by reference to “segment operating income.” Segment operating income is defined as operating income before unallocated expenses and net pension adjustment, neither of which affect the segments, and the reversal of royalty income, which is classified as “other, net” for financial reporting purposes. Segment operating income is one of the key metrics we use to evaluate operating performance. Segment operating income is not, however, a measure of financial performance under GAAP, and may not be defined and calculated by other companies in the same manner.

\$ in millions	Year Ended December 31		
	2009	2008	2007
Segment operating income (loss)	\$2,929	\$(299)	\$3,025
Unallocated expenses	(111)	(157)	(209)
Net pension adjustment	(311)	263	127
Royalty income adjustment	(24)	(70)	(18)
Total operating income (loss)	\$2,483	\$(263)	\$2,925

Segment Operating Income (Loss)

2009 – Segment operating income in 2009 was \$2.9 billion as compared with segment operating loss of \$299 million in 2008 and segment operating income of \$3.0 billion in 2007. The loss in 2008 was primarily due to a goodwill impairment charge totaling \$3.1 billion at Aerospace Systems and Shipbuilding.

Unallocated Expenses

Unallocated expenses generally include the portion of corporate expenses not considered allowable or allocable under applicable CAS regulations and FAR, and therefore not allocated to the segments, for costs related to management and administration, legal, environmental, certain compensation and retiree benefits, and other expenses. Unallocated expenses for 2009 decreased \$46 million, or 29 percent, as compared with 2008, primarily due to a gain resulting from a legal settlement, net of legal provisions and related expenses, partially offset by higher costs related to environmental remediation and post-retirement employee benefits. Unallocated expenses

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for 2008 decreased \$52 million, or 25 percent, as compared with 2007 primarily due to \$88 million in higher legal and investigative provisions recorded in 2007, partially offset by an increase in environmental, health and welfare, and other unallocated corporate costs in 2008.

Net Pension Adjustment – Net pension adjustment reflects the difference between pension expense determined in accordance with GAAP and pension expense allocated to the operating segments determined in accordance with CAS. The net pension adjustment in 2009 was an expense of \$311 million, as compared with income of \$263 million and \$127 million in 2008 and 2007, respectively. The net pension expense in 2009 was primarily the result of negative returns on plan assets in 2008. The income in 2008 and 2007 was due to decreased GAAP pension expense, primarily resulting from better-than-estimated investment returns in prior years and higher discount rate assumptions.

Royalty Income Adjustment – Royalty income is included in segment operating income and reclassified to other income for financial reporting purposes. See *Other, net* below.

Interest Expense

2009 – Interest expense in 2009 decreased \$14 million, or 5 percent, as compared with 2008. The decrease is primarily due to higher capitalized interest and lower interest rates.

2008 – Interest expense in 2008 decreased \$41 million, or 12 percent, as compared with 2007. The decrease is primarily due to the conversion and redemption of the mandatorily redeemable convertible preferred stock in April 2008, which reduced the related dividends paid during 2008 (which were recorded as interest expense in the accompanying consolidated statements of operations in Part II, Item 8). Lower LIBOR rates on the interest rate swap agreements also contributed to the decrease in interest expense.

Other, net

2009 – Other, net for 2009 was \$64 million income, an increase of \$26 million as compared with 2008, primarily due to positive mark-to-market adjustments on investments in marketable securities used as funding for non-qualified employee benefits and a gain from the recovery of a loan to an affiliate, partially offset by \$60 million of royalty income from patent infringement settlements in 2008.

2008 – Other, net for 2008 was \$38 million income, an increase of \$21 million as compared with 2007, primarily due to \$60 million in royalty income from patent infringement settlements at Electronic Systems in 2008, partially offset by negative mark-to-market adjustments on investments in marketable securities used as a funding source for non-qualified employee benefits.

Federal and Foreign Income Taxes

2009 – Our effective tax rate on earnings from continuing operations for 2009, was 30.6 percent compared with 33.8 percent in 2008 (excluding the non-cash, non-deductible goodwill impairment charge of \$3.1 billion at Aerospace Systems and Shipbuilding). In 2009, we recognized net tax benefits of approximately \$75 million primarily as a result of a final settlement with the IRS Office of Appeals and the U.S. Congressional Joint Committee on Taxation (Joint Committee) related to our tax returns for the years ended 2001-2003.

2008 – Our effective tax rate on earnings from continuing operations for 2008, was 33.8 percent (excluding the non-cash, non-deductible goodwill impairment charge of \$3.1 billion at Aerospace Systems and Shipbuilding) as compared with 32.8 percent in 2007. In 2008, we recognized net tax benefits of \$35 million primarily attributable to a settlement reached with the IRS and the Joint Committee with respect to the IRS audit of TRW tax returns for the years 1999-2002.

Discontinued Operations

2009 – Earnings from discontinued operations, net of tax, was \$113 million for 2009, compared with \$117 million in 2008. The earnings were primarily attributable to the operating results and gain on disposition of the ASD, which was sold in December 2009. See Note 5 to the consolidated financial statements in Part II, Item 8.

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Diluted Earnings (Loss) Per Share

2009 – Diluted earnings per share from continuing operations in 2009 were \$4.87 per share, as compared with \$4.12 diluted loss per share in 2008. Earnings per share are based on weighted-average diluted shares outstanding of 323.3 million for 2009 and weighted average basic shares outstanding of 334.5 million for 2008. For the year ended December 31, 2008, the potential dilutive effect of 7.1 million shares from stock options, stock awards, and the mandatorily redeemable preferred stock were excluded from the computation of weighted average shares outstanding as the shares would have had an anti-dilutive effect. The goodwill impairment charge of \$3.1 billion at Aerospace Systems and Shipbuilding reduced our 2008 diluted earnings per share from continuing operations by \$9.15 per share.

2008 – Diluted loss per share from continuing operations in 2008 was \$4.12 per share, as compared with \$5.01 diluted earnings per share in 2007. Earnings per share are based on weighted-average basic shares outstanding of 334.5 million for 2008 (which excludes potential dilutive shares as noted above) and weighted-average diluted shares outstanding of 354.3 million for 2007.

Net Cash Provided by Operating Activities

2009 – Net cash provided by operating activities in 2009 was \$2.1 billion compared with \$3.2 billion in 2008 and reflects higher pension plan contributions and income tax payments. In 2009, we contributed \$858 million to our pension plans, of which \$800 million was voluntarily pre-funded, as compared with \$320 million in 2008, of which \$200 million was voluntarily pre-funded. Income taxes paid, net of refunds, was \$1.3 billion in 2009, as compared with \$719 million in 2008. Income taxes paid in 2009 included \$508 million resulting from the sale of ASD.

Net cash provided by operating activities for 2009 included \$171 million of federal and state income tax refunds and \$11 million of interest income.

2008 – Net cash provided by operating activities in 2008 was \$3.2 billion as compared to \$2.9 billion in 2007 and reflects lower income tax payments and continued trade working capital reductions. Pension plan contributions totaled \$320 million in 2008, of which \$200 million was voluntarily pre-funded, and were comparable to 2007.

Net cash provided by operating activities for 2008 included \$113 million of federal and state income tax refunds and \$23 million of interest income.

SEGMENT OPERATING RESULTS

Basis of Presentation

Realignments – In January 2009, we streamlined our organizational structure by reducing the number of operating segments from seven to five. The five segments are Aerospace Systems, which combines the former Integrated Systems and Space Technology segments; Electronic Systems; Information Systems, which combines the former Information Technology and Mission Systems segments; Shipbuilding; and Technical Services. Creation of the Aerospace Systems and Information Systems segments is intended to strengthen alignment with customers, improve our ability to execute on programs and win new business, and enhance our cost competitiveness.

During the first quarter of 2009, we realigned certain logistics, services, and technical support programs and transferred assets from the Information Systems and Electronic Systems segments to the Technical Services segment. This realignment is intended to strengthen our core capability in aircraft and electronics maintenance, repair and overhaul, life cycle optimization, and training and simulation services.

The sales and segment operating income in the following tables have been revised to reflect the above realignments for all periods presented.

During the first quarter of 2009, we transferred certain optics and laser programs from the Information Systems segment to the Aerospace Systems segment. We did not reclassify the prior year sales and segment operating income in the following tables to reflect this business transfer as the operating results of this business were not considered material.

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Business Dispositions – As previously mentioned, we sold ASD in December 2009. Operating results of this business unit are reported as discontinued operations in the consolidated statements of operations for all periods presented and thus, are not included in the table below.

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Sales and Service Revenues			
Aerospace Systems	\$10,419	\$ 9,825	\$ 9,234
Electronic Systems	7,671	7,048	6,466
Information Systems	8,611	8,205	7,758
Shipbuilding	6,213	6,145	5,788
Technical Services	2,776	2,535	2,422
Intersegment eliminations	(1,935)	(1,443)	(1,327)
Total sales and service revenues	\$33,755	\$32,315	\$30,341

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Operating Income (Loss)			
Aerospace Systems	\$1,071	\$ 416	\$ 919
Electronic Systems	969	947	809
Information Systems	631	629	725
Shipbuilding	299	(2,307)	538
Technical Services	161	144	139
Intersegment eliminations	(202)	(128)	(105)
Total segment operating income (loss)	2,929	(299)	3,025
Non-segment factors affecting operating income (loss)			
Unallocated expenses	(111)	(157)	(209)
Net pension adjustment	(311)	263	127
Royalty income adjustment	(24)	(70)	(18)
Total operating income (loss)	\$2,483	\$ (263)	\$2,925

KEY SEGMENT FINANCIAL MEASURES**Operating Performance Assessment and Reporting**

We manage and assess the performance of our businesses based on our performance on individual contracts and programs obtained generally from government organizations using the financial measures referred to below, with consideration given to the Critical Accounting Policies, Estimates and Judgments described on page 31. Based on this approach and the nature of our operations, the discussion of results of operations generally focuses around our five segments versus distinguishing between products and services. Product sales are predominantly generated in the Aerospace Systems, Electronic Systems and Shipbuilding segments, while the majority of our service revenues are generated by the Information Systems and Technical Services segments.

NORTHROP GRUMMAN CORPORATION**Sales and Service Revenues**

Period-to-period sales reflect performance under new and ongoing contracts. Changes in sales and service revenues are typically expressed in terms of volume. Unless otherwise described, volume generally refers to increases (or decreases) in reported revenues due to varying production activity levels, delivery rates, or service levels on individual contracts. Volume changes will typically carry a corresponding income change based on the margin rate for a particular contract.

Segment Operating Income

Segment operating income reflects the aggregate performance results of contracts within a business area or segment. Excluded from this measure are certain costs not directly associated with contract performance, including the portion of corporate expenses such as management and administration, legal, environmental, certain compensation and other retiree benefits, and other expenses not considered allowable or allocable under applicable CAS regulations and the FAR, and therefore not allocated to the segments. Changes in segment operating income are typically expressed in terms of volume, as discussed above, or performance. Performance refers to changes in contract margin rates. These changes typically relate to profit recognition associated with revisions to total estimated costs at completion of the contract (EAC) that reflect improved (or deteriorated) operating performance on a particular contract. Operating income changes are accounted for on a cumulative to date basis at the time an EAC change is recorded. Operating income may also be affected by, among other things, the effects of workforce stoppages, the effects of natural disasters (such as hurricanes and earthquakes), resolution of disputed items with the customer, recovery of insurance proceeds, and other discrete events. At the completion of a long-term contract, any originally estimated costs not incurred or reserves not fully utilized (such as warranty reserves) could also impact contract earnings. Where such items have occurred, and the effects are material, a separate description is provided.

For a more complete understanding of each segment's product and services, see the business descriptions in Part I, Item 1.

Program Descriptions

For convenience, a brief description of certain programs discussed in this Form 10-K are included in the "Glossary of Programs" beginning on page 51.

AEROSPACE SYSTEMS

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Sales and Service Revenues	\$10,419	\$9,825	\$9,234
Segment Operating Income	1,071	416	919
<i>As a percentage of segment sales</i>	10.3%	4.2%	10.0%

Sales and Service Revenues

2009 – Aerospace Systems revenue increased \$594 million, or 6 percent, as compared with 2008. The increase was primarily due to \$201 million higher sales in Space Systems (SS), \$201 million higher sales in Battle Management & Engagement Systems (BM&ES), and \$191 million higher sales in Strike & Surveillance Systems (S&SS). The increase in SS was primarily due to the ramp-up of restricted programs awarded in 2008, partially offset by decreased sales volume on the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and cancellation of the Transformational Satellite Communications System (TSAT) program. The increase in BM&ES was primarily due to higher sales volume on the Broad Area Maritime Surveillance (BAMS) Unmanned Aircraft System, the E-2D Advanced Hawkeye, and the EA-18G programs, partially offset by lower sales volume on the E2-C as the program is nearing completion. The increase in S&SS was primarily due to higher sales volume from Global Hawk High-Altitude Long-Endurance (HALE) Systems, F-35, F/A-18, and B-2 programs, partially offset by decreased activity on the Kinetic Energy Interceptor (KEI) program, which was terminated for convenience in 2009, and the Intercontinental Ballistic Missile (ICBM) program.

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2008 – Aerospace Systems revenue increased \$591 million, or 6 percent, as compared with 2007. The increase was primarily due to \$288 million higher sales in Advanced Products & Technology (AP&T), \$233 million higher sales in S&SS, and \$100 million higher sales in SS. The increase in AP&T was primarily due to higher sales volume associated with the N-UCAS program. The increase in S&SS was primarily due to higher sales volume on the Global Hawk HALE Systems, KEI, and B-2 programs, partially offset by lower sales volume on the F-35 program and the Multi-Platform Radar Technology Insertion Program (MP-RTIP). The increase in SS was primarily due to higher sales volume on the James Webb Space Telescope (JWST) program, NPOESS, and restricted programs, partially offset by lower sales volume on the Advanced Extremely High Frequency (AEHF) and STSS programs, and termination of the Space Radar program in the second quarter of 2008.

Segment Operating Income

2009 – Aerospace Systems operating income increased \$655 million, or 157 percent, as compared with 2008. The increase was primarily due to a 2008 goodwill impairment charge of \$570 million (see Note 10 to the consolidated financial statements in Part II, Item 8), \$61 million from the higher sales volume discussed above, and \$24 million in improved program performance. The \$24 million in improved program performance was principally due to \$67 million in performance improvements in S&SS programs, primarily related to ICBM and Global Hawk HALE Systems, partially offset by \$33 million in lower performance across various programs in SS and BM&ES.

2008 – Aerospace Systems operating income decreased \$503 million, or 55 percent, as compared with 2007. The decrease in operating income was due to a \$570 million goodwill impairment charge and a \$27 million favorable adjustment in 2007 related to the settlement of prior years' overhead costs, partially offset by \$59 million from the higher sales volume described above and \$35 million in net performance improvements associated with risk retirement in several key programs within S&SS, AP&T, and various restricted programs.

ELECTRONIC SYSTEMS

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Sales and Service Revenues	\$7,671	\$7,048	\$6,466
Segment Operating Income	969	947	809
<i>As a percentage of segment sales</i>	12.6%	13.4%	12.5%

Sales and Service Revenues

2009 – Electronic Systems revenue increased \$623 million, or 9 percent, as compared with 2008. The increase was primarily due to \$225 million in higher sales in Aerospace Systems (AS), \$128 million higher sales in Space & I&SR Systems, \$89 million higher sales in Defensive Systems (DS), \$80 million in higher sales in Navigation Systems (NS) and \$59 million in higher sales in Naval & Marine Systems (N&MS). The increase in AS was due to higher volume on the F-35 Low Rate Initial Production (LRIP), B-52 Sustainment and intercompany programs. The increase in Space & ISR Systems was due to higher volume on the Space Based Infrared System (SBIRS) follow-on production program. The increase in DS was due to higher deliveries associated with the Large Aircraft Infrared Countermeasures (LAIRCM) program. The increase in N&MS was due to higher volume on power and propulsion systems for the Virginia-class submarine program. The increase in NS was due to higher volume on Inertial and Fiber Optic Gyro Navigation Programs.

2008 – Electronic Systems revenue increased \$582 million, or 9 percent, as compared with 2007. The increase was primarily due to \$241 million in higher sales in AS, \$165 million in higher sales in Land Forces, \$69 million in higher sales in NS, and \$60 million in higher sales in DS. The increase in AS was due to higher deliveries of upgraded F-16 international fire control radar systems and increased volume on the MESA Korea program. The increase in Land Forces was due to higher volume on vehicular intercommunication systems (VIS) and the Ground/Air Task Oriented Radar (G/ATOR) radar program. The increase in NS was due to higher volume associated with Inertial Navigation programs. The increase in DS was due to higher deliveries associated with the LAIRCM program.

NORTHROP GRUMMAN CORPORATION**Segment Operating Income**

2009 – Electronic Systems operating income increased \$22 million, or 2 percent, as compared with 2008. The increase was primarily due to \$79 million from the higher sales volume discussed above, partially offset by \$57 million in higher unfavorable performance adjustments in 2009. The higher unfavorable performance adjustments in 2009 were due to adjustments of \$98 million in Government Systems, primarily on the Flats Sequencing System postal automation program, partially offset by favorable performance adjustments in restricted Aerospace Systems programs and Land Forces programs. Operating performance adjustments in 2008 included royalty income of \$60 million and a \$20 million charge for the MESA Wedgetail program as discussed below.

2008 – Electronic Systems operating income increased \$138 million, or 17 percent, as compared with 2007. The increase in operating income was primarily due to \$78 million from the higher sales volume described above and \$60 million in royalty income resulting from patent infringement settlements at NS. The 2008 operating income included a charge of \$20 million for our MESA Wedgetail program associated with potential liquidated damages arising from the prime contractor's announced schedule delay in completing the program. The 2007 operating income included a charge of \$27 million for the F-16 Block 60 fixed-price development combat avionics program.

INFORMATION SYSTEMS

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Sales and Service Revenues	\$8,611	\$8,205	\$7,758
Segment Operating Income	631	629	725
<i>As a percentage of segment sales</i>	7.3%	7.7%	9.3%

Sales and Service Revenues

2009 – Information Systems revenue increased \$406 million, or 5 percent, as compared with 2008. The increase was primarily due to \$287 million in higher sales in Intelligence Systems and \$201 million in higher sales in Defense Systems, partially offset by \$98 million in lower sales in Civil Systems. The increase in Intelligence Systems was primarily due to program growth on the Counter Narco-Terrorism Program Office, Guardrail Common Sensor System IDIQ and certain restricted programs, partially offset by lower sales volume on the Navstar Global Positioning System Operational Control Segment (GPS OCX) program. The increase in Defense Systems was primarily driven by program growth on Trailer Mounted Support System, Airborne and Maritime/Fixed Stations Joint Tactical Radio Systems and Battlefield Airborne Communications Node (BACN) activities, partially offset by fewer delivery orders on the Force XXI Battle Brigade and Below (FBCB2) I-Kits program. The decrease in Civil Systems was primarily driven by lower volume on the New York City Wireless (NYCWIn) and Virginia IT outsourcing (VITA) programs.

2008 – Information Systems revenue increased \$447 million, or 6 percent, as compared with 2007. The increase was primarily due to higher sales volume on the Navstar GPS OCX, Counter-Rocket Artillery Mortar, Command Post Platform and Joint National Integration Center Research and Development programs, partially offset by lower sales volume on the Space Based Surveillance System, F-22 and F-35 programs, and the winding down of various commercial, state and local programs.

Segment Operating Income

2009 – Information Systems operating income increased \$2 million as compared with 2008. The increase was primarily due to \$30 million from the higher sales volume discussed above, offset by \$37 million of non-recurring costs associated with the sale of ASD and unfavorable performance results in Civil Systems (CSD) programs, principally due to the VITA outsourcing program for the Commonwealth of Virginia.

2008 – Information Systems operating income decreased \$96 million, or 13 percent, as compared with 2007. The decrease in operating income was primarily driven by lower performance results, primarily due to a

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\$57 million negative performance adjustment in the NYCWiN program recorded in the third quarter of 2008 in CSD. The adjustment included provisions related to a key supplier as well as a revised estimate of cost to complete the program. The decrease in operating income as a percentage of sales reflected lower performance for Defense Systems programs, including higher planned internal investment for a new business opportunity, and final allocation of current and prior year overhead items.

SHIPBUILDING

\$ in millions	Year Ended December 31		
	2009	2008	2007
Sales and Service Revenues	\$6,213	\$ 6,145	\$5,788
Segment Operating Income	299	(2,307)	538
As a percentage of segment sales	4.8%	(37.5)%	9.3%

Sales and Service Revenues

2009 – Shipbuilding revenue increased \$68 million as compared with 2008. The increase was due to \$180 million higher sales in Submarines, \$58 million higher sales in Expeditionary Warfare and \$39 million higher sales in Aircraft Carriers, partially offset by \$113 million lower sales in Fleet Support and \$109 million lower sales in Surface Combatants. The increase in Submarines was primarily due to higher sales volume on the construction of the *Virginia*-class submarines. The increase in Expeditionary Warfare was due to higher sales volume in the LPD program due to production ramp-ups, partially offset by the delivery of the LHD 8. The decrease in Fleet Support was primarily due to the redelivery of the USS *Toledo* submarine in the first quarter of 2009 and decreased carrier fleet support services. The decrease in Surface Combatants was primarily due to lower sales volume on the DDG 51 program.

2008 – Shipbuilding revenues increased \$357 million, or 6 percent, as compared with 2007. The increase was primarily due to \$254 million higher sales in Aircraft Carriers, \$178 million higher sales in Surface Combatants, and \$112 million higher sales in Fleet Support, partially offset by \$184 million lower sales in Expeditionary Warfare. The increase in Aircraft Carriers was primarily due to higher sales volume on the *Gerald R. Ford*, USS *Enterprise* Extended Dry-docking Selected Restricted Availability (EDSRA), and USS *Theodore Roosevelt* Refueling and Complex Overhaul (RCOH), partially offset by lower volume on the USS *Carl Vinson*. The increase in Surface Combatants was primarily due to higher sales volume in the DDG 51 and DDG 1000 programs. The increase in Fleet Support was primarily due to the consolidation of AMSEC in the 2008 period. Expeditionary Warfare sales for 2008 were negatively impacted by a contract adjustment of \$134 million on the LHD 8 program and the impact of Hurricane Gustav, partially offset by higher sales in the LPD program. In 2007, all programs at the Pascagoula, Mississippi facility were negatively impacted by a labor strike.

Segment Operating Income (Loss)

2009 – Shipbuilding operating income was \$299 million as compared with operating loss of \$2.3 billion in 2008. The increase was primarily due to the 2008 goodwill impairment charge of \$2.5 billion (See Note 10 to the consolidated financial statements in Part II, Item 8), and improved performance in Expeditionary Warfare as compared to 2008. In 2008, the Expeditionary Warfare business had net negative performance adjustments of \$263 million due principally to adjustments on the LHD 8 contract, cost growth and schedule delays on the LPD program and the effects of Hurricane Ike on a subcontractor's performance.

2008 – Shipbuilding operating loss was \$2.3 billion as compared with operating income of \$538 million in the same period of 2007. The decrease was due to a goodwill impairment charge of \$2.5 billion, and \$366 million in net lower performance results, partially offset by the higher sales volume described above. The decrease in performance results was primarily due to \$263 million in net performance adjustments on LHD 8 and other programs in 2008, cost growth and schedule delays on several LPD ships resulting primarily from the effects of Hurricane Ike on an LPD subcontractor (see Note 15 to the consolidated financial statements in Part II, Item 8),

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and the effect of reductions in contract booking rates resulting from management taking a more conservative approach in its risk assessment on programs throughout the Gulf Coast Shipyards.

TECHNICAL SERVICES

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Sales and Service Revenues	\$2,776	\$2,535	\$2,422
Segment Operating Income	161	144	139
<i>As a percentage of segment sales</i>	5.8%	5.7%	5.7%

Sales and Service Revenues

2009 – Technical Services revenue increased \$241 million, or 10 percent, as compared with 2008. The increase was primarily due to \$245 million higher sales in the Life Cycle Optimization & Engineering Group (LCOE), and \$74 million higher sales in the Training & Simulation Group (TSG), offset by \$72 million in lower sales for the Systems Support Group (SSG). The increase in LCOE was due to increased task orders for the Counter Narcoterrorism Technology Program Office and higher demand on the Hunter Contractor Logistics Support (CLS) programs in support of the DoD's surge in Intelligence, Surveillance, and Reconnaissance (ISR) initiatives. The increase in TSG was due to higher volume on various training and simulation programs including the Joint Warfighting Center Support, Saudi Arabian National Guard Modernization and Training, Global Linguists Solutions, National Level Exercise 2009 and African Contingency Operations Training Assistance programs. These increases were partially offset by lower 2009 sales in SSG due to the completion of the Joint Base Operations Support (JBOSC) program in 2008.

2008 – Technical Services revenue increased \$113 million or 5 percent, as compared with 2007. The increase was primarily due to \$93 million in higher sales in LCOE and \$42 million in higher sales in TSG, partially offset by \$26 million in lower sales in SSG. The increase in LCOE was associated with higher volume in the Hunter CLS and B-2 Stealth Bomber programs. The increase in TSG was primarily due to higher sales volume from various new training and simulation program awards. The decrease in SSG was primarily associated with the completion of the JBOSC program.

Segment Operating Income

2009 – Operating income at Technical Services increased \$17 million, or 12 percent, as compared with 2008. The increase was primarily due to the higher sales volume discussed above and \$3 million from performance improvements across numerous programs.

2008 – Technical Services operating income increased \$5 million, or 4 percent, as compared with 2007. The increase in operating income was due to higher sales volume was partially offset by a higher level of planned internal investment and final allocation of current and prior year overhead items.

BACKLOG

Total backlog at December 31, 2009, was approximately \$69.2 billion. Total backlog includes both funded backlog (firm orders for which funding is contractually obligated by the customer) and unfunded backlog (firm orders for which funding is not currently contractually obligated by the customer). Unfunded backlog excludes unexercised contract options and unfunded IDIQ orders. For multi-year services contracts with non-federal government customers having no stated contract values, backlog includes only the amounts committed by the customer.

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The following table presents funded and unfunded backlog by segment at December 31, 2009, and 2008:

<i>\$ in millions</i>	2009			2008		
	Funded	Unfunded	Total Backlog	Funded	Unfunded	Total Backlog
Aerospace Systems	\$ 8,320	\$16,063	\$24,383	\$ 7,648	\$22,883	\$30,531
Electronic Systems	7,591	2,784	10,375	8,391	2,124	10,515
Information Systems	4,319	4,508	8,827	4,480	3,865	8,345
Shipbuilding	11,294	9,151	20,445	14,205	8,148	22,353
Technical Services	2,352	2,804	5,156	1,840	2,831	4,671
Total backlog	\$33,876	\$35,310	\$69,186	\$36,564	\$39,851	\$76,415

Backlog is converted into the following years' sales as costs are incurred or deliveries are made. Approximately 37 percent of the \$69.2 billion total backlog at December 31, 2009, is expected to be converted into sales in 2010. Total U.S. Government orders, including those made on behalf of foreign governments, comprised 93 percent of the total backlog at the end of 2009. Total foreign customer orders accounted for 5 percent of the total backlog at the end of 2009. Domestic commercial backlog represented 2 percent of total backlog at the end of 2009.

Backlog Adjustments

In 2009, the change in backlog includes a decrease of \$5.8 billion for the Kinetic Energy Interceptor program termination for convenience, and the DDG 1000 program restructure.

Additionally, total backlog for both years have been adjusted by \$1.6 billion for the divestiture of TASC, Inc.

Awards

2009 – The value of new contract awards during the year ended December 31, 2009, was approximately \$32.3 billion. Significant new awards during this period include a contract valued up to \$2.4 billion for the USS *Theodore Roosevelt* RCOH, \$1.2 billion for the F-35 LRIP program, \$1.2 billion for the Global Hawk HALE program, \$1 billion for the B-2 program, up to \$635 million for engineering, design and modernization support of new construction, operational, and decommissioning submarines, \$485 million for the Nevada Test Site program, \$484 million for the E2-D LRIP program, \$437 million for the Integrated Battle Command System program, \$403 million for the SBIRS follow on production program, \$385 million for the Saudi Arabian National Guard Modernization and Training program, \$374 million for the *Gerald R. Ford* aircraft carrier, \$360 million for the BACN program, \$296 million to finalize the development of the Distributed Common Ground System-Army (DCGS-A), \$286 million for the LAIRCM IDIQ, and various restricted awards.

2008 – The value of new contract awards during the year ended December 31, 2008, was approximately \$48.3 billion. Significant new awards during this period include \$5.6 billion for the *Virginia*-class submarine program, \$5.1 billion for the *Gerald R. Ford* (CVN 78) aircraft carrier, \$1.4 billion for the DDG 1000 *Zumwalt*-class destroyer, \$1.2 billion for the BAMS Unmanned Aircraft System program, \$402 million for the VIS IDIQ, \$385 million for the ICBM program, and various restricted programs.

LIQUIDITY AND CAPITAL RESOURCES

We endeavor to ensure the most efficient conversion of operating results into cash for deployment in growing our businesses and maximizing shareholder value. We actively manage our capital resources through working capital improvements, capital expenditures, strategic business acquisitions and divestitures, debt repayments, required and voluntary pension contributions, and returning cash to our shareholders through dividend payments and repurchases of common stock.

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We use various financial measures to assist in capital deployment decision making, including net cash provided by operations, free cash flow, net debt-to-equity, and net debt-to-capital. We believe these measures are useful to investors in assessing our financial performance.

The table below summarizes key components of cash flow provided by operating activities.

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Net earnings	\$1,686	\$(1,262)	\$1,790
(Earnings) from discontinued operations	(95)	(91)	(39)
Gain on sale of business	(446)	(58)	
Impairment of goodwill		3,060	
Other non-cash items ⁽¹⁾	951	993	1,038
Retiree benefit funding in excess of expense	(20)	(167)	(50)
Trade working capital (increase) decrease	(45)	563	73
Cash provided by discontinued operations	102	173	78
Net cash provided by operating activities	\$2,133	\$ 3,211	\$2,890

(1) Includes depreciation & amortization, stock based compensation expense and deferred taxes.

Free Cash Flow

Free cash flow represents cash from operating activities less capital expenditures and outsourcing contract and related software costs. Outsourcing contract and related software costs are similar to capital expenditures in that the contract costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition and transition/set-up. These outsourcing contract and related software costs are deferred and expensed over the contract life. We believe free cash flow is a useful measure for investors as it reflects our ability to grow by funding strategic business acquisitions and return value to shareholders through repurchasing our shares and paying dividends.

Free cash flow is not a measure of financial performance under GAAP, and may not be defined and calculated by other companies in the same manner. This measure should not be considered in isolation or as an alternative to operating results presented in accordance with GAAP as indicators of performance.

The table below reconciles net cash provided by operating activities to free cash flow:

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Net cash provided by operating activities	\$2,133	\$3,211	\$2,890
Less:			
Capital expenditures	(654)	(681)	(681)
Outsourcing contract & related software costs	(68)	(110)	(137)
Free cash flow from operations	\$1,411	\$2,420	\$2,072

Cash Flows

The following is a discussion of our major operating, investing and financing activities for each of the three years in the period ended December 31, 2009, as classified on the consolidated statements of cash flows located in Part II, Item 8.

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Operating Activities

2009 – Net cash provided by operating activities in 2009 decreased \$1.1 billion as compared with 2008, reflecting higher voluntary pension contributions and increased income taxes paid resulting from the sale of ASD. Pension plan contributions totaled \$858 million in 2009, of which \$800 million was voluntarily pre-funded.

In 2010, we expect to contribute the required minimum funding level of approximately \$57 million to our pension plans and approximately \$171 million to our other post-retirement benefit plans and we also expect to make additional voluntary pension contributions of approximately \$300 million in the second quarter of 2010. We expect cash generated from operations for 2010 to be sufficient to service debt and contract obligations, finance capital expenditures, continue acquisition of shares under the share repurchase program, and continue paying dividends to the our shareholders. Although 2010 cash from operations is expected to be sufficient to service these obligations, we may borrow under credit facilities to accommodate timing differences in cash flows. We have a committed \$2 billion revolving credit facility that is currently undrawn and that can be accessed on a same-day basis. Additionally, we believe we could access capital markets for debt financing for longer-term funding, under current market conditions, if needed.

2008 – Net cash provided by operating activities in 2008 increased \$321 million as compared with 2007, and reflects lower income tax payments and continued trade working capital reductions. Pension plan contributions totaled \$320 million in 2008, of which \$200 million was voluntarily pre-funded, and were comparable to 2007. Net cash provided by operating activities for 2008 included \$113 million of federal and state income tax refunds and \$23 million of interest income.

2007 – Cash provided by operating activities in 2007 increased \$1.1 billion as compared with 2006, and reflects lower pension contributions, higher net income, and continued trade working capital reductions. Pension plan contributions totaled \$342 million in 2007, of which \$200 million was voluntarily pre-funded compared with contributions of \$1.2 billion in 2006, of which \$800 million was voluntarily pre-funded. Net cash provided by operating activities for 2007 included the receipt of \$125 million of insurance proceeds related to Hurricane Katrina, \$52 million of federal and state income tax refunds, and \$21 million of interest income.

Investing Activities

2009 – Cash provided by investing activities was \$867 million in 2009. During 2009, we received \$1.65 billion in proceeds from the sale of ASD (see Note 5 to the consolidated financial statements in Part II, Item 8), paid \$68 million for outsourcing costs related to outsourcing services contracts, and paid \$33 million to acquire Sonoma Photonics, Inc. and the assets from Swift Engineering's Killer Bee Unmanned Air Systems product line (see Note 4 to the consolidated financial statements in Part II, Item 8).

Capital expenditures in 2009 were \$654 million and include \$36 million of capitalized software costs.

2008 – Cash used in investing activities was \$626 million in 2008. During 2008, we received \$175 million in proceeds from the sale of the Electro-Optical Systems business, spent \$92 million for the acquisition of 3001 International, Inc. (see Notes 4 and 5 to the consolidated financial statements in Part II, Item 8), paid \$110 million for outsourcing costs related to outsourcing services contracts, and released \$61 million of restricted cash related to the Gulf Opportunity Zone Industrial Development Revenue Bonds (see Note 13 to the consolidated financial statements in Part II, Item 8). We had \$11 million in restricted cash as of December 31, 2008 related to the Xinetics Inc. purchase (see Note 4 to the consolidated financial statements in Part II, Item 8).

Capital expenditures in 2008 were \$681 million and include \$23 million of capitalized software costs. Capital expenditure commitments at December 31, 2008, were approximately \$554 million, which are expected to be paid with cash on hand.

2007 – Cash used in investing activities was \$1.4 billion in 2007. During 2007, we acquired Essex Corporation, Xinetics and the remaining 61 percent of Scaled Composites, LLC for approximately \$690 million (see Note 4 to the consolidated financial statements in Part II, Item 8), paid \$137 million for outsourcing costs related to newly acquired outsourcing services contracts, and released \$70 million of restricted cash related to the Gulf

NORTHROP GRUMMAN CORPORATION

Opportunity Zone Industrial Development Revenue Bonds (see Note 13 to the consolidated financial statements in Part II, Item 8) of which \$60 million remained restricted as of December 31, 2007. This was partially offset by \$11 million new restrictions related to the Xinetics purchase.

Capital expenditures in 2007 were \$681 million, including \$118 million to replace property damaged by Hurricane Katrina and \$47 million of capitalized software costs.

Financing Activities

2009 – Cash used in financing activities in 2009 was \$1.2 billion compared with \$2 billion in 2008. The \$815 million decrease in cash used is primarily due to the \$843 million in net proceeds from issuance of debt.

In July 2009, we issued \$350 million of 5-year and \$500 million of 10-year unsecured senior obligations. Interest on the notes is payable semi-annually in arrears at fixed rates of 3.70 percent and 5.05 percent per annum. The notes will mature on August 1, 2014, and August 1, 2019, respectively. These senior notes are subject to redemption at our discretion at any time prior to maturity in whole or in part at the principal amount plus any make-whole premium and accrued and unpaid interest. The net proceeds from these notes are being used for general corporate purposes including debt repayment, acquisitions, share repurchases, pension plan funding, and working capital. A portion of the net proceeds was used to retire \$400 million of 8 percent senior debt that matured in the third quarter of 2009.

2008 – Cash used in financing activities in 2008 was \$2 billion compared to \$1.5 billion in 2007. The \$532 million increase is primarily due to \$380 million more for common stock purchases and \$171 million lower proceeds from stock option exercises. See Note 7 to the consolidated financial statements in Part II, Item 8 for a discussion concerning our common stock repurchases.

2007 – Cash used in financing activities in 2007 was \$1.5 billion compared to \$1.7 billion in 2006. The \$233 million decrease is primarily due to \$922 million lower net repayments of long-term debt, partially offset by \$350 million more common stock repurchases, \$119 million lower proceeds from stock option exercises, \$113 million higher net payments under lines of credits, and \$102 million for higher dividends paid.

Share Repurchases – We repurchased 23.1 million, 21.4 million, and 15.4 million shares in 2009, 2008, and 2007, respectively. See Note 7 to the consolidated financial statements in Part II, Item 8.

Credit Ratings

The long term senior unsecured debt credit ratings at December 31, 2009, are summarized below:

	Fitch	Moody's	Standard & Poors
Northrop Grumman Corporation	BBB+	Baa2	BBB
Northrop Grumman Systems Corporation	BBB+	Baa1	BBB+

On December 31, 2009, Northrop Grumman Space & Mission Systems Corp. (NGS&MSC) (formerly TRW Inc.) was merged into Northrop Grumman Systems Corporation (NGSC) and NGSC became the successor-in-interest to NGS&MSC with respect to the debt previously issued by TRW Inc.

Credit Facility

We have a revolving credit agreement which provides for a five-year revolving credit facility in an aggregate principal amount of \$2 billion and a maturity date of August 10, 2012. The credit facility permits us to request additional lending commitments from the lenders under the agreement or other eligible lenders under certain circumstances, and thereby increase the aggregate principal amount of the lending commitments under the agreement by up to an additional \$500 million. Our credit agreement contains a financial covenant relating to a maximum debt to capitalization ratio, and certain restrictions on additional asset liens, unless permitted by the agreement. As of December 31, 2009, we were in compliance with all covenants.

There were no borrowings during 2009 and a maximum of \$300 million borrowed under this facility during 2008. There was no balance outstanding under this facility at December 31, 2009, and 2008.

NORTHROP GRUMMAN CORPORATION**Other Sources and Uses of Capital**

Additional Capital – We believe we can obtain additional capital, if necessary for long-term liquidity, from such sources as the public or private capital markets, the sale of assets, sale and leaseback of operating assets, and leasing rather than purchasing new assets. We have an effective shelf registration statement on file with the SEC.

We expect that cash on hand at the beginning of the year plus cash generated from operations and cash available under credit lines will be sufficient in 2010 to service debt, finance capital expansion projects, pay federal, foreign, and state income taxes, fund pension and other post retirement benefit plans, and continue paying dividends to shareholders. We will continue to provide the productive capacity to perform our existing contracts, prepare for future contracts, and conduct research and development in the pursuit of developing opportunities.

Financial Arrangements – In the ordinary course of business, we use standby letters of credit and guarantees issued by commercial banks and surety bonds issued by insurance companies principally to guarantee the performance on certain contracts and to support our self-insured workers' compensation plans. At December 31, 2009, there were \$531 million of unused stand-by letters of credit, \$178 million of bank guarantees, and \$452 million of surety bonds outstanding.

Contractual Obligations

The following table presents our contractual obligations as of December 31, 2009, and the estimated timing of future cash payments:

<i>\$ in millions</i>	Total	2010	2011 - 2012	2013 - 2014	2015 and beyond
Long-term debt	\$ 4,258	\$ 91	\$ 780	\$ 354	\$3,033
Interest payments on long-term debt	3,535	285	481	452	2,317
Operating leases	1,700	382	542	342	434
Purchase obligations(1)	9,520	6,474	2,090	885	71
Other long-term liabilities(2)	1,472	305	484	250	433
Total contractual obligations	\$20,485	\$7,537	\$4,377	\$2,283	\$6,288

- (1) A "purchase obligation" is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. These amounts are primarily comprised of open purchase order commitments to vendors and subcontractors pertaining to funded contracts.
- (2) Other long-term liabilities primarily consist of total accrued workers' compensation and environmental reserves, deferred compensation, and other miscellaneous liabilities, of which \$115 million and \$265 million of the environmental and workers' compensation reserves, respectively, are recorded in other current liabilities. It excludes obligations for uncertain tax positions of \$423 million, as the timing of the payments, if any, cannot be reasonably estimated.

Further details regarding long-term debt and operating leases can be found in Notes 13 and 15, respectively, to the consolidated financial statements in Part II, Item 8.

OTHER MATTERS**Accounting Standard Updates**

The Financial Accounting Standards Board has issued new accounting standards which are not effective until after December 31, 2009. For further discussion of new accounting standards, see Note 2 to the consolidated financial statements in Part II, Item 8.

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Off-Balance Sheet Arrangements

As of December 31, 2009, we had no significant off-balance sheet arrangements other than operating leases. For a description of our operating leases, see Note 15 to the consolidated financial statements in Part II, Item 8.

GLOSSARY OF PROGRAMS

Listed below are brief descriptions of the programs mentioned in this Form 10-K.

Program Name	Program Description
Advanced Extremely High Frequency (AEHF)	Provide the communication payload for the nation's next generation military strategic and tactical satellite relay systems that will deliver survivable, protected communications to U.S. forces and selected allies worldwide.
African Contingency Operations Training Assistance (ACOTA)	Provide peacekeeping training to militaries in African nations via the Department of State. The program is designed to improve the ability of African governments to respond quickly to crises by providing selected militaries with the training and equipment required to execute humanitarian or peace support operations.
Airborne and Maritime/Fixed Stations Joint Tactical Radio Systems (AMF JTRS)	AMF JTRS will develop a communications capability that includes two software-defined, multifunction radio form factors for use by the U.S. Department of Defense and potential use by the U.S. Department of Homeland Security. Northrop Grumman has the responsibility for leading the Joint Tactical Radio (JTR) integrated product team and co-development of the JTR small airborne (JTR-SA) hardware and software. The company will also provide common JTR software for two JTR form factors, wideband power amplifiers, and the use of Northrop Grumman's Advanced Communications Test Center in San Diego as the integration and test site for the JTR-SA radio, waveforms and ancillaries.
Airborne Laser (ABL)	Design and develop the system's Chemical Oxygen Iodine Laser (COIL) and the Beacon Illuminator Laser (BILL) for Missile Defense Agency's Airborne Laser, providing a capability to destroy boost-phase missiles at very long range.
Airborne Warning and Control System radar (AWACS)	Provide all-weather surveillance, Command, Control and Communications needed by commanders of air tactical forces.
B-2 Stealth Bomber	Maintain strategic, long-range multi-role bomber with war-fighting capability that combines long range, large payload, all-aspect stealth, and near-precision weapons in one aircraft.
B-52 Sustainment	B-52 ALQ-155, ALQ-122, ALT-16, ALT-32 and ALR-20 Power Management Systems are legacy electronic countermeasures systems protecting the B-52 over a wideband frequency range. The program provides design and test products to resolve obsolescence and maintainability issues using modern digital receiver/exciter designs.
Battlefield Airborne Communications Node (BACN)	Install the BACN system in three Bombardier BD-700 Global Express aircraft for immediate fielding and install the BACN system into two Global Hawk Block 20 unmanned aerial vehicles.

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Program Name	Program Description
Broad Area Maritime Surveillance (BAMS) Unmanned Aircraft System	A maritime derivative of the Global Hawk that provides persistent maritime Intelligence, Surveillance, and Reconnaissance (ISR) data collection and dissemination capability to the Maritime Patrol and Reconnaissance Force.
Counter Narco-Terrorism Program Office (CNTPO)	Counter Narco Terrorism Program Office provides support to the U.S. Government, coalition partners, and host nations in Technology Development and Application Support; Training; Operations and Logistics Support; and Professional and Executive Support. The program provides equipment and services to research, develop, upgrade, install, fabricate, test, deploy, operate, train, maintain, and support new and existing federal Government platforms, systems, subsystems, items, and host- nation support initiatives.
DDG 51	Build Aegis guided missile destroyer, equipped for conducting anti-air, anti-submarine, anti-surface and strike operations.
DDG 1000 <i>Zumwalt</i> -class Destroyer	Design in conjunction with General Dynamics, Bath Iron Works, the first class of U.S. navy's multi- mission surface combatants tailored for land attack and littoral dominance and construct the ships' integrated composite deckhouses, as well as portions of the ships' peripheral vertical launch systems.
Distributed Common Ground System-Army (DCGS-A) Mobile Basic	DCGS-A Mobile Basic is the Army's latest in a series of DCGS-A systems designed to access and ingest multiple data types from a wide variety of intelligence sensors, sources and databases. This new system will also deliver greater operational and logistical advantages over the currently-fielded DCGS-A Version 3 and the nine ISR programs it replaces.
E-2 Hawkeye	The U.S. Navy's airborne battle management command and control mission system platform providing airborne early warning detection, identification, tracking, targeting, and communication capabilities. The company is developing the next generation capability including radar, mission computer, vehicle, and other system enhancements, to support the U.S Naval Battle Groups and Joint Forces, called the E-2D. Recently the USN approved Milestone C for Low Rate Initial Production.
EA-6B	The EA-6B (Prowler) primary mission is to jam enemy radar and communications, thereby preventing them from directing hostile surface-to-air missiles at assets the Prowler protects. When equipped with the improved ALQ-218 receiver and the next generation ICAP III (Increased Capability) Airborne Electronic Attack (AEA) suite the Prowler is able to provide rapid detection, precise classification, and highly accurate geolocation of electronic emissions and counter modern, frequency-hopping radars. A derivative/variant of the EA-6B ICAP III mission system is also being incorporated into the F/A- 18 platform and designated the EA-18G.
EA-18G	The EA-18G is the replacement platform for the EA6B Prowler, which is currently the armed services' only offensive tactical radar jamming aircraft. The Increased Capability (ICAP) III mission system capability, developed for the EA-6B Prowler, will be in incorporated into an F/A-18 platform (designated the EA-18G).

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Program Name	Program Description
F-16 Block 60	Direct commercial firm fixed-price program with Lockheed Martin Aeronautics Company to develop and produce 80 Lot systems for aircraft delivery to the United Arab Emirates Air Force as well as test equipment and spares to be used to support in- country repairs of sensors.
F/A-18	Produce the center and aft fuselage sections, twin vertical stabilizers, and integrate all associated subsystems for the F/A-18 Hornet strike fighters.
F-35 Development (Joint Strike Fighter)	Design, integration, and/or development of the center fuselage and weapons bay, communications, navigations, identification subsystem, systems engineering, and mission systems software as well as provide ground and flight test support, modeling, simulation activities, and training courseware.
Flats Sequencing System (FSS)/Postal Automation	Build systems for the U.S. Postal Service designed to further automate the flat mail stream, which includes large envelopes, catalogs and magazines.
Gerald R. Ford-class Aircraft Carrier	Design and construction for the new class of Aircraft Carriers.
Global Hawk High-Altitude Long-Endurance (HALE) Systems	Provide the Global Hawk HALE unmanned aerial system for use in the global war on terror and has a central role in Intelligence, Reconnaissance, and Surveillance supporting operations in Afghanistan and Iraq.
Global Linguists Solutions (GLS)	Provide interpretation, translation and linguist services in support of Operation Iraqi Freedom.
Ground/Air Task Oriented Radar (G/ATOR)	A development program to provide the next generation ground based multi-mission radar for the USMC. Provides Short Range Air Defense, Air Defense Surveillance, Ground Weapon Location and Air Traffic Control. Replaces five existing USMC single-mission radars.
Guardrail Common Sensor System IDIQ (GRCS-I)	Sole source IDIQ contract which will encompass efforts for the upgrade and modernization of the current field Guardrail systems.
Hunter Contractor Logistics Support (CLS)	Operate, maintain, train and sustain the multi-mission Hunter Unmanned Aerial System in addition to deploying Hunter support teams.
I-Kits	Supports Full Rate Production of FBCB2 Version 4 I-KITS (installation kits) for the US Army and Australian ground platform types. Services include Program Operations, Supply Chain Management, Procurement, Stores, Part Kitting and Engineering.
Inertial Navigation Programs	Consists of a wide variety of products across land, sea and space that address the customers' needs for precise knowledge of position, velocity, attitude, and heading. These applications include platforms, such as the F-16, satellites and ground vehicles as well as for sensors such as radar, MP-RTIP, and EO/IR pods. Many inertial applications require integration with GPS to provide a very high level of precision and long term stability.
Intercontinental Ballistic Missile (ICBM)	Maintain readiness of the nation's ICBM weapon system.

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Program Name	Program Description
James Webb Space Telescope (JWST)	Design, develop, integrate and test a space-based infrared telescope satellite to observe the formation of the first stars and galaxies in the universe.
Joint Base Operations Support (JBOSC)	Provides all infrastructure support needed for launch and base operations at the NASA Spaceport.
Joint National Integration Center Research and Development Contract (JRDC)	Support the development and application of modeling and simulation, wargaming, test and analytic tools for air and missile defense.
Joint Surveillance Target Attack Radar System (Joint STARS)	Joint STARS detects, locates, classifies, tracks and targets hostile ground movements, communicating real-time information through secure data links with U.S. Air Force and Army command posts.
Joint Warfighting Center Support (JWFC)	Provide non-personal general and technical support to the USJFCOM Joint Force Trainer/Joint Warfighting Center to ensure the successful worldwide execution of the Joint Training and Transformation missions.
Kinetic Energy Interceptor (KEI)	Develop mobile missile-defense system with the unique capability to destroy a hostile missile during its boost, ascent or midcourse phase of flight. This program was terminated for the U.S. government's convenience in 2009.
Large Aircraft Infrared Countermeasures (LAIRCM)	Infrared countermeasures systems for C-17 and C-130 aircraft. The IDIQ contract will further allow for the purchase of LAIRCM hardware for foreign military sales and other government agencies.
LHA	Amphibious assault ships that will provide forward presence and power projection as an integral part of joint, interagency, and multinational maritime expeditionary forces.
LHD	The multipurpose amphibious assault ship LHD is the centerpiece of an Expeditionary Strike Group (ESG). In wartime, these ships deploy very large numbers of troops and equipment to assault enemy-held beaches. Like LPD, only larger, in times of peace, these ships have ample space for non-combatant evacuations and other humanitarian missions. The program of record is 8 ships of which Makin Island (LHD 8) is the last.
LPD	The LPD 17 San Antonio Class is the newest addition to the U.S. Navy's 21st Century amphibious assault force. The 684-foot-long, 105-foot-wide ships have a crew of 360 and are used to transport and land 700 to 800 Marines, their equipment, and supplies by embarked air cushion or conventional landing craft and assault vehicles, augmented by helicopters or other rotary wing aircraft. The ships will support amphibious assault, special operations, or expeditionary warfare & humanitarian missions.
MESA Korea	Consists of a 4 lot Multirole Electronically Scanned Array (MESA) radar/Identification Friend or Foe subsystem delivery. Our customer is the Boeing Company, with ultimate product delivery to the Republic of Korea Air Force.

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Program Name	Program Description
MESA Peace Eagle	Joint program with Boeing to supply MESA radar antenna for AEW&C aircraft for the Turkish Air Force.
MESA Wedgetail	Joint program with Boeing to supply MESA radar antenna for AEW&C aircraft for the Royal Australian Air Force.
Multi-Platform Radar Technology Insertion Program (MP- RTIP)	Design, develop, fabricate and test modular, scalable 2-dimensional active electronically scanned array (2D-AESA) radars for integration on the Joint STARS and Global Hawk Airborne platforms. Also provides enhanced Wide Area Surveillance system capabilities.
National Level Exercise 2009 (NLE)	Provide program management and the necessary technical expertise to assist the FEMA National Exercise Division with planning, conducting and evaluating the FY09 Tier 1 National Level Exercise (NLE 09).
National Polar-orbiting Operational Environmental Satellite System (NPOESS)	Design, develop, integrate, test, and operate an integrated system comprised of two satellites with mission sensors and associated ground elements for providing global and regional weather and environmental data.
Navstar Global Positioning System Operational Control Segment (GPS OCX)	Navstar Global Positioning System Operational Control Segment (GPS OCX) Operational control system for existing and future GPS constellation. Includes all satellite C2, mission planning, constellation management, external interfaces, monitoring stations, and ground antennas. Phase A effort includes effort to accomplish a System Requirements Review (SRR), System Design Review (SDR), and development of a Mission Capabilities Engineering Model (MCEM) prototype.
Navy Unmanned Combat Air System Operational Assessment (N-UCAS)	Navy development/demonstration contract that will design, build and test two demonstration vehicles that will conduct a carrier demonstration.
National Security Cutter (NSC)	Detail design and construct the U.S. Coast Guard's National Security Cutters equipped to carry out the core missions of maritime security, maritime safety, protection of natural resources, maritime mobility, and national defense.
New York City Wireless Network (NYCWIn)	Provide New York City's broadband public- safety wireless network.
Saudi Arabian National Guard Modernization and Training (SANG)	Provide military training, logistics and support services to modernize the Saudi Arabian National Guard's capabilities to unilaterally execute and sustain military operations.
Space Tracking and Surveillance System (STSS)	Develop a critical system for the nation's missile defense architecture employing low-earth orbit satellites with onboard sensors to provide target acquisition, tracking, and discrimination of ballistic missile threats to the United States and its deployed forces and allies. The program includes delivery of two flight demonstration satellites and the ground processing segment.
Space Based Infrared System (SBIRS)	Space-based surveillance systems for missile warning, missile defense, battlespace characterization and technical intelligence. SBIRS will meet United States infrared space surveillance needs through the next 2-3 decades.

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Program Name	Program Description
Trailer Mounted Support System (TMSS)	Trailer Mounted Support System is a key part of the Army’s SICPS Program providing workspace, power distribution, lighting, environmental conditioning (heating and cooling) tables and a common grounding system for commanders and staff at all echelons.
Transformational Satellite Communication System (TSAT) – Risk Reduction and System Definition (RR&SD)	Design, develop, brassboard and demonstrate key technologies to reduce risk in the TSAT space element and perform additional risk mitigation activities. This program was terminated in 2009.
USS <i>Carl Vinson</i>	Refueling and complex overhaul of the nuclear-powered aircraft carrier USS Carl Vinson (CVN 70).
USS <i>Enterprise</i> Extended Dry-docking Selected Restricted Availability (EDSRA)	Provide routine dry dock work, tank blasting and coating, hull preservation, propulsion and ship system repairs and limited enhancements to various hull, mechanical and electrical systems for the USS Enterprise.
USS <i>George H. W. Bush</i>	The 10th and final Nimitz-class aircraft carrier that will incorporate many new design features, commissioned in early 2009 (CVN 77).
USS <i>Theodore Roosevelt</i>	Refueling and complex overhaul of the nuclear-powered aircraft carrier USS Theodore Roosevelt (CVN 71).
USS <i>Toledo</i> Depot Modernization Period (DMP)	Provide routine dry dock work, tank blasting and coating, hull preservation, propulsion and ship system repairs and limited enhancements to various hull, mechanical and electrical systems for the USS <i>Toledo</i> .
Vehicular Intercommunications Systems (VIS)	Provide clear and noise-free communications between crew members inside combat vehicles and externally over as many as six combat net radios for the U.S. Army. The active noise-reduction features of VIS provide significant improvement in speech intelligibility, hearing protection, and vehicle crew performance.
Virginia-class Submarines	Construct the newest attack submarine in conjunction with General Dynamics Electric Boat.
Virginia IT Outsource (VITA)	Provide high-level IT consulting, IT infrastructure and services to Virginia state and local agencies including data center, help desk, desktop, network, applications and cross-functional services.

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Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates – We are exposed to market risk, primarily related to interest rates and foreign currency exchange rates. Financial instruments subject to interest rate risk include variable-rate short-term borrowings under the credit agreement, and short-term investments. At December 31, 2009, substantially all outstanding borrowings were fixed-rate long-term debt obligations of which a significant portion are not callable until maturity. We have a modest exposure to interest rate risk resulting from the interest rate swap agreements described in Note 1 to the consolidated financial statements in Part II, Item 8. During 2008, we entered into two forward-starting interest rate swap agreements with a notional value totaling \$400 million to limit future interest rate exposure and designated them as cash flow hedges. These swaps were settled in June 2009. Our sensitivity to a 1 percent change in interest rates is tied to our \$2 billion credit agreement, which had no balance outstanding at December 31, 2009 or 2008, and the aforementioned interest rate swap agreements. See Note 13 to the consolidated financial statements in Part II, Item 8.

Derivatives – We do not hold or issue derivative financial instruments for trading purposes. We may enter into interest rate swap agreements to manage our exposure to interest rate fluctuations. At December 31, 2009, and 2008, one and four interest rate swap agreements, respectively, were in effect. See Notes 1 and 11 to the consolidated financial statements in Part II, Item 8.

Foreign Currency – We enter into foreign currency forward contracts to manage foreign currency exchange rate risk related to receipts from customers and payments to suppliers denominated in foreign currencies. At December 31, 2009, and 2008, the amount of foreign currency forward contracts outstanding was not material. We do not consider the market risk exposure relating to foreign currency exchange to be material to the consolidated financial statements. See Notes 1 and 11 to the consolidated financial statements in Part II, Item 8.

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Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of financial position of Northrop Grumman Corporation and subsidiaries (the “Company”) as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and the financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Northrop Grumman Corporation and subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 8, 2010 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP
Los Angeles, California
February 8, 2010

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>\$ in millions, except per share amounts</i>	Year Ended December 31		
	2009	2008	2007
Sales and Service Revenues			
Product sales	\$20,914	\$19,634	\$18,577
Service revenues	12,841	12,681	11,764
Total sales and service revenues	33,755	32,315	30,341
Cost of Sales and Service Revenues			
Cost of product sales	16,591	15,490	14,340
Cost of service revenues	11,539	10,885	10,014
General and administrative expenses	3,142	3,143	3,062
Goodwill impairment		3,060	
Operating income (loss)	2,483	(263)	2,925
Other (expense) income			
Interest expense	(281)	(295)	(336)
Other, net	64	38	17
Earnings (loss) from continuing operations before income taxes	2,266	(520)	2,606
Federal and foreign income taxes	693	859	855
Earnings (loss) from continuing operations	1,573	(1,379)	1,751
Earnings from discontinued operations, net of tax	113	117	39
Net earnings (loss)	\$ 1,686	\$ (1,262)	\$ 1,790
Basic Earnings (Loss) Per Share			
Continuing operations	\$ 4.93	\$ (4.12)	\$ 5.12
Discontinued operations	.35	.35	.12
Basic earnings (loss) per share	\$ 5.28	\$ (3.77)	\$ 5.24
Weighted-average common shares outstanding, in millions	319.2	334.5	341.7
Diluted Earnings (Loss) Per Share			
Continuing operations	\$ 4.87	\$ (4.12)	\$ 5.01
Discontinued operations	.34	.35	.11
Diluted earnings (loss) per share	\$ 5.21	\$ (3.77)	\$ 5.12
Weighted-average diluted shares outstanding, in millions	323.3	334.5	354.3
Net earnings (loss) from above	\$ 1,686	\$ (1,262)	\$ 1,790
Other comprehensive income (loss)			
Change in cumulative translation adjustment	31	(24)	12
Change in unrealized gain (loss) on marketable securities and cash flow hedges, net of tax (expense) benefit of \$(23) in 2009, \$22 in 2008 and \$(1) in 2007	36	(35)	1
Change in unamortized benefit plan costs, net of tax (expense) benefit of \$(374) in 2009, \$1,888 in 2008 and \$(384) in 2007	561	(2,884)	594
Other comprehensive income (loss), net of tax	628	(2,943)	607
Comprehensive income (loss)	\$ 2,314	\$ (4,205)	\$ 2,397

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>\$ in millions</i>	December 31 2009	December 31 2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,275	\$ 1,504
Accounts receivable, net of progress payments	3,394	3,701
Inventoried costs, net of progress payments	1,170	1,003
Deferred tax assets	524	585
Prepaid expenses and other current assets	272	219
Assets of discontinued operations		1,231
Total current assets	8,635	8,243
Property, Plant, and Equipment		
Land and land improvements	649	619
Buildings and improvements	2,422	2,326
Machinery and other equipment	4,759	4,547
Capitalized software costs	624	530
Leasehold improvements	630	545
	9,084	8,567
Accumulated depreciation	(4,216)	(3,782)
Property, plant, and equipment, net	4,868	4,785
Other Assets		
Goodwill	13,517	13,509
Other purchased intangibles, net of accumulated amortization of \$1,871 in 2009 and \$1,767 in 2008	873	947
Pension and post-retirement plan assets	300	290
Long-term deferred tax assets	1,010	1,497
Miscellaneous other assets	1,049	926
Total other assets	16,749	17,169
Total assets	\$30,252	\$30,197
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable to banks	\$ 12	\$ 24
Current portion of long-term debt	91	477
Trade accounts payable	1,921	1,887
Accrued employees' compensation	1,281	1,231
Advance payments and billings in excess of costs incurred	1,954	2,028
Other current liabilities	1,726	1,637
Liabilities of discontinued operations		165
Total current liabilities	6,985	7,449
Long-term debt, net of current portion	4,191	3,443
Pension and post-retirement plan liabilities	4,874	5,823
Other long-term liabilities	1,515	1,562
Total liabilities	17,565	18,277
Commitments and Contingencies (Note 15)		
Shareholders' Equity		
Common stock, \$1 par value; 800,000,000 shares authorized; issued and outstanding: 2009—306,865,201; 2008—327,012,663	307	327
Paid-in capital	8,657	9,645
Retained earnings	6,737	5,590
Accumulated other comprehensive loss	(3,014)	(3,642)
Total shareholders' equity	12,687	11,920
Total liabilities and shareholders' equity	\$30,252	\$30,197

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

NORTHROP GRUMMAN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Operating Activities			
Sources of Cash—Continuing Operations			
Cash received from customers			
Progress payments	\$ 8,561	\$ 6,219	\$ 5,860
Collections on billings	25,099	26,938	24,570
Insurance proceeds received	25	5	125
Other cash receipts	37	83	34
Total sources of cash—continuing operations	33,722	33,245	30,589
Uses of Cash—Continuing Operations			
Cash paid to suppliers and employees			
Pension contributions	(29,250)	(28,817)	(26,144)
Interest paid, net of interest received	(858)	(320)	(342)
Income taxes paid, net of refunds received	(269)	(287)	(334)
Income taxes paid, net of refunds received	(774)	(712)	(853)
Income taxes paid on sale of businesses	(508)	(7)	
Excess tax benefits from stock-based compensation	(2)	(48)	(52)
Other cash payments	(30)	(16)	(52)
Total uses of cash—continuing operations	(31,691)	(30,207)	(27,777)
Cash provided by continuing operations	2,031	3,038	2,812
Cash provided by discontinued operations	102	173	78
Net cash provided by operating activities	2,133	3,211	2,890
Investing Activities			
Proceeds from sale of businesses, net of cash divested			
	1,650	175	
Payments for businesses purchased			
	(33)	(92)	(690)
Additions to property, plant, and equipment			
	(654)	(681)	(681)
Payments for outsourcing contract costs and related software costs			
	(68)	(110)	(137)
(Increase) decrease in restricted cash			
	(28)	61	59
Other investing activities, net			
		21	19
Net cash provided by (used in) investing activities	867	(626)	(1,430)
Financing Activities			
Net borrowings under lines of credit			
	(12)	(2)	(69)
Proceeds from issuance of long-term debt			
	843		
Principal payments of long-term debt			
	(474)	(113)	(90)
Proceeds from exercises of stock options and issuances of common stock			
	51	103	274
Dividends paid			
	(539)	(525)	(504)
Excess tax benefits from stock-based compensation			
	2	48	52
Common stock repurchases			
	(1,100)	(1,555)	(1,175)
Net cash used in financing activities	(1,229)	(2,044)	(1,512)
Increase (decrease) in cash and cash equivalents	1,771	541	(52)
Cash and cash equivalents, beginning of year	1,504	963	1,015
Cash and cash equivalents, end of year	\$ 3,275	\$ 1,504	\$ 963

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

\$ in millions	Year Ended December 31		
	2009	2008	2007
Reconciliation of Net Earnings (Loss) to Net Cash Provided by Operating Activities			
Net earnings (loss)	\$ 1,686	\$(1,262)	\$ 1,790
Net earnings from discontinued operations	(95)	(91)	(39)
Adjustments to reconcile to net cash provided by operating activities			
Depreciation	585	567	570
Amortization of assets	151	189	152
Impairment of goodwill		3,060	
Stock-based compensation	105	118	196
Excess tax benefits from stock-based compensation	(2)	(48)	(52)
Pre-tax gain on sale of businesses	(446)	(58)	
Pre-tax gain on sale of investments			(23)
(Increase) decrease in			
Accounts receivable	(6,313)	(378)	(6,439)
Inventoried costs	(291)	(521)	4
Prepaid expenses and other current assets	(6)	(20)	9
Increase (decrease) in			
Progress payments	6,655	764	6,513
Accounts payable and accruals	(151)	383	(2)
Deferred income taxes	112	167	195
Income taxes payable	65	241	(59)
Retiree benefits	(20)	(167)	(50)
Other non-cash transactions, net	(4)	94	47
Cash provided by continuing operations	2,031	3,038	2,812
Cash provided by discontinued operations	102	173	78
Net cash provided by operating activities	\$ 2,133	\$ 3,211	\$ 2,890
Non-Cash Investing and Financing Activities			
Investment in unconsolidated affiliate			\$ 30
Sale of businesses			
Liabilities assumed by purchaser	\$ 167	\$ 18	
Purchase of businesses			
Liabilities assumed by the company		\$ 20	\$ 136
Mandatorily redeemable convertible preferred stock converted or redeemed into common stock			
		\$ 350	
Capital leases			\$ 35
Capital expenditures accrued in accounts payable	\$ 104	\$ 84	\$ 80

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

\$ in millions, except per share amounts	Year Ended December 31		
	2009	2008	2007
Common Stock			
At beginning of year	\$ 327	\$ 338	\$ 346
Common stock repurchased	(23)	(21)	(15)
Conversion of preferred stock		6	
Employee stock awards and options	3	4	7
At end of year	307	327	338
Paid-in Capital			
At beginning of year	9,645	10,661	11,346
Common stock repurchased	(1,098)	(1,534)	(1,160)
Conversion of preferred stock		344	
Employee stock awards and options	110	174	475
At end of year	8,657	9,645	10,661
Retained Earnings			
At beginning of year	5,590	7,387	6,183
Net earnings (loss)	1,686	(1,262)	1,790
Adoption of new GAAP accounting guidance		(3)	(66)
Dividends declared	(539)	(532)	(520)
At end of year	6,737	5,590	7,387
Accumulated Other Comprehensive Loss			
At beginning of year	(3,642)	(699)	(1,260)
Other comprehensive income (loss), net of tax	628	(2,943)	607
Adjustment to deferred tax benefit recorded on adoption of accounting standard			(46)
At end of year	(3,014)	(3,642)	(699)
Total shareholders' equity	\$12,687	\$11,920	\$17,687
Cash dividends declared per share	\$ 1.69	\$ 1.57	\$ 1.48

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

NORTHROP GRUMMAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Northrop Grumman Corporation and its subsidiaries (Northrop Grumman or the company) provide technologically advanced, innovative products, services, and solutions in aerospace, electronics, information systems, shipbuilding and technical services. In January 2009, the company streamlined its organizational structure by reducing the number of operating segments from seven to five. The five segments are Aerospace Systems, which combines the former Integrated Systems and Space Technology segments; Electronic Systems; Information Systems, which combines the former Information Technology and Mission Systems segments; Shipbuilding; and Technical Services. Creation of the Aerospace Systems and Information Systems segments is intended to strengthen alignment with customers, improve the company's ability to execute on programs and win new business, and enhance cost competitiveness. Product sales are predominantly generated in the Aerospace Systems, Electronic Systems and Shipbuilding segments, while the majority of the company's service revenues are generated by the Information Systems and Technical Services segments.

Certain amounts in these financial statements have been reclassified to reflect the new organizational structure and segment realignments (See Notes 6 and 10).

Aerospace Systems is a premier developer, integrator, producer and supporter of manned and unmanned aircraft, spacecraft, high-energy laser systems, microelectronics and other systems and subsystems critical to maintaining the nation's security and leadership in technology. These systems are used, primarily by U.S. government customers, in many different mission areas including intelligence, surveillance and reconnaissance; communications; battle management; strike operations; electronic warfare; missile defense; earth observation; space science; and space exploration.

Electronic Systems is a leading designer, developer, manufacturer and integrator of a variety of advanced electronic and maritime systems for national security and select non-defense applications. Electronic Systems provides systems to U.S. and international customers for such applications as airborne surveillance, aircraft fire control, precision targeting, electronic warfare, automatic test equipment, inertial navigation, integrated avionics, space sensing, intelligence processing, air and missile defense, communications, mail processing, biochemical detection, ship bridge control, and shipboard components.

Information Systems is a leading global provider of advanced solutions for Department of Defense (DoD), national intelligence, federal civilian, state and local agencies, and commercial customers. Products and services are focused on the fields of command, control, communications, computers and intelligence; air and missile defense; airborne reconnaissance; intelligence processing; decision support systems; cybersecurity; information technology; and systems engineering and integration.

Shipbuilding is the nation's sole industrial designer, builder, and refueler of nuclear-powered aircraft carriers and one of only two companies capable of designing and building nuclear-powered submarines for the U.S. Navy. Shipbuilding is also one of the nation's leading full service systems providers for the design, engineering, construction, and life cycle support of major surface ships for the U.S. Navy, U.S. Coast Guard, and international navies.

Technical Services is a leading provider of logistics, infrastructure, and sustainment support, while also providing a wide array of technical services, including training and simulation.

As prime contractor, principal subcontractor, partner, or preferred supplier, Northrop Grumman participates in many high-priority defense and non-defense technology programs in the U.S. and abroad. Northrop Grumman conducts most of its business with the U.S. Government, principally the DoD. The company is therefore affected by, among other things, the federal budget process. The company also conducts business with local, state, and foreign governments and makes domestic and international commercial sales.

NORTHROP GRUMMAN CORPORATION

Principles of Consolidation – The consolidated financial statements include the accounts of Northrop Grumman and its subsidiaries. All intercompany accounts, transactions, and profits among Northrop Grumman and its subsidiaries are eliminated in consolidation.

Accounting Estimates – The company’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation thereof requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information and actual results could differ materially from those estimates.

Revenue Recognition – As a defense contractor engaging in long-term contracts, the majority of the company’s business is derived from long-term contracts for production of goods, and services provided to the federal government. In accounting for these contracts, the company extensively utilizes the cost-to-cost and the units-of-delivery measures of the percentage-of-completion method of accounting. Sales under cost-reimbursement contracts and construction-type contracts that provide for delivery at a low volume per year or a small number of units after a lengthy period of time over which a significant amount of costs have been incurred are accounted for using the cost-to-cost measure of the percentage-of-completion method of accounting. Under this method, sales, including estimated earned fees or profits, are recorded as costs are incurred. For most contracts, sales are calculated based on the percentage that total costs incurred bear to total estimated costs at completion. For certain contracts with large up-front purchases of material, primarily in the Shipbuilding segment, sales are calculated based on the percentage that direct labor costs incurred bear to total estimated direct labor costs. Sales under construction-type contracts that provide for delivery at a high volume per year are accounted for using the units-of-delivery measure of the percentage-of-completion method of accounting. Under this method, sales are recognized as deliveries are made to the customer generally using unit sales values for delivered units in accordance with the contract terms. The company estimates profit as the difference between total estimated revenue and total estimated cost of a contract and recognizes that profit over the life of the contract based on deliveries or as computed on the basis of the estimated final average unit costs plus profit. The company classifies contract revenues as product sales or service revenues depending upon the predominant attributes of the relevant underlying contracts.

Certain contracts contain provisions for price redetermination or for cost and/or performance incentives. Such redetermined amounts or incentives are included in sales when the amounts can reasonably be determined and estimated. Amounts representing contract change orders, claims, requests for equitable adjustment, or limitations in funding are included in sales only when they can be reliably estimated and realization is probable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged against income. Loss provisions are first offset against costs that are included in unbilled accounts receivable or inventoried costs, with any remaining amount reflected in liabilities. Changes in estimates of contract sales, costs, and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. Hence, the effect of the changes on future periods of contract performance is recognized as if the revised estimate had been the original estimate. A significant change in an estimate on one or more contracts could have a material effect on the company’s consolidated financial position or results of operations.

Revenue under contracts to provide services to non-federal government customers are generally recognized when services are performed. Service contracts include operations and maintenance contracts, and outsourcing-type arrangements, primarily in the Information Systems segment. Revenue under such contracts is generally recognized on a straight-line basis over the period of contract performance, unless evidence suggests that the revenue is earned or the obligations are fulfilled in a different pattern. Costs incurred under these service contracts are expensed as incurred, except that direct and incremental set-up costs are capitalized and amortized over the life of the agreement. Operating profit related to such service contracts may fluctuate from period to period, particularly in the earlier phases of the contract. For contracts that include more than one type of

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product or service, revenue recognition includes the proper identification of separate units of accounting and the allocation of revenue across all elements based on relative fair values.

General and Administrative Expenses – In accordance with industry practice and the regulations that govern the cost accounting requirements for government contracts, most general corporate expenses incurred at both the segment and corporate locations are considered allowable and allocable costs on government contracts. For most components of the company, these costs are allocated to contracts in progress on a systematic basis and contract performance factors include this cost component as an element of cost. General and administrative expenses primarily relate to segment operations.

Research and Development – Company-sponsored research and development activities primarily include independent research and development (IR&D) efforts related to government programs. IR&D expenses are included in general and administrative expenses and are generally allocated to government contracts. Company-sponsored IR&D expenses totaled \$610 million, \$564 million, and \$522 million in 2009, 2008, and 2007, respectively. Expenses for research and development sponsored by the customer are charged directly to the related contracts.

Product Warranty Costs – The company provides certain product warranties that require repair or replacement of non-conforming items for a specified period of time. Most of the company's product warranties are provided under government contracts, the costs of which are incorporated into contract pricing. Accrued product warranty costs of \$74 million and \$71 million were included in other current liabilities at December 31, 2009, and 2008, respectively.

Environmental Costs – Environmental liabilities are accrued when the company determines it is responsible for remediation costs and such amounts are reasonably estimable. When only a range of amounts is established and no amount within the range is more probable than another, the minimum amount in the range is recorded. Environmental liabilities are recorded on an undiscounted basis. At sites involving multiple parties, the company accrues environmental liabilities based upon its expected share of liability, taking into account the financial viability of other jointly liable parties. Environmental expenditures are expensed or capitalized as appropriate. Capitalized expenditures relate to long-lived improvements in currently operating facilities. The company does not anticipate and record insurance recoveries before collection is probable. At December 31, 2009, and 2008, the company did not have any accrued receivables related to insurance reimbursements or recoveries for environmental matters.

Fair Value of Financial Instruments – The company adopted the new GAAP accounting guidance relating to fair value measurements and disclosures effective January 1, 2008. The new guidance clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements.

The valuation techniques utilized are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

Derivative Financial Instruments – Derivative financial instruments are recognized as assets or liabilities in the financial statements and measured at fair value. Changes in the fair value of derivative financial instruments that qualify and are designated as fair value hedges are required to be recorded in income from continuing operations, while the effective portion of the changes in the fair value of derivative financial instruments that qualify and are

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designated as cash flow hedges are recorded in other comprehensive income. The company may use derivative financial instruments to manage its exposure to interest rate and foreign currency exchange risks and to balance its fixed and variable rate long-term debt portfolio. The company does not use derivative financial instruments for trading or speculative purposes, nor does it use leveraged financial instruments. Credit risk related to derivative financial instruments is considered minimal and is managed by requiring high credit standards for its counterparties and periodic settlements.

For derivative financial instruments not designated as hedging instruments, gains or losses resulting from changes in the fair value are reported in Other, net in the consolidated statements of operations.

Income Taxes – Provisions for federal, foreign, state, and local income taxes are calculated on reported financial statement pre-tax income based on current tax law and include the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes. If a tax position does not meet the minimum statutory threshold to avoid payment of penalties, the company recognizes an expense for the amount of the penalty in the period the tax position is claimed in the tax return of the company. The company recognizes interest accrued related to unrecognized tax benefits in income tax expense. Penalties, if probable and reasonably estimable, are recognized as a component of income tax expense. State and local income and franchise tax provisions are allocable to contracts in process and, accordingly, are included in general and administrative expenses.

The company makes a comprehensive review of its portfolio of uncertain tax positions regularly. In this regard, an uncertain tax position represents the company's expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return or claim, that has not been reflected in measuring income tax expense for financial reporting purposes. Until these positions are sustained by the taxing authorities, the company does not recognize the tax benefits resulting from such positions and reports the tax effects as a liability for uncertain tax positions in its consolidated statements of financial position.

Cash and cash equivalents – For cash and cash equivalents, the carrying amounts approximate fair value due to the short-term nature of these items. Cash and cash equivalents include short-term interest-earning debt instruments that mature in three months or less from the date purchased.

Marketable Securities – At December 31, 2009, and 2008, substantially all of the company's investments in marketable securities were classified as available-for-sale or trading. For available-for-sale securities, any unrealized gains and losses are reported as a separate component of shareholders' equity. Unrealized gains and losses on trading securities are included in Other, net in the consolidated statements of operations. Investments in marketable securities are recorded at fair value.

Accounts Receivable – Accounts receivable include amounts billed and currently due from customers, amounts currently due but unbilled (primarily related to contracts accounted for under the cost-to-cost measure of the percentage-of-completion method of accounting), certain estimated contract change amounts, claims or requests for equitable adjustment in negotiation that are probable of recovery, and amounts retained by the customer pending contract completion.

Inventoried Costs – Inventoried costs primarily relate to work in process under fixed-price, units-of-delivery and fixed-priced-incentive contracts using labor dollars as the basis of the percentage-of-completion calculation. These costs represent accumulated contract costs less the portion of such costs allocated to delivered items. Accumulated contract costs include direct production costs, factory and engineering overhead, production tooling costs, and, for government contracts, allowable general and administrative expenses. According to the provisions of U.S. Government contracts, the customer asserts title to, or a security interest in, inventories related to such contracts as a result of contract advances, performance-based payments, and progress payments. In accordance with industry practice, inventoried costs are classified as a current asset and include amounts related to contracts

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having production cycles longer than one year. Product inventory primarily consists of raw materials and is stated at the lower of cost or market, generally using the average cost method. General corporate expenses and IR&D allocable to commercial contracts are expensed as incurred.

Outsourcing Contract Costs – Costs on outsourcing contracts, including costs incurred for bid and proposal activities, are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract are deferred and expensed over the contract life. These costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition and transition/set-up. The primary types of costs that may be capitalized include labor and related fringe benefits, subcontractor costs, and travel costs.

Depreciable Properties – Property, plant, and equipment owned by the company are depreciated over the estimated useful lives of individual assets. Costs incurred for computer software developed or obtained for internal use are capitalized and classified in machinery and other equipment. Most of these assets are depreciated using declining-balance methods, with the remainder using the straight-line method, with the following lives:

	Years
Land improvements	2-45
Buildings and improvements	2-45
Machinery and other equipment	2-25
Capitalized software costs	3-5
Leasehold improvements	Length of lease

Leases – The company uses its incremental borrowing rate in the assessment of lease classification as capital or operating and defines the initial lease term to include renewal options determined to be reasonably assured. The company conducts operations primarily under operating leases.

Many of the company's real property lease agreements contain incentives for tenant improvements, rent holidays, or rent escalation clauses. For incentives for tenant improvements, the company records a deferred rent liability and amortizes the deferred rent over the term of the lease as a reduction to rent expense. For rent holidays and rent escalation clauses during the lease term, the company records minimum rental expenses on a straight-line basis over the term of the lease. For purposes of recognizing lease incentives, the company uses the date of initial possession as the commencement date, which is generally when the company is given the right of access to the space and begins to make improvements in preparation of intended use.

Goodwill and Other Purchased Intangible Assets – The company performs impairment tests for goodwill as of November 30th of each year, or when evidence of potential impairment exists. When it is determined that impairment has occurred, a charge to operations is recorded. Goodwill and other purchased intangible asset balances are included in the identifiable assets of the business segment to which they have been assigned. Any goodwill impairment, as well as the amortization of other purchased intangible assets, is charged against the respective business segments' operating income. Purchased intangible assets are amortized on a straight-line basis over their estimated useful lives (see Note 10).

Self-Insurance Accruals – Accruals for self-insured workers' compensation totaling approximately \$520 million and \$523 million as of December 31, 2009, and 2008, respectively are included in other liabilities. The company estimates the required liability for such claims on a discounted basis utilizing actuarial methods based on various assumptions, which include, but are not limited to, the company's historical loss experience and projected loss development factors.

Litigation, Commitments, and Contingencies – Amounts associated with litigation, commitments, and contingencies are recorded as charges to earnings when management, after taking into consideration the facts and circumstances of each matter, including any settlement offers, has determined that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

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Retirement Benefits – The company sponsors various pension plans covering substantially all employees. The company also provides post-retirement benefit plans other than pensions, consisting principally of health care and life insurance benefits, to eligible retirees and qualifying dependents. The liabilities and annual income or expense of the company’s pension and other post-retirement benefit plans are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate, the long-term rate of asset return (based on the market-related value of assets), and the medical cost experience trend rate (rate of growth for medical costs). The fair values of plan assets are determined based on prevailing market prices or estimated fair value for investments with no available quoted prices. Not all net periodic pension income or expense is recognized in net earnings in the year incurred because it is allocated to production as product costs, and a portion remains in inventory at the end of a reporting period. The company’s funding policy for pension plans is to contribute, at a minimum, the statutorily required amount to an irrevocable trust.

Stock Compensation – All of the company’s stock compensation plans are considered equity plans, and compensation expense recognized is net of estimated forfeitures over the vesting period. The company issues stock options and stock awards, in the form of restricted performance stock rights and restricted stock rights, under its existing plans. The fair value of stock option grants are estimated on the date of grant using a Black-Scholes option-pricing model and expensed on a straight-line basis over the vesting period of the options, which is generally three to four years. The fair value of stock awards are determined based on the closing market price of the company’s common stock on the grant date and at each reporting date the amount of shares is adjusted to equal the amount ultimately expected to vest. Compensation expense for stock awards is expensed over the vesting period, usually three to five years.

Foreign Currency Translation – For operations outside the U.S. that prepare financial statements in currencies other than the U.S. dollar, results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are generally translated at end-of-period exchange rates. Translation adjustments are not material and are included as a separate component of accumulated other comprehensive loss in consolidated shareholders’ equity.

Accumulated Other Comprehensive Loss – The components of accumulated other comprehensive loss are as follows:

\$ in millions	December 31	
	2009	2008
Cumulative translation adjustment	\$ 41	\$ 10
Net unrealized gain (loss) on marketable securities and cash flow hedges, net of tax (expense) benefit of \$(3) as of December 31, 2009 and \$20 as of December 31, 2008	4	(32)
Unamortized benefit plan costs, net of tax benefit of \$1,984 as of December 31, 2009 and \$2,358 as of December 31, 2008	(3,059)	(3,620)
Total accumulated other comprehensive loss	\$(3,014)	\$(3,642)

Subsequent Events – Management has evaluated subsequent events after the balance sheet date through February 8, 2010, for appropriate accounting treatment and disclosure.

Financial Statement Reclassification – Certain amounts in the prior year financial statements and related notes have been reclassified to conform to the current presentation of the Advisory Services Division (ASD), formerly reported in the Information Systems segment and the Electro-optical Systems (EOS) business, formerly reported in the Electronic Systems segment, as discontinued operations (see Note 5) and the business operation realignments effective in 2009 (see Note 6).

2. ACCOUNTING STANDARD UPDATES

In June 2009, the Financial Accounting Standards Board (FASB) issued its final Statement of Financial Accounting Standards (SFAS) No. 168 – *The FASB Accounting Standards Codification and the Hierarchy of Generally*

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Accepted Accounting Principles a replacement of FASB Statement No. 162. SFAS No. 168 made the FASB Accounting Standards Codification (the Codification) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements into roughly 90 accounting topics within a consistent structure; its purpose is not to create new accounting and reporting guidance. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for the company beginning July 1, 2009. Following SFAS No. 168, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates. The FASB will not consider Accounting Standards Updates as authoritative in their own right; these updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification. In the description of Accounting Standards Updates that follows, references in “italics” relate to Codification Topics and Subtopics, and their descriptive titles, as appropriate.

Accounting Standards Updates Not Yet Effective

In June 2009, an update was made to “*Consolidation – Consolidation of Variable Interest Entities.*” Among other things, the update replaces the calculation for determining which entities, if any, have a controlling financial interest in a variable interest entity (VIE) from a quantitative based risks and rewards calculation, to a qualitative approach that focuses on identifying which entities have the power to direct the activities that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. The update also requires ongoing assessments as to whether an entity is the primary beneficiary of a VIE (previously, reconsideration was only required upon the occurrence of specific events), modifies the presentation of consolidated VIE assets and liabilities, and requires additional disclosures about a company’s involvement in VIEs. This update will be effective for the company beginning January 1, 2010. Management is currently evaluating the effect that adoption of this update will have, if any, on the company’s consolidated financial position and results of operations when it becomes effective in 2010.

In October 2009, an update was made to “*Revenue Recognition – Multiple Deliverable Revenue Arrangements.*” This update removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to “fair value” with “selling price” to distinguish from the fair value measurements required under the “*Fair Value Measurements and Disclosures*” guidance, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation, and expands the ongoing disclosure requirements. This update is effective for the company beginning January 1, 2011 and can be applied prospectively or retrospectively. Adoption is not expected to materially impact the company’s consolidated financial position, results of operations or cash flows directly when it becomes effective, as the company will not elect retrospective adoption. However, this update may impact how the company reflects multiple-element arrangements entered into subsequent to January 1, 2011, in the financial statements.

Other Accounting Standards Updates not effective until after December 31, 2009, are not expected to have a significant effect on the company’s consolidated financial position or results of operations.

3. DIVIDENDS ON COMMON STOCK AND CONVERSION OF PREFERRED STOCK

Dividends on Common Stock – In May 2009, the company’s board of directors approved an increase to the quarterly common stock dividend, from \$.40 per share to \$.43 per share, for stockholders of record as of June 1, 2009.

In April 2008, the company’s board of directors approved an increase to the quarterly common stock dividend, from \$.37 per share to \$.40 per share, for stockholders of record as of June 2, 2008.

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On February 21, 2007, the company's board of directors approved an increase to the quarterly common stock dividend, from \$.30 per share to \$.37 per share, effective with the first quarter 2007 dividends.

Conversion of Preferred Stock – On February 20, 2008, the company's board of directors approved the redemption of the 3.5 million shares of mandatorily redeemable convertible preferred stock on April 4, 2008. Prior to the redemption date, substantially all of the preferred shares were converted into common stock at the election of stockholders. All remaining unconverted preferred shares were redeemed by the company on the redemption date. As a result of the conversion and redemption, the company issued approximately 6.4 million shares of common stock.

4. BUSINESS ACQUISITIONS

2009 – In April 2009, the company acquired Sonoma Photonics, Inc., as well as assets from Swift Engineering's Killer Bee Unmanned Air Systems product line for an aggregate amount of approximately \$33 million in cash. The operating results of these businesses are reported in the Aerospace Systems segment from the date of acquisition. The assets, liabilities, and results of operations of these businesses were not material to the company's consolidated financial position or results of operations, and thus pro-forma financial information is not presented.

2008 – In October 2008, the company acquired 3001 International, Inc. (3001 Inc.) for approximately \$92 million in cash. 3001 Inc. provides geospatial data production and analysis, including airborne imaging, surveying, mapping and geographic information systems for U.S. and international government intelligence, defense and civilian customers. The operating results of 3001 Inc. are reported in the Information Systems segment from the date of acquisition. The assets, liabilities, and results of operations of 3001 Inc. are not material to the company's consolidated financial position or results of operations, and thus pro-forma information is not presented.

2007 – During the third quarter of 2007, the company acquired Xinetics Inc. and the remaining 61 percent of Scaled Composites, LLC for an aggregate amount of approximately \$100 million in cash. The operating results of these businesses are reported in the Aerospace Systems segment from the date of acquisition. The assets, liabilities, and results of operations of these businesses were not material to the company's consolidated financial position or results of operations, and thus pro-forma information is not presented.

In July 2007, the company and Science Applications International Corporation (SAIC) reorganized the AMSEC, LLC, joint venture (AMSEC), by dividing AMSEC along customer and product lines. AMSEC is a full-service supplier that provides engineering, logistics and technical support services primarily to Navy ship and aviation programs. Under the reorganization plan, the company retained the ship engineering, logistics and technical service businesses under the AMSEC name (the AMSEC Businesses) and, in exchange, SAIC received the aviation, combat systems and strike force integration services businesses from AMSEC (the Divested Businesses). This reorganization was treated as a step acquisition for the acquisition of SAIC's interests in the AMSEC Businesses, with the company recognizing a pre-tax gain of \$23 million for the effective sale of its interests in the Divested Businesses. From the date of this reorganization, the operating results of the AMSEC Businesses, and transaction gain, have been reported on a consolidated basis in the Shipbuilding segment from the date of this reorganization. Prior to the reorganization, the company accounted for AMSEC, LLC, under the equity method. The assets, liabilities, and results of operations of the AMSEC Businesses were not material to the company's consolidated financial position or results of operations, and thus pro-forma information is not presented.

In January 2007, the company acquired Essex Corporation (Essex) for approximately \$590 million in cash, including the assumption of debt totaling \$23 million. Essex provides signal processing services and products, and advanced optoelectronic imaging for U.S. government intelligence and defense customers. The operating results of Essex are reported in the Information Systems segment from the date of acquisition. The assets, liabilities, and results of operations of Essex were not material to the company's consolidated financial position or results of operations, and thus pro-forma information is not presented.

NORTHROP GRUMMAN CORPORATION**5. BUSINESS DISPOSITIONS**

2009 – In December 2009, the company sold ASD for \$1.65 billion in cash to an investor group led by General Atlantic, LLC, and affiliates of Kohlberg Kravis Roberts & Co. L.P., and recognized a gain of \$15 million, net of taxes. ASD was a business unit comprised of the assets and liabilities of TASC, Inc., its wholly-owned subsidiary TASC Services Corporation, and certain contracts carved out from other Northrop Grumman businesses also in Information Systems that provide systems engineering technical assistance (SETA) and other analysis and advisory services. Sales for this business in the years ended December 31, 2009, 2008, and 2007, were approximately \$1.5 billion, \$1.6 billion, and \$1.5 billion, respectively. The assets, liabilities and operating results of this business unit are reported as discontinued operations in the consolidated statements of operations for all periods presented.

2008 – In April 2008, the company sold its Electro-Optical Systems (EOS) business for \$175 million in cash to L-3 Communications Corporation and recognized a gain of \$19 million, net of taxes. EOS, formerly a part of the Electronic Systems segment, produces night vision and applied optics products. Sales for this business through April 2008 and for the year ended December 31, 2007, were approximately \$53 million and \$190 million, respectively. The assets, liabilities and operating results of this business are reported as discontinued operations in the consolidated statements of operations for all periods presented.

2007 – During the second quarter of 2007, management announced its decision to exit the remaining Interconnect Technologies (ITD) business reported within the Electronic Systems segment. Sales for this business in the year ended December 31, 2007, was \$14 million. The shut-down was completed during the third quarter of 2007 and costs associated with the shut-down were not material. The results of this business are reported as discontinued operations in the consolidated statements of operations for all periods presented.

Discontinued Operations – Earnings for the businesses classified within discontinued operations (primarily the result of the sale of ASD discussed above) were as follows:

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Sales and service revenues	\$1,536	\$1,625	\$1,691
Earnings from discontinued operations	149	146	60
Income tax expense	(54)	(55)	(21)
Earnings, net of tax	\$ 95	\$ 91	\$ 39
Gain on divestitures	446	66	
Income tax expense on gain	(428)	(40)	
Gain from discontinued operations, net of tax	\$ 18	\$ 26	
Earnings from discontinued operations, net of tax	\$ 113	\$ 117	\$ 39

Tax rates on discontinued operations vary from the company's effective tax rate generally due to the non-deductibility of goodwill for tax purposes and the effects, if any, of capital loss carryforwards. Assets of discontinued operations as of December 31, 2008, consisted primarily of \$1 billion in goodwill and accounts receivable of ASD. Liabilities of discontinued operations consisted primarily of accounts payable of ASD.

6. SEGMENT INFORMATION

At December 31, 2009, the company was aligned into five reportable segments: Aerospace Systems, Electronic Systems, Information Systems, Shipbuilding, and Technical Services.

Segment Realignments – The company, from time to time, acquires or disposes of businesses, and realigns contracts, programs or business areas among and within its operating segments that possess similar customers, expertise, and capabilities. Internal realignments are designed to more fully leverage existing capabilities and enhance development and delivery of products and services.

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In January 2009, the company streamlined its organizational structure by reducing the number of operating segments from seven to five. The five segments are Aerospace Systems, which combines the former Integrated Systems and Space Technology segments; Electronic Systems; Information Systems, which combines the former Information Technology and Mission Systems segments; Shipbuilding; and Technical Services. Creation of the Aerospace Systems and Information Systems segments is intended to strengthen alignment with customers, improve the company's ability to execute on programs and win new business, and enhance cost competitiveness. Product sales are predominantly generated in the Aerospace Systems, Electronic Systems and Shipbuilding segments, while the majority of the company's service revenues are generated by the Information Systems and Technical Services segments.

During the first quarter of 2009, the company realigned certain logistics, services, and technical support programs and transferred assets from the Information Systems and Electronic Systems segments to the Technical Services segment. This realignment is intended to strengthen the company's core capability in aircraft and electronics maintenance, repair and overhaul, life cycle optimization, and training and simulation services.

Sales and segment operating income in the tables below have been revised to reflect the above realignments for all periods presented.

During the first quarter of 2009, the company transferred certain optics and laser programs from the Information Systems segment to the Aerospace Systems segment. As the operating results of this business were not considered material, the prior year sales and segment operating income were not reclassified to reflect this business transfer.

U.S. Government Sales – Revenue from the U.S. Government (which includes Foreign Military Sales) includes revenue from contracts for which Northrop Grumman is the prime contractor as well as those for which the company is a subcontractor and the ultimate customer is the U.S. Government. All of the company's segments derive substantial revenue from the U.S. Government. Sales to the U.S. Government amounted to approximately \$31.0 billion, \$29.3 billion, and \$27.4 billion, or 91.8 percent, 90.7 percent, and 90.2 percent of total revenue for the years ended December 31, 2009, 2008, and 2007, respectively.

Foreign Sales – Direct foreign sales amounted to approximately \$1.6 billion, \$1.7 billion, and \$1.7 billion, or 4.9 percent, 5.3 percent, and 5.7 percent of total revenue for the years ended December 31, 2009, 2008, and 2007, respectively.

Discontinued Operations – The company's discontinued operations are excluded from all of the data elements in the following tables, except for assets by segment.

Assets – Substantially all of the company's assets are located or maintained in the U.S.

Results of Operations By Segment

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Sales and Service Revenues			
Aerospace Systems	\$10,419	\$ 9,825	\$ 9,234
Electronic Systems	7,671	7,048	6,466
Information Systems	8,611	8,205	7,758
Shipbuilding	6,213	6,145	5,788
Technical Services	2,776	2,535	2,422
Intersegment eliminations	(1,935)	(1,443)	(1,327)
Total sales and service revenues	\$33,755	\$32,315	\$30,341

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\$ in millions	Year Ended December 31		
	2009	2008	2007
Operating Income (Loss)			
Aerospace Systems	\$1,071	\$ 416	\$ 919
Electronic Systems	969	947	809
Information Systems	631	629	725
Shipbuilding	299	(2,307)	538
Technical Services	161	144	139
Intersegment eliminations	(202)	(128)	(105)
Total segment operating income (loss)	2,929	(299)	3,025
Non-segment factors affecting operating income (loss)			
Unallocated expenses	(111)	(157)	(209)
Net pension adjustment	(311)	263	127
Royalty income adjustment	(24)	(70)	(18)
Total operating income (loss)	\$2,483	\$ (263)	\$2,925

Goodwill Impairment Charge – The operating losses for the year ended December 31, 2008, at Aerospace Systems and Shipbuilding reflect goodwill impairment charges of \$570 million and \$2,490 million, respectively.

Shipbuilding Earnings Charge Relating to LHD 8 Contract Performance – During the first quarter of 2008, the company recorded a pre-tax charge of \$272 million for cost growth on the LHD 8 contract and an additional \$54 million primarily for schedule impacts on other ships and impairment of purchased intangibles at the Gulf Coast shipyards.

Unallocated Expenses – Unallocated expenses generally include the portion of corporate expenses not considered allowable or allocable under applicable U.S. Government Cost Accounting Standards (CAS) regulations and the Federal Acquisition Regulation, and therefore not allocated to the segments, for costs related to management and administration, legal, environmental, certain compensation and retiree benefits, and other expenses.

Net Pension Adjustment – The net pension adjustment reflects the difference between pension expense determined in accordance with GAAP and pension expense allocated to the operating segments determined in accordance with CAS.

Royalty Income Adjustment – Royalty income is included in segment operating income and reclassified to other income for financial reporting purposes. The royalty income adjustment for the year ended December 31, 2008, includes \$60 million related to patent infringement settlements at Electronic Systems.

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Other Financial Information

\$ in millions	December 31	
	2009	2008
Assets		
Aerospace Systems	\$ 6,291	\$ 6,199
Electronic Systems	4,950	5,024
Information Systems	7,499	9,069
Shipbuilding	4,585	4,427
Technical Services	1,295	1,184
Segment assets	24,620	25,903
Corporate	5,632	4,294
Total assets	\$30,252	\$30,197

\$ in millions	Year Ended December 31		
	2009	2008	2007
Capital Expenditures			
Aerospace Systems	\$211	\$224	\$209
Electronic Systems	168	148	119
Information Systems	69	62	84
Shipbuilding	181	218	247
Technical Services	3	4	10
Corporate	22	25	12
Total capital expenditures	\$654	\$681	\$681

\$ in millions	Year Ended December 31		
	2009	2008	2007
Depreciation and Amortization			
Aerospace Systems	\$238	\$238	\$239
Electronic Systems	140	149	175
Information Systems	144	153	115
Shipbuilding	186	193	170
Technical Services	8	8	8
Corporate	20	15	15
Total depreciation and amortization	\$736	\$756	\$722

The depreciation and amortization expense above includes amortization of purchased intangible assets as well as amortization of deferred and other outsourcing costs.

7. EARNINGS (LOSS) PER SHARE

Basic Earnings (Loss) Per Share – Basic earnings (loss) per share from continuing operations are calculated by dividing earnings (loss) from continuing operations available to common stockholders by the weighted-average number of shares of common stock outstanding during each period.

Diluted Earnings (Loss) Per Share – Diluted earnings per share for the year ended December 31, 2009, include the dilutive effect of stock options and other stock awards granted to employees under stock-based compensation plans. The dilutive effect of these securities totaled 4.1 million shares for the year ended December 31, 2009. For the year ended December 31, 2008, the potential dilutive effect of 7.1 million shares from stock options, other

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stock awards, and the mandatorily redeemable convertible preferred stock (see Note 3) were excluded from the computation of weighted average shares outstanding as the shares would have had an anti-dilutive effect on the earnings per share computation. Diluted earnings per share for the year ended December 31, 2007, include the dilutive effect of stock options, other stock awards and the mandatorily redeemable convertible preferred stock. The dilutive effect of these securities totaled 12.6 million shares (including 6.4 million shares for the company's mandatorily redeemable convertible preferred stock). The weighted-average diluted shares outstanding for the years ended December 31, 2009, 2008, and 2007, exclude stock options to purchase approximately 8.1 million shares, 2.1 million shares, and 59 thousand shares, respectively, because such options have an exercise price in excess of the average market price of the company's common stock during the year.

Diluted earnings (loss) per share from continuing operations are calculated as follows:

<i>\$ in millions, except per share</i>	Year Ended December 31		
	2009	2008	2007
Diluted Earnings (Loss) Per Share From Continuing Operations			
Earnings (loss) from continuing operations	\$1,573	\$(1,379)	\$1,751
Add dividends on mandatorily redeemable convertible preferred stock			24
Earnings (loss) from continuing operations available to common shareholders	\$1,573	\$(1,379)	\$1,775
Weighted-average common shares outstanding	319.2	334.5	341.7
Dilutive effect of stock options, stock awards, and mandatorily redeemable convertible preferred stock	4.1		12.6
Weighted-average diluted common shares outstanding	323.3	334.5	354.3
Diluted earnings (loss) per share from continuing operations	\$ 4.87	\$ (4.12)	\$ 5.01

Share Repurchases – The table below summarizes the company's share repurchases beginning January 1, 2007:

Authorization Date	Amount Authorized (In millions)	Average Price Per Share(2)	Total Shares Retired (In millions)	Date Completed	Shares Repurchased (In millions)		
					2009	2008	2007
October 24, 2005	\$1,500	\$65.08	23.0	February 2007			2.3
December 14, 2006	1,000	75.96	13.1	November 2007			13.1
December 19, 2007(1)	3,600	60.15	44.5		23.1	21.4	
					23.1	21.4	15.4

(1) On December 19, 2007, our board of directors authorized a share repurchase program of up to \$2.5 billion of the company's common stock. On November 5, 2009, the board of directors authorized an additional \$1.1 billion to the December 19, 2007 authorization.

Share repurchases take place at management's discretion or under pre-established non-discretionary programs from time to time, depending on market conditions, in the open market, and in privately negotiated transactions. The company retires its common stock upon repurchase and has not made any purchases of common stock other than in connection with these publicly announced repurchase programs.

(2) Includes commissions paid.

Under certain of its share repurchase authorizations, the company has entered into accelerated share repurchase agreements with banks to repurchase shares of common stock. Under these agreements, shares were immediately borrowed by the bank and then sold to and canceled by the company. Subsequently, shares were purchased in the open market by the bank to settle its share borrowings. The ultimate cost of the company's share repurchases under these agreements was subject to adjustment based on the actual cost of the shares subsequently purchased by the bank. If an additional amount was owed by the company upon settlement, the price adjustment could have been settled, at the company's option, in cash or in shares of common stock. The final price adjustments

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under these agreements have been immaterial. No accelerated share repurchase agreements were utilized in connection with the 2009 repurchases shown above.

As of December 31, 2009, the company has a remaining authorization of \$924 million for share repurchases.

8. ACCOUNTS RECEIVABLE, NET

Unbilled amounts represent sales for which billings have not been presented to customers at year-end. These amounts are usually billed and collected within one year. Progress payments are received on a number of firm fixed-price contracts. Unbilled amounts are presented net of progress payments of \$5.6 billion and \$4.7 billion at December 31, 2009, and 2008, respectively.

Accounts receivable at December 31, 2009, are expected to be collected in 2010, except for approximately \$76 million due in 2011 and \$7 million due in 2012 and later.

Allowances for doubtful amounts mainly represent estimates of overhead costs which may not be successfully negotiated and collected.

Accounts receivable were composed of the following:

<i>\$ in millions</i>	December 31	
	2009	2008
Due From U.S. Government		
Amounts billed	\$1,078	\$1,177
Recoverable costs and accrued profit on progress completed – unbilled	1,980	1,747
	3,058	2,924
Due From Other Customers		
Amounts billed	318	419
Recoverable costs and accrued profit on progress completed – unbilled	342	658
	660	1,077
Total accounts receivable	3,718	4,001
Allowances for doubtful amounts	(324)	(300)
Total accounts receivable, net	\$3,394	\$3,701

9. INVENTORIED COSTS, NET

Inventoried costs were composed of the following:

<i>\$ in millions</i>	December 31	
	2009	2008
Production costs of contracts in process	\$ 2,698	\$ 2,393
General and administrative expenses	175	221
	2,873	2,614
Progress payments received	(1,909)	(1,864)
	964	750
Product inventory	206	253
Total inventoried costs, net	\$ 1,170	\$ 1,003

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10. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

Goodwill

Goodwill and other purchased intangible assets are included in the identifiable assets of the segment to which they have been assigned. Impairment tests are performed at least annually and more often as circumstances require. Any goodwill impairment, as well as the amortization of other purchased intangible assets, is charged against the respective segment's operating income. The annual impairment test for all segments was performed as of November 30, 2009, with no indication of impairment. In performing the goodwill impairment tests, the company uses a discounted cash flow approach corroborated by comparative market multiples, where appropriate, to determine the fair value of its businesses.

The company recorded a non-cash charge totaling \$3.1 billion at Shipbuilding and Aerospace Systems in the fourth quarter of 2008 for the impairment of goodwill. The impairment charge was primarily driven by adverse equity market conditions that caused a decrease in current market multiples and the company's stock price as of November 30, 2008. The charge reduced goodwill recorded in connection with acquisitions made in 2001 and 2002 and also represents the company's accumulated goodwill impairment losses at December 31, 2009, and 2008.

The changes in the carrying amounts of goodwill during 2008 and 2009, are as follows:

<i>\$ in millions</i>	Aerospace Systems	Electronic Systems	Information Systems	Shipbuilding	Technical Services	Total
Balance as of January 1, 2008	\$3,873	\$2,514	\$5,852	\$ 3,614	\$810	\$16,663
Goodwill transferred due to segment realignment	505	(47)	(458)			
Goodwill related to business sold		(47)				(47)
Goodwill acquired			78			78
Fair value adjustments to net assets acquired	(60)	8	(82)	17	(8)	(125)
Goodwill Impairment	(570)			(2,490)		(3,060)
Balance as of December 31, 2008	\$3,748	\$2,428	\$5,390	\$ 1,141	\$802	\$13,509
Goodwill transferred due to segment realignment	41	(26)	(138)		123	
Goodwill acquired	5					5
Other	7		(4)			3
Balance as of December 31, 2009	\$3,801	\$2,402	\$5,248	\$ 1,141	\$925	\$13,517

Segment Realignments – As discussed in Note 1, in January 2009 the company streamlined its organizational structure by reducing the number of operating segments from seven to five and the carrying value of the goodwill balances from the prior segment alignments were transferred into the goodwill amounts shown for the new segment alignment.

During the first quarter of 2009, the company realigned certain logistics, services, and technical support programs and transferred assets from the Information Systems and Electronic Systems segments to the Technical Services segment. As a result of this realignment, goodwill of approximately \$123 million was reallocated among these segments. Additionally during the first quarter of 2009, the company transferred certain optics and laser programs from the Information Systems segment to the Aerospace Systems segment, resulting in the reallocation of goodwill of approximately \$41 million.

In January 2008, the former Newport News and Ship Systems businesses were combined into a single operating segment called Northrop Grumman Shipbuilding and their goodwill balances were combined. In addition,

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certain Electronic Systems businesses were transferred to Information Systems during the first quarter of 2008, along with goodwill of \$47 million. During the second quarter of 2008, the company transferred certain programs and assets, including goodwill of \$505 million, from the missiles business in the Information Systems segment to the Aerospace Systems segment.

Goodwill totaling \$1 billion related to ASD has been included in assets of discontinued operations at December 31, 2008 and excluded from the goodwill balance of Information Systems for all periods presented (see Note 5).

Fair Value Adjustments to Net Assets Acquired – For 2008, the fair value adjustments were primarily due to the final settlement of the Internal Revenue Service (IRS) examination of the 1999-2002 TRW income tax returns (see Note 12) and purchase price allocation related to the 3001 Inc. acquisition (see Note 4).

Purchased Intangible Assets

The table below summarizes the company's aggregate purchased intangible assets:

	December 31, 2009			December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>\$ in millions</i>						
Contract and program intangibles	\$2,644	\$(1,793)	\$851	\$2,614	\$(1,692)	\$922
Other purchased intangibles	100	(78)	22	100	(75)	25
Total	\$2,744	\$(1,871)	\$873	\$2,714	\$(1,767)	\$947

The company's purchased intangible assets are subject to amortization and are being amortized on a straight-line basis over an aggregate weighted-average period of 28 years. Aggregate amortization expense for 2009, 2008, and 2007, was \$104 million, \$136 million, and \$132 million, respectively. The 2008 amount includes a \$19 million impairment of purchased intangibles recorded in the first quarter of 2008 associated with the LHD 8 and other Gulf Coast shipbuilding programs.

The table below shows expected amortization for purchased intangibles as of December 31, 2009, for each of the next five years:

<i>\$ in millions</i>	
Year ending December 31	
2010	\$92
2011	56
2012	56
2013	48
2014	36

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments in Marketable Securities – The company holds a portfolio of marketable securities, primarily consisting of equity securities that are classified as either trading or available-for-sale and can be liquidated without restriction. These assets are recorded at fair value, substantially all of which are based upon quoted market prices for identical instruments in active markets and thus considered Level 1 inputs. As of December 31, 2009, and December 31, 2008, respectively, there were marketable equity securities of \$58 million and \$44 million included in prepaid expenses and other current assets and \$233 million and \$180 million of marketable equity securities included in miscellaneous other assets.

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Derivative Financial Instruments and Hedging Activities – The company utilizes derivative financial instruments in order to manage exposure to interest rate risk and foreign currency exchange rate risk. The company does not use derivative financial instruments for trading or speculative purposes, nor does it use leveraged financial instruments. Interest rate swap agreements utilize floating interest rates as an offset to the fixed-rate characteristics of certain long-term debt instruments. Foreign currency forward contracts are used to manage foreign currency exchange rate risk related to receipts from customers and payments to suppliers denominated in foreign currencies.

Derivative financial instruments are recognized as assets or liabilities in the financial statements and measured at fair value, substantially all of which are based model-derived valuations whose inputs are observable and thus considered Level 2 inputs. Changes in the fair value of derivative financial instruments that qualify and are designated as fair value hedges are recorded in earnings from continuing operations, while the effective portion of the changes in the fair value of derivative financial instruments that qualify and are designated as cash flow hedges are recorded in other comprehensive income. Credit risk related to derivative financial instruments is considered minimal and is managed by requiring high credit standards for counterparties and periodic settlements of the underlying transactions.

For derivative financial instruments not designated as hedging instruments as well as the ineffective portion of cash flow hedges, gains or losses resulting from changes in the fair value are reported in Other, net in the consolidated statements of operations. Unrealized gains or losses on cash flow hedges are reclassified from other comprehensive income to earnings from continuing operations upon the recognition of the underlying transactions.

As of December 31, 2009, an interest rate swap with a notional value of \$200 million, and foreign currency purchase and sale forward contract agreements with notional values of \$77 million and \$151 million, respectively, were designated as hedging instruments. The remaining notional values outstanding at December 31, 2009, under foreign currency purchase and sale forward contracts of \$19 million and \$74 million, respectively, were not designated as hedging instruments.

As of December 31, 2008, interest rate swaps with notional values totaling \$400 million, and foreign currency purchase and sale forward contract agreements with notional values of \$74 million and \$210 million, respectively, were designated as hedging instruments. The remaining notional values outstanding at December 31, 2008, under foreign currency purchase and sale forward contracts of \$56 million and \$82 million, respectively, were not designated as hedging instruments.

In October 2008, the company entered into two forward-starting interest rate swaps with a notional value totaling \$400 million and designated these swaps as cash flow hedges. The fair value of the forward-starting swap agreements was a \$58 million liability at December 31, 2008, and was included in other current liabilities. These swaps were settled as of June 8, 2009, and the related impact on the consolidated statements of operations was not material. All other derivative fair values and related unrealized gains and losses at December 31, 2009, and 2008, were not material.

The carrying amounts of other financial instruments not listed in the table below approximate fair value due to the short-term nature of these items. Carrying amounts and the related estimated fair values of the company's financial instruments not recorded at fair value in the financial statements are as follows:

<i>\$ in millions</i>	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash surrender value of life insurance policies	\$ 242	\$ 242	\$ 240	\$ 240
Long-term debt	(4,282)	(4,825)	(3,920)	(4,369)

Cash Surrender Value of Life Insurance Policies – The company maintains variable universal life insurance policies on a group of executives which are recorded at their cash surrender value as determined by the insurance carrier. Additionally, the

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company has split-dollar life insurance policies on former officers and executives from acquired businesses which are recorded at the lesser of their cash surrender value or premiums paid. The policies are utilized as a partial funding source for deferred compensation and other non-qualified employee retirement plans. Amounts associated with these policies are recorded in miscellaneous other assets in the consolidated statements of financial position.

Long-Term Debt – The fair value of long-term debt was calculated based on interest rates available for debt with terms and maturities similar to the company's existing debt arrangements.

12. INCOME TAXES

The company's effective tax rate on earnings from continuing operations for the year ended December 31, 2009, was 30.6 percent as compared with 33.8 percent and 32.8 percent in 2008 and 2007, respectively (excluding for 2008 the non-cash, non-deductible goodwill impairment charge of \$3.1 billion at Aerospace Systems and Shipbuilding). The company's effective tax rates reflect tax credits, manufacturing deductions and the impact of settlements with the Internal Revenue Service (IRS). During 2009, the company reached a final settlement with the IRS regarding its audit of the company's tax returns for the years ended December 31, 2001 through 2003 and recognized \$75 million of net benefit upon settlement, including \$20 million of interest. During 2008, the company reached a final settlement with the IRS regarding its audit of the TRW tax returns for the years ended 1999 through 2002 and recognized \$35 million of benefit upon settlement, including \$4 million of interest. During 2007, the company reached a partial settlement agreement with the IRS regarding its audit of the company's tax years ended December 31, 2001 through 2003 and recognized \$22 million of benefit upon settlement, including \$6 million of interest.

Income tax expense, both federal and foreign, consisted of the following:

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Income Taxes on Continuing Operations			
Currently payable			
Federal income taxes	\$ 527	\$ 728	\$ 627
Foreign income taxes	34	35	42
Total federal and foreign income taxes currently payable	561	763	669
Change in deferred federal and foreign income taxes	132	96	186
Total federal and foreign income taxes	\$ 693	\$ 859	\$ 855

The geographic source of earnings (loss) from continuing operations before income taxes is as follows:

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Domestic income (loss)	\$2,140	\$(622)	\$2,515
Foreign income	126	102	91
Income (loss) from continuing operations before income taxes	\$2,266	\$(520)	\$2,606

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Income tax expense differs from the amount computed by multiplying the statutory federal income tax rate times the earnings (loss) from continuing operations before income taxes due to the following:

<i>\$ in millions</i>	Year Ended December 31		
	2009	2008	2007
Income tax (benefit) expense on continuing operations at statutory rate	\$793	\$(183)	\$912
Goodwill impairment		1,071	
Manufacturing deduction	(24)	(19)	(19)
Research tax credit	(17)	(13)	(14)
Settlement of IRS appeals cases, net of additional uncertain tax position accruals	(75)	(35)	(22)
Other, net	16	38	(2)
Total federal and foreign income taxes	\$693	\$859	\$855

Uncertain Tax Positions – During the third quarter of 2009, the company reached a final settlement agreement with the IRS and the U.S. Congressional Joint Committee on Taxation (Joint Committee) with respect to the IRS’ audit of the company’s tax returns for the years 2001 through 2003. As a result of this settlement, the company reduced its liability for uncertain tax positions by \$60 million, which was recorded as a reduction to the company’s effective tax rate.

During the third quarter of 2008, the company reached a final settlement agreement with the IRS and Joint Committee with respect to the IRS’ audit of the TRW tax returns for the years 1999 through 2002. As a result of this settlement, the company reduced its liability for uncertain tax positions by \$126 million (including accrued interest of \$44 million), \$95 million of which was recorded as a reduction of goodwill.

As of December 31, 2009, the estimated value of the company’s uncertain tax positions was a liability of \$423 million which includes accrued interest of \$61 million. If the company’s positions are sustained by the taxing authorities in favor of the company, the reversal of the amounts accrued for uncertain tax positions would reduce the company’s effective tax rate.

Unrecognized Tax Benefits – Unrecognized tax benefits consist of the carrying value of the company’s recorded uncertain tax positions as well as the potential tax benefits that could result from other tax positions that have not been recognized in the financial statement under GAAP. At December 31, 2009, and 2008, unrecognized tax benefits that have not been recognized in the financial statements amounted to \$67 million. The change in unrecognized tax benefits during 2009 and 2008, excluding interest, is as follows:

<i>\$ in millions</i>	December 31	
	2009	2008
Unrecognized tax benefit at beginning of the year	\$416	\$488
Additions based on tax positions related to the current year	12	5
Additions for tax positions of prior years	61	15
Statute expiration		(9)
Settlements	(60)	(83)
Net change in unrecognized tax benefits	13	(72)
Unrecognized tax benefit at end of the year	\$429	\$416

Although the company believes that it has adequately provided for all of its tax positions, amounts asserted by taxing authorities in future years could be greater than the company’s accrued positions. Accordingly, additional provisions on income tax related matters could be recorded in the future due to revised estimates, settlement or other resolution of the underlying tax matters. In addition, open tax years related to state and foreign

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jurisdictions remain subject to examination but are not considered material. The IRS is currently conducting an examination of the company's tax returns for the years 2004 through 2006. It is reasonably possible that the company will reach a settlement with the IRS and Joint Committee within the next twelve months which may result in a material net reduction in the company's liability for uncertain tax positions.

During the year ended December 31, 2009, the company recorded approximately \$6 million of interest income, and during the year ended December 31, 2008, the company recorded \$29 million of interest expense within its federal and foreign income tax provision.

Deferred Income Taxes – Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax purposes. Such amounts are classified in the consolidated statements of financial position as current or noncurrent assets or liabilities based upon the classification of the related assets and liabilities.

The tax effects of significant temporary differences and carryforwards that gave rise to year-end deferred federal, state and foreign tax balances, as presented in the consolidated statements of financial position, are as follows:

<i>\$ in millions</i>	December 31	
	2009	2008
Deferred Tax Assets		
Retirement benefit plan expense	\$2,094	\$2,558
Provision for accrued liabilities	718	727
Tax credits and capital loss carryforwards		33
Other	399	377
Gross deferred tax assets	3,211	3,695
Less valuation allowance		(33)
Net deferred tax assets	3,211	3,662
Deferred Tax Liabilities		
Contract accounting differences	252	307
Purchased intangibles	253	225
Depreciation and amortization	550	478
Goodwill amortization	622	570
Gross deferred tax liabilities	1,677	1,580
Total net deferred tax assets	\$1,534	\$2,082

Net deferred tax assets (liabilities) as presented in the consolidated statements of financial position are as follows:

<i>\$ in millions</i>	December 31	
	2009	2008
Net current deferred tax assets	\$ 524	\$ 585
Net non-current deferred tax assets	1,010	1,497
Total net deferred tax assets	\$1,534	\$2,082

Foreign Income – As of December 31, 2009, the company had approximately \$590 million of accumulated undistributed earnings generated by its foreign subsidiaries. No deferred tax liability has been recorded on these earnings since the company intends to permanently reinvest these earnings, thereby indefinitely postponing their remittance. Should these earnings be distributed in the form of dividends or otherwise, the distributions would be subject to U.S. federal income tax at the statutory rate of 35 percent, less foreign tax credits available to offset

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such distributions, if any. In addition, such distributions would be subject to withholding taxes in the various tax jurisdictions.

Tax Carryforwards – During 2009, the company utilized all of its remaining capital loss carryforwards in connection with the sale of ASD.

13. NOTES PAYABLE TO BANKS AND LONG-TERM DEBT

Lines of Credit – The company has available uncommitted short-term credit lines in the form of money market facilities with several banks. The amount and conditions for borrowing under these credit lines depend on the availability and terms prevailing in the marketplace. No fees or compensating balances are required for these credit facilities.

Credit Facility – The company has a revolving credit facility in an aggregate principal amount of \$2 billion that matures on August 10, 2012. The credit facility permits the company to request additional lending commitments of up to \$500 million from the lenders under the agreement or other eligible lenders under certain circumstances. The agreement provides for swingline loans and letters of credit as sub-facilities for the credit facilities provided for in the agreement. Borrowings under the credit facility bear interest at various rates, including the London Interbank Offered Rate, adjusted based on the company's credit rating, or an alternate base rate plus an incremental margin. The credit facility also requires a facility fee based on the daily aggregate amount of commitments (whether or not utilized) and the company's credit rating level, and contains a financial covenant relating to a maximum debt to capitalization ratio, and certain restrictions on additional asset liens. There were no borrowings during 2009 and a maximum of \$300 million borrowed under this facility during 2008. There was no balance outstanding under this facility at December 31, 2009, and 2008. As of December 31, 2009, the company was in compliance with all covenants.

Gulf Opportunity Zone Industrial Development Revenue Bonds – As of December 31, 2009 and 2008, Shipbuilding had \$200 million outstanding from the issuance of Gulf Opportunity Zone Industrial Development Revenue Bonds issued by the Mississippi Business Finance Corporation. These bonds accrue interest at a fixed rate of 4.55 percent per annum (payable semi-annually), and repayment of principal and interest is guaranteed by the company. In accordance with the terms of the bonds, the proceeds have been used to finance the construction, reconstruction, and renovation of the company's interest in certain ship manufacturing and repair facilities, or portions thereof, located in the state of Mississippi.

Debt Issuance – In July 2009, the company issued \$350 million of 5-year and \$500 million of 10-year unsecured senior obligations. Interest on the notes is payable semi-annually in arrears at fixed rates of 3.70 percent and 5.05 percent per annum, and the notes will mature on August 1, 2014, and August 1, 2019, respectively. These senior notes are subject to redemption at the company's discretion at any time prior to maturity in whole or in part at the principal amount plus any make-whole premium and accrued and unpaid interest. The net proceeds from these notes are being used for general corporate purposes including debt repayment, acquisitions, share repurchases, pension plan funding, and working capital. On October 15, 2009, a portion of the net proceeds was used to retire \$400 million of 8 percent senior debt that had matured.

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Long-term debt consisted of the following:

<i>\$ in millions</i>	December 31	
	2009	2008
Notes and debentures due 2010 to 2036, rates from 3.7% to 9.375%	\$3,964	\$3,600
Other indebtedness due 2010 to 2028, rates from 4.55% to 8.5%	318	320
Total long-term debt	4,282	3,920
Less current portion	91	477
Long-term debt, net of current portion	\$4,191	\$3,443

Indentures underlying long-term debt issued by the company or its subsidiaries contain various restrictions with respect to the issuer, including one or more restrictions relating to limitations on liens, sale-leaseback arrangements, and funded debt of subsidiaries.

Maturities of long-term debt as of December 31, 2009, are as follows:

<i>\$ in millions</i>	
Year Ending December 31	
2010	\$ 91
2011	778
2012	2
2013	2
2014	352
Thereafter	3,033
Total principal payments	4,258
Unamortized premium on long-term debt, net of discount	24
Total long-term debt	\$4,282

The premium on long-term debt primarily represents non-cash fair market value adjustments resulting from acquisitions, which are amortized over the life of the related debt.

14. LITIGATION

U.S. Government Investigations and Claims – Departments and agencies of the U.S. Government have the authority to investigate various transactions and operations of the company, and the results of such investigations may lead to administrative, civil or criminal proceedings, the ultimate outcome of which could be fines, penalties, repayments or compensatory or treble damages. U.S. Government regulations provide that certain findings against a contractor may lead to suspension or debarment from future U.S. Government contracts or the loss of export privileges for a company or an operating division or subdivision. Suspension or debarment could have a material adverse effect on the company because of its reliance on government contracts.

In the second quarter of 2007, the U.S. Coast Guard issued a revocation of acceptance under the Deepwater Program for eight converted 123-foot patrol boats (the vessels) based on alleged “hull buckling and shaft alignment problems” and alleged “nonconforming topside equipment” on the vessels. The company submitted a written response that argued that the revocation of acceptance was improper. The Coast Guard advised Integrated Coast Guard Systems, LLC (ICGS), which was formed by the contractors to perform the Deepwater Program, that it was seeking \$96.1 million from ICGS as a result of the revocation of acceptance. The majority of the costs associated with the 123-foot conversion effort are associated with the alleged structural deficiencies of the vessels, which were converted under contracts with the company and a subcontractor to the company. In 2008, the Coast Guard advised ICGS that the Coast Guard would support an investigation by the U.S. Department of Justice of ICGS and its subcontractors instead of pursuing its \$96.1 million claim independently. The Department of Justice conducted

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an investigation of ICGS under a sealed False Claims Act complaint filed in the U.S. District Court for the Northern District of Texas and decided in early 2009 not to intervene at that time. On February 12, 2009, the Court unsealed the complaint filed by Michael J. DeKort, a former Lockheed Martin employee, against ICGS, Lockheed Martin Corporation and the company, relating to the 123-foot conversion effort. On July 22, 2009, the three defendants moved to dismiss the complaint. On October 2, 2009, the Court set a trial date of November 1, 2010. Based upon the information available to the company to date, the company believes that it has substantive defenses to any potential claims but can give no assurance that the company will prevail in this litigation.

In August 2008, the company disclosed to the Antitrust Division of the U.S. Department of Justice possible violations of federal antitrust laws in connection with the bidding process for certain maintenance contracts at a military installation in California. In February 2009, the company and the Department of Justice signed an agreement admitting the company into the Corporate Leniency Program. As a result of the company's acceptance into the Program, the company will be exempt from federal criminal prosecution and criminal fines relating to the matters the company reported to the Department of Justice if the company complies with certain conditions, including its continued cooperation with the government's investigation and its agreement to make restitution if the government was harmed by the violations.

Based upon the available information regarding matters that are subject to U.S. Government investigations, the company believes that the outcome of any such matters would not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Litigation – Various claims and legal proceedings arise in the ordinary course of business and are pending against the company and its properties. Based upon the information available, the company believes that the resolution of any of these various claims and legal proceedings would not have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

The company is one of several defendants in litigation brought by the Orange County Water District in Orange County Superior Court in California on December 17, 2004, for alleged contribution to volatile organic chemical contamination of the County's shallow groundwater. The lawsuit includes counts against the defendants for violation of the Orange County Water District Act, the California Super Fund Act, negligence, nuisance, trespass and declaratory relief. Among other things, the lawsuit seeks unspecified damages for the cost of remediation, payment of attorney fees and costs, and punitive damages. The June 2009 trial date was vacated and a status conference has been set for March 12, 2010.

On March 27, 2007, the U.S. District Court for the Central District of California consolidated two Employee Retirement Income Security Act (ERISA) lawsuits that had been separately filed on September 28, 2006 and January 3, 2007, into *In Re Northrop Grumman Corporation ERISA Litigation*. The plaintiffs seek to have the lawsuits certified as class actions. On August 6, 2007, the District Court denied plaintiffs' motion for class certification, and the plaintiffs appealed the Court's decision on class certification to the U.S. Court of Appeals for the Ninth Circuit. On September 8, 2009, the Ninth Circuit vacated the Order denying class certification and remanded the issue to the District Court for further consideration. As required by the Ninth Circuit's Order, the case was also reassigned to a different judge.

On June 22, 2007, a putative class action was filed against the Northrop Grumman Pension Plan and the Northrop Grumman Retirement Plan B and their corresponding administrative committees, styled as *Skinner et al. v. Northrop Grumman Pension Plan, etc., et al.*, in the U.S. District Court for the Central District of California. The putative class representatives alleged violations of ERISA and breaches of fiduciary duty concerning a 2003 modification to the Northrop Grumman Retirement Plan B. The modification relates to the employer funded portion of the pension benefit available during a five-year transition period that ended on June 30, 2008. The plaintiffs dismissed the Northrop Grumman Pension Plan, and in 2008 the District Court granted summary judgment in favor of all remaining defendants on all claims. The plaintiffs appealed, and in May 2009, the Ninth Circuit reversed the decision of the District Court and remanded the matter back to the District Court for further proceedings, finding that there was ambiguity in a 1998 summary plan description related to the

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employer funded component of the pension benefit. The plaintiffs filed a motion to certify the class. The parties also filed cross-motions for summary judgment. On January 26, 2010, the District Court granted summary judgment in favor of the Plan and denied plaintiffs' motion. The District Court also denied plaintiffs' motion for class certification and struck the trial date of March 23, 2010 as unnecessary given the Court's grant of summary judgment for the Plan. On February 2, 2010, the plaintiffs appealed the judgment in favor of the Plan.

Other Matters – The company is pursuing legal action against an insurance provider arising out of a disagreement concerning the coverage of certain losses related to Hurricane Katrina (see Note 15). The company commenced the action against Factory Mutual Insurance Company (FM Global) on November 4, 2005, which is now pending in the U.S. District Court for the Central District of California, Western Division. In August 2007, the District Court issued an order finding that the excess insurance policy provided coverage for the company's Katrina-related loss. In November 2007, FM Global filed a notice of appeal of the District Court's order. On August 14, 2008, the U.S. Court of Appeals for the Ninth Circuit reversed the earlier summary judgment order in favor of the company, holding that the FM Global excess policy unambiguously excludes damage from the storm surge caused by Hurricane Katrina under its "Flood" exclusion. The Ninth Circuit remanded the case to the District Court to determine whether the California efficient proximate cause doctrine affords the company coverage under the policy even if the Flood exclusion of the policy is unambiguous. The company filed a Petition for Rehearing En Banc, or in the Alternative, For Panel Rehearing with the Ninth Circuit on August 27, 2008. On April 2, 2009, the Ninth Circuit denied the company's Petition for Rehearing and remanded the case to the District Court. On June 10, 2009, the company filed a motion seeking leave of court to file a complaint adding AON Risk Services, Inc. of Southern California as a defendant. On July 1, 2009, FM Global filed a motion for partial summary judgment seeking a determination that the California efficient proximate cause doctrine is not applicable or that it affords no coverage under the policy. Both motions have been fully briefed and argued. Based on the current status of the litigation, no assurances can be made as to the ultimate outcome of this matter.

During 2008, the company received notification from Munich-American Risk Partners (Munich Re), the only remaining insurer within the primary layer of insurance coverage with which a resolution has not been reached, that it will pursue arbitration proceedings against the company related to approximately \$19 million owed by Munich Re to Northrop Grumman Risk Management Inc. (NGRMI), a wholly-owned subsidiary of the company, for certain losses related to Hurricane Katrina. The company was subsequently notified that Munich Re also will seek reimbursement of approximately \$44 million of funds previously advanced to NGRMI for payment of claim losses of which Munich Re provided reinsurance protection to NGRMI pursuant to an executed reinsurance contract, and \$6 million of adjustment expenses. The company believes that NGRMI is entitled to full reimbursement of its covered losses under the reinsurance contract and has substantive defenses to the claim of Munich Re for return of the funds paid to date.

15. COMMITMENTS AND CONTINGENCIES

Contract Performance Contingencies – Contract profit margins may include estimates of revenues not contractually agreed to between the customer and the company for matters such as contract changes, settlements in the process of negotiation, claims and requests for equitable adjustment for previously unanticipated contract costs. These estimates are based upon management's best assessment of the underlying causal events and circumstances, and are included in determining contract profit margins to the extent of expected recovery based on contractual entitlements and the probability of successful negotiation with the customer. As of December 31, 2009, the amounts related to the aforementioned items are not material individually or in the aggregate.

Guarantees of Subsidiary Performance Obligations – From time to time in the ordinary course of business, the company guarantees performance obligations of its subsidiaries under certain contracts. In addition, the company's subsidiaries may enter into joint ventures, teaming and other business arrangements (Business Arrangements) to support the company's products and services in domestic and international markets. The company generally strives to limit its exposure under these arrangements to its subsidiary's investment in the

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Business Arrangement, or to the extent of such subsidiary's obligations under the applicable contract. In some cases, however, the company may be required to guarantee performance by the Business Arrangement and, in such cases, the company generally obtains cross-indemnification from the other members of the Business Arrangement. At December 31, 2009, the company is not aware of any existing event of default that would require it to satisfy any of these guarantees.

Environmental Matters – The estimated cost to complete remediation has been accrued where it is probable that the company will incur such costs in the future to address environmental impacts at currently or formerly owned or leased operating facilities, or at sites where it has been named a Potentially Responsible Party (PRP) by the Environmental Protection Agency, or similarly designated by other environmental agencies. These accruals do not include any litigation costs related to environmental matters, nor do they include amounts recorded as asset retirement obligations. To assess the potential impact on the company's consolidated financial statements, management estimates the range of reasonably possible remediation costs that could be incurred by the company, taking into account currently available facts on each site as well as the current state of technology and prior experience in remediating contaminated sites. These estimates are reviewed periodically and adjusted to reflect changes in facts and technical and legal circumstances. Management estimates that as of December 31, 2009, the range of reasonably possible future costs for environmental remediation sites is \$239 million to \$483 million, of which \$115 million is accrued in other current liabilities and \$168 million is accrued in other long-term liabilities. Factors that could result in changes to the company's estimates include: modification of planned remedial actions, increases or decreases in the estimated time required to remediate, changes to the determination of legally responsible parties, discovery of more extensive contamination than anticipated, changes in laws and regulations affecting remediation requirements, and improvements in remediation technology. Should other PRPs not pay their allocable share of remediation costs, the company may have to incur costs in addition to those already estimated and accrued. In addition, there are some potential remediation sites where the costs of remediation cannot be reasonably estimated. Although management cannot predict whether new information gained as projects progress will materially affect the estimated liability accrued, management does not anticipate that future remediation expenditures will have a material adverse effect on the company's consolidated financial position, results of operations, or cash flows.

Hurricane Impacts – During the third quarter of 2008, the Gulf Coast shipyards were affected by Hurricane Gustav. As a result of the storm, the Gulf Coast shipyards experienced a shut-down for several days, and a resulting minor delay in ship construction throughout the yards; however the storm caused no significant physical damage to the yards. Shipbuilding's sales and operating income in 2008 were reduced by approximately \$100 million and \$13 million, respectively, during the second half of 2008 due to lost production and additional costs resulting from the shut-down.

Also during the third quarter of 2008, a subcontractor's operations in Texas were severely impacted by Hurricane Ike. The subcontractor produces compartments for two of the LPD amphibious transport dock ships under construction at the Gulf Coast shipyards. As a result of the delays and cost growth caused by the subcontractor's production delays, Shipbuilding's 2008 operating income was reduced by approximately \$23 million during the second half of 2008. In 2009, the company received \$25 million of insurance proceeds representing interim payments on the Hurricane Ike insurance claim.

In August 2005, the company's Gulf Coast operations were significantly impacted by Hurricane Katrina and the company's shipyards in Louisiana and Mississippi sustained significant windstorm damage from the hurricane. As a result of the storm, the company incurred costs to replace or repair destroyed or damaged assets, suffered losses under its contracts, and incurred substantial costs to clean up and recover its operations. As of the date of the storm, the company had a comprehensive insurance program that provided coverage for, among other things, property damage, business interruption impact on net profitability, and costs associated with clean-up and recovery. The company has recovered a portion of its Hurricane Katrina claim and expects that its remaining claim will be resolved separately with the two remaining insurers, FM Global and Munich Re (see Note 14).

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The company has full entitlement to any insurance recoveries related to business interruption impacts on net profitability resulting from these hurricanes. However, because of uncertainties concerning the ultimate determination of recoveries related to business interruption claims, in accordance with company policy no such amounts are recognized until they are resolved with the insurers. Furthermore, due to the uncertainties with respect to the company's disagreement with FM Global in relation to the Hurricane Katrina claim, no receivables have been recognized by the company in the accompanying consolidated financial statements for insurance recoveries from FM Global.

In accordance with U.S. Government cost accounting regulations affecting the majority of the company's contracts, the cost of insurance premiums for property damage and business interruption coverage, other than "coverage of profit", is an allowable expense that may be charged to contracts. Because a substantial portion of long-term contracts at the shipyards are flexibly-priced, the government customer would benefit from a portion of insurance recoveries in excess of the net book value of damaged assets and clean-up and restoration costs paid by the company. When such insurance recoveries occur, the company is obligated to return a portion of these amounts to the government.

Shipbuilding Quality Issues – In conjunction with a second quarter 2009 review of design, engineering and production processes at Shipbuilding undertaken as a result of leaks discovered in the USS *San Antonio*'s (LPD 17) lube oil system, the company became aware of a quality issue relating to certain pipe welds on ships under production as well as those that had previously been delivered. Since that discovery, the company has been working with its customers to determine the nature and extent of the pipe weld issue and its possible impact on the company's products. This effort has resulted in the preparation of a technical analysis of the problem, additional inspections on the ships, a rework plan for ships previously delivered and in various stages of production, and modifications to the work plans for ships being placed into production all of which has been done with the knowledge and support of the affected customers. The incremental costs associated with the anticipated resolution of this matter have been reflected in the financial performance analysis and contract booking rates beginning with the second quarter of 2009.

In the fourth quarter of 2009, certain bearing wear and debris were found in the lubrication system of the main propulsion diesel engines (MPDE) installed on LPD 21. Shipbuilding is participating with the U.S. Navy and other industry participants involved with the MPDEs in a review panel established by the Navy to examine the MPDE lubrication system's design, construction, operation and maintenance for the LPD 17 class of ships. The team is focusing on identification and understanding of the root causes of the MPDE diesel bearing wear and the debris in the lubrication system, and will support the implementation of appropriate corrective actions consistent with applicable contract and legal requirements. When the root cause analysis is complete, the company will implement appropriate corrective actions in partnership with the customer to minimize the possibility of this kind of occurrence in the future.

At December 31, 2009, the company does not believe that resolution of the quality matter relating to pipe welds and the issues relating to bearing wear and lube oil debris on LPD 17 class ships will have a material adverse effect upon the company's consolidated financial position, results of operations or cash flows.

Co-Operative Agreements – In 2003, Shipbuilding executed agreements with the states of Mississippi and Louisiana whereby Shipbuilding leases facility improvements and equipment from Mississippi and from a non-profit economic development corporation in Louisiana in exchange for certain commitments by Shipbuilding to these states. As of December 31, 2009, Shipbuilding has fully met its obligations under the Mississippi agreement and has met all but one requirement under the Louisiana agreement. Failure by Shipbuilding to meet the remaining Louisiana commitment would result in reimbursement by Shipbuilding to Louisiana in accordance with the agreement. As of December 31, 2009, Shipbuilding expects that the remaining commitment under the Louisiana agreement will be met based on its most recent business plan.

Financial Arrangements – In the ordinary course of business, the company uses standby letters of credit and guarantees issued by commercial banks and surety bonds issued by insurance companies principally to guarantee

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the performance on certain contracts and to support the company's self-insured workers' compensation plans. At December 31, 2009, there were \$531 million of unused stand-by letters of credit, \$178 million of bank guarantees, and \$452 million of surety bonds outstanding.

The company has also guaranteed a \$200 million loan made to Shipbuilding in connection with the Gulf Opportunity Zone Industrial Revenue Bonds issued in December 2006. Under the loan agreement the company guaranteed Shipbuilding's repayment of the principal and interest to the Trustee. The company also guaranteed payment of the principal and interest by the Trustee to the underlying bondholders (see Note 13).

Indemnifications – The company has retained certain warranty, environmental, income tax, and other potential liabilities in connection with certain of its divestitures. The settlement of these liabilities is not expected to have a material adverse effect on the company's consolidated financial position, results of operations, or cash flows.

U.S. Government Claims – From time to time, the U.S. Government advises the company of claims and penalties concerning certain potential disallowed costs. When such findings are presented, the company and the U.S. Government representatives engage in discussions to enable the company to evaluate the merits of these claims as well as to assess the amounts being claimed. The company does not believe, but can give no assurance, that the outcome of any such matters would have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

Operating Leases – Rental expense for operating leases, excluding discontinued operations, was \$549 million in 2009, \$567 million in 2008, and \$568 million in 2007. These amounts are net of immaterial amounts of sublease rental income. Minimum rental commitments under long-term noncancellable operating leases as of December 31, 2009, total approximately \$1.7 billion, which are payable as follows: 2010 – \$382 million; 2011 – \$304 million; 2012 – \$238 million; 2013 – \$181 million; 2014 – \$161 million and thereafter – \$434 million.

Related Party Transactions – For all periods presented, the company had no material related party transactions.

16. RETIREMENT BENEFITS

Plan Descriptions

Defined Benefit Pension Plans – The company sponsors several defined benefit pension plans in the U.S. covering the majority of its employees. Pension benefits for most employees are based on the employee's years of service and compensation. It is the policy of the company to fund at least the minimum amount required for all qualified plans, using actuarial cost methods and assumptions acceptable under U.S. Government regulations, by making payments into benefit trusts separate from the company. The pension benefit for most employees is based upon criteria whereby employees earn age and service points over their employment period.

Defined Contribution Plans – The company also sponsors 401(k) defined contribution plans in which most employees are eligible to participate, as well as certain bargaining unit employees. Company contributions for most plans are based on a cash matching of employee contributions up to 4 percent of compensation. Certain hourly employees are covered under a target benefit plan. The company also participates in a multiemployer plan for certain of the company's union employees. In addition to the 401(k) defined contribution benefit, non-union represented employees hired after June 30, 2008, are eligible to participate in a defined contribution program in lieu of a defined benefit pension plan. The company's contributions to these defined contribution plans for the years ended December 31, 2009, 2008, and 2007, were \$341 million, \$311 million, and \$294 million, respectively.

Non-U.S. Benefit Plans – The company sponsors several benefit plans for non-U.S. employees. These plans are designed to provide benefits appropriate to local practice and in accordance with local regulations. Some of these plans are funded using benefit trusts that are separate from the company.

Medical and Life Benefits – The company provides a portion of the costs for certain health care and life insurance benefits for a substantial number of its active and retired employees. Covered employees achieve eligibility to

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participate in these contributory plans upon retirement from active service if they meet specified age and years of service requirements. Qualifying dependents are also eligible for medical coverage. Approximately 65 percent of the company's current retirees participate in the medical plans. The company reserves the right to amend or terminate the plans at any time. In November 2006, the company adopted plan amendments and communicated to plan participants that it would cap the amount of its contributions to substantially all of its remaining post retirement medical and life benefit plans that were previously not subject to limits on the company's contributions.

In addition to a medical inflation cost-sharing feature, the plans also have provisions for deductibles, co-payments, coinsurance percentages, out-of-pocket limits, conformance to a schedule of reasonable fees, the use of managed care providers, and maintenance of benefits with other plans. The plans also provide for a Medicare carve-out, and a maximum lifetime benefit of \$2 million per covered individual. Subsequent to January 1, 2005 (or earlier at some segments), newly hired employees are not eligible for post employment medical and life benefits.

The effect of the Medicare prescription drug subsidy from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 to reduce the company's net periodic post-retirement benefit cost and accumulated post-retirement benefit obligation for the periods presented was not material.

Summary Plan Results

The cost to the company of its retirement benefit plans in each of the three years ended December 31 is shown in the following table:

<i>\$ in millions</i>	Pension Benefits			Medical and Life Benefits		
	2009	2008	2007	2009	2008	2007
Components of Net Periodic Benefit Cost						
Service cost	\$ 661	\$ 721	\$ 786	\$ 48	\$ 55	\$ 52
Interest cost	1,350	1,335	1,250	164	166	164
Expected return on plan assets	(1,559)	(1,895)	(1,774)	(48)	(64)	(58)
Amortization of						
Prior service cost (credit)	50	40	40	(59)	(65)	(65)
Net loss from previous years	337	24	48	28	22	25
Other	17		2			
Net periodic benefit cost	\$ 856	\$ 225	\$ 352	\$133	\$114	\$118

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The table below summarizes the changes in the components of unrecognized benefit plan costs for the years ended December 31, 2009, and 2008:

<i>\$ in millions</i>	Pension Benefits	Medical and Life Benefits	Total
Changes in Unrecognized Benefit Plan Costs			
Net actuarial loss	\$ 4,558	\$132	\$ 4,690
Prior service cost	73	30	103
Amortization of			
Prior service (cost) credit	(40)	65	25
Net loss from previous years	(24)	(22)	(46)
Tax benefits related to above items	(1,807)	(81)	(1,888)
Changes in unrecognized benefit plan costs – 2008	\$ 2,760	\$124	\$ 2,884
Net actuarial gain	\$ (524)	\$ (60)	\$ (584)
Prior service cost (credit)	5		5
Amortization of			
Prior service (cost) credit	(50)	59	9
Net loss from previous years	(337)	(28)	(365)
Tax benefits related to above items	363	11	374
Changes in unrecognized benefit plan costs – 2009	\$ (543)	\$ (18)	\$ (561)

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The following tables set forth the funded status and amounts recognized in the consolidated statements of financial position for the company's defined benefit pension and retiree health care and life insurance benefit plans. Pension benefits data include the qualified plans as well as 23 domestic unfunded non-qualified plans for benefits provided to directors, officers, and certain employees. The company uses a December 31 measurement date for all of its plans.

<i>\$ in millions</i>	Pension Benefits		Medical and Life Benefits	
	2009	2008	2009	2008
Change in Projected Benefit Obligation				
Projected benefit obligation at beginning of year	\$22,147	\$22,069	\$ 2,716	\$ 2,812
Service cost	661	721	48	55
Interest cost	1,350	1,335	164	166
Plan participants' contributions	16	14	106	78
Plan amendments	5	73		30
Actuarial loss (gain)	869	(818)	15	(170)
Benefits paid	(1,359)	(1,179)	(289)	(269)
Acquisitions, curtailments, divestitures and other	34	(68)	20	14
Projected benefit obligation at end of year	23,723	22,147	2,780	2,716
Change in Plan Assets				
Fair value of plan assets at beginning of year	18,501	22,891	718	951
Gain / (loss) on plan assets	2,945	(3,500)	126	(238)
Employer contributions	858	320	162	181
Plan participants' contributions	16	14	106	78
Benefits paid	(1,359)	(1,179)	(289)	(269)
Acquisitions, curtailments, divestitures and other	12	(45)	20	15
Fair value of plan assets at end of year	20,973	18,501	843	718
Funded status	\$ (2,750)	\$ (3,646)	\$ (1,937)	\$ (1,998)
Amounts Recognized in the Consolidated Statements of Financial Position				
Non-current assets	\$ 264	\$ 266	\$ 36	\$ 24
Current liability	(47)	(45)	(66)	(66)
Non-current liability	(2,967)	(3,867)	(1,907)	(1,956)

The following table shows those amounts expected to be recognized in net periodic benefit cost in 2010:

<i>\$ in millions</i>	Pension Benefits	Medical and Life Benefits
Amounts Expected to be Recognized in 2010 Net Periodic Benefit Cost		
Net loss	\$244	\$ 26
Prior service cost (credit)	47	(60)

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The accumulated benefit obligation for all defined benefit pension plans was \$22.1 billion and \$20.4 billion at December 31, 2009 and 2008, respectively.

<i>\$ in millions</i>	Pension Benefits		Medical and Life Benefits	
	2009	2008	2009	2008
Amounts Recorded in Accumulated Other Comprehensive Loss				
Net actuarial loss	\$(4,648)	\$(5,509)	\$(451)	\$(539)
Prior service cost and net transition obligation	(242)	(287)	298	357
Income tax benefits related to above items	1,923	2,286	61	72
Unamortized benefit plan costs	\$(2,967)	\$(3,510)	\$ (92)	\$(110)

Amounts for pension plans with accumulated benefit obligations in excess of fair value of plan assets are as follows:

<i>\$ in millions</i>	December 31	
	2009	2008
Projected benefit obligation	\$20,687	\$19,926
Accumulated benefit obligation	19,162	18,217
Fair value of plan assets	17,739	16,036

Plan Assumptions

On a weighted-average basis, the following assumptions were used to determine the benefit obligations and the net periodic benefit cost:

	Pension Benefits		Medical and Life Benefits	
	2009	2008	2009	2008
Assumptions Used to Determine Benefit Obligation at December 31				
Discount rate	6.03%	6.25%	5.80%	6.25%
Rate of compensation increase	3.75%	4.00%		
Initial health care cost trend rate assumed for the next year			7.00%	7.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			5.00%	5.00%
Year that the rate reaches the ultimate trend rate			2014	2014
Assumptions Used to Determine Benefit Cost for the Year Ended December 31				
Discount rate	6.25%	6.22%	6.25%	6.12%
Expected long-term return on plan assets	8.50%	8.50%	6.95%	6.85%
Rate of compensation increase	4.00%	4.25%		
Initial health care cost trend rate assumed for the next year			7.50%	8.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			5.00%	5.00%
Year that the rate reaches the ultimate trend rate			2014	2012

The discount rate is generally based on the yield on high-quality corporate fixed-income investments. At the end of each year, the discount rate is primarily determined using the results of bond yield curve models based on a portfolio of high quality bonds matching the notional cash inflows with the expected benefit payments for each significant benefit plan.

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The assumptions used for pension benefits are consistent with those used for retiree medical and life insurance benefits. The long-term rate of return on plan assets used for the medical and life benefits are reduced to allow for the impact of tax on expected returns as, unlike the pension trust, the earnings of certain Voluntary Employee Beneficiary Association (VEBA) trusts are taxable.

Through consultation with investment advisors, expected long-term returns for each of the plans' strategic asset classes were developed. Several factors were considered, including survey of investment managers' expectations, current market data such as yields/price-earnings ratios, and historical market returns over long periods. Using policy target allocation percentages and the asset class expected returns, a weighted-average expected return was calculated.

A one-percentage-point change in the initial through the ultimate health care cost trend rates would have the following effects:

<i>\$ in millions</i>	1-Percentage- Point Increase	1-Percentage- Point Decrease
Increase (Decrease) From Change In Health Care Cost Trend Rates To		
Post-retirement benefit expense	\$ 7	\$ (8)
Post-retirement benefit liability	81	(91)

Plan Assets and Investment Policy

Plan assets are invested in various asset classes that are expected to produce a sufficient level of diversification and investment return over the long term. The investment goal is to exceed the assumed actuarial rate of return over the long term within reasonable and prudent levels of risk. Liability studies are conducted on a regular basis to provide guidance in setting investment goals with an objective to balance risk. Risk targets are established and monitored against acceptable ranges.

All investment policies and procedures are designed to ensure that the plans' investments are in compliance with ERISA. Guidelines are established defining permitted investments within each asset class. Derivatives are used for transitioning assets, asset class rebalancing, managing currency risk, and for management of fixed income and alternative investments. For the majority of the plans' assets, the investment policies require that the asset allocation be maintained within the following ranges as of December 31, 2009:

	Asset Allocation Ranges
Domestic equities	10 – 30%
International equities	5 – 25 %
Fixed income securities	35 – 50%
Real estate and other	20 – 30%

The table below provides the fair values of the company's pension and VEBA trust plan assets at December 31, 2009, by asset category. The table also identifies the level of inputs used to determine the fair value of assets in each category (see Note 1 for definition of levels). The significant amount of Level 2 investments in the table results from including in this category investments in pooled funds that contain investments with values based on

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quoted market prices, but for which the funds are not valued on a quoted market basis, and fixed income securities that are valued using model based pricing services.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
Asset Category				
Domestic equities	\$3,671		\$ 2	\$ 3,673
International equities	1,516	\$ 1,571		3,087
Fixed income securities				
Cash & cash equivalents ⁽¹⁾	139	2,122		2,261
U.S. Treasuries		1,307		1,307
Other U.S. Government Agency Securities		738		738
Non-U.S. Government Securities		219		219
Corporate debt		4,575		4,575
Asset backed		808	4	812
High yield debt		560	67	627
Bank loans		104		104
Real estate and other				
Hedge funds			1,470	1,470
Private equities			1,893	1,893
Real estate			997	997
Other ⁽²⁾		53		53
Fair value of plan assets at end of year	\$5,326	\$12,057	\$4,433	\$21,816

(1) Cash & cash equivalents are predominantly held in money market funds

(2) Other includes futures, swaps, options, swaptions, insurance contracts and net payable for unsettled trades at year end.

At December 31, 2009, the fair value of the plan assets of \$21,816 million in the table above consisted of \$20,973 million in assets for pension benefits and \$843 million in assets for medical and life benefits.

The changes in the fair value of the pension and VEBA plan trust assets measured using significant unobservable inputs during 2009, are as follows:

<i>\$ in millions</i>	Domestic equities	Asset Backed	High yield debt	Hedge funds	Private equities	Real estate	Total
Balance as of December 31, 2008	\$1	\$4	\$46	\$1,321	\$1,874	\$1,316	\$4,562
Actual return on plan assets:							
Assets still held at reporting date			21	187	(125)	(439)	(356)
Assets sold during the period				(11)	1	(11)	(21)
Purchases, sales, and settlements	1			(27)	143	131	248
Balance as of December 31, 2009	\$2	\$4	\$67	\$1,470	\$1,893	\$ 997	\$4,433

Generally, investments are valued based on information in financial publications of general circulation, statistical and valuation services, records of security exchanges, appraisal by qualified persons, transactions and bona fide offers. Domestic and international equities consist primarily of common stocks and institutional common trust funds. Investments in common and preferred shares are valued at the last reported sales price of the stock on the last business day of the reporting period. Units in common trust funds and hedge funds are valued based on the redemption price of units owned by the trusts at year-end. Fair value for real estate and private equity partnerships is primarily based on valuation methodologies that include third party appraisals, comparable transactions, discounted cash flow valuation models, and public market data.

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Non-government fixed income securities are invested across various industry sectors and credit quality ratings. Generally, investment guidelines are written to limit securities, for example, to no more than 5 percent of each trust account, and to exclude the purchase of securities issued by the company. The number of real estate and private equity partnerships is 77 and the unfunded commitments are \$1.1 billion and \$1.3 billion as of December 31, 2009, and 2008, respectively. For alternative investments that cannot be redeemed, such as limited partnerships, the typical investment term is ten years. For alternative investments that permit redemptions, such redemptions are generally made quarterly and require a 90 day notice.

At December 31, 2009, and 2008, the defined benefit pension and VEBA trusts did not hold any Northrop Grumman common stock.

In 2010, the company expects to contribute the required minimum funding level of approximately \$57 million to its pension plans and approximately \$171 million to its other post-retirement benefit plans and also expects to make additional voluntary pension contributions of approximately \$300 million in the second quarter. During 2009 and 2008, the company made voluntary pension contributions of \$800 million and \$200 million, respectively.

Benefit Payments

The following table reflects estimated future benefit payments, based upon the same assumptions used to measure the benefit obligation, and includes expected future employee service, as of December 31, 2009:

<i>\$ in millions</i>	Pension Plans	Medical and Life Plans
Year Ending December 31		
2010	\$1,195	\$ 191
2011	1,264	195
2012	1,322	198
2013	1,396	204
2014	1,478	211
2015 through 2019	8,739	1,154

17. STOCK COMPENSATION PLANS**Plan Descriptions**

At December 31, 2009, Northrop Grumman had stock-based compensation awards outstanding under the following plans: the 2001 Long-Term Incentive Stock Plan (2001 LTISP), the 1993 Long-Term Incentive Stock Plan (1993 LTISP), both applicable to employees, and the 1993 Stock Plan for Non-Employee Directors (1993 SPND) and 1995 Stock Plan for Non-Employee Directors (1995 SPND) as amended. All of these plans were approved by the company's shareholders. The company has historically issued new shares to satisfy award grants.

Employee Plans – The 2001 LTISP and the 1993 LTISP permit grants to key employees of three general types of stock incentive awards: stock options, stock appreciation rights (SARs), and stock awards. Each stock option grant is made with an exercise price either at the closing price of the stock on the date of grant (market options) or at a premium over the closing price of the stock on the date of grant (premium options). Outstanding stock options granted prior to 2009 generally vest in 25 percent increments over four years from the grant date under the 2001 LTISP and in years two to five under the 1993 LTISP, and grants outstanding expire ten years after the grant date. Stock options granted in 2009 vest in 33 percent increments over three years from the grant date, and grants outstanding expire seven years after the grant date. No SARs have been granted under either of the LTISPs and effective with the adoption of the 2001 LTISP, no new grants have been issued from the 1993 LTISP. Stock awards, in the form of restricted performance stock rights and restricted stock rights, are granted to key employees without payment to the company.

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Under the 2001 LTISP, recipients of restricted performance stock rights earn shares of stock, based on financial metrics determined by the board of directors in accordance with the plan. For grants prior to 2007, if the objectives have not been met at the end of the applicable performance period, up to 100 percent of the original grant for the eight highest compensated employees and up to 70 percent of the original grant for all other recipients will be forfeited. If the financial metrics are met or exceeded during the performance period, all recipients can earn up to 150 percent of the original grant. Beginning in 2007, all members of the Corporate Policy Council (consisting of the CEO and certain other leadership positions) could forfeit up to 100 percent of the original grant, and all recipients could earn up to 200 percent of the original grant. Restricted stock rights issued under either plan generally vest after three years. Termination of employment can result in forfeiture of some or all of the benefits extended. Of the 50 million shares approved for issuance under the 2001 LTISP, approximately 13 million shares were available for future grants as of December 31, 2009.

Non-Employee Plans – Under the 1993 SPND, at least half of the retainer fee earned by each director must be deferred into a stock unit account (Automatic Stock Units). Effective January 1, 2010, the amended SPND provides that the Automatic Stock Units be awarded at the conclusion of board service or as specified by the director. If a director has less than 5 years of service, the stock units are awarded at the conclusion of board service. In addition, directors may defer payment of all or part of the remaining retainer fee and other annual committee fees, which are placed in a stock unit account (Elective Stock Units). The Elective Stock Units are awarded at the conclusion of board service or as specified by the director, regardless of years of service. The 1995 SPND provided for annual stock option grants, and effective June 1, 2005, no new grants have been issued from this plan. The 1995 SPND was amended in May 2007 to permit payment of the stock unit portion of the retainer fee described above. Each grant of stock options under the 1995 SPND was made at the closing market price on the date of the grant, was immediately exercisable, and expires ten years after the grant date. At December 31, 2009, approximately 212 thousand shares were available for future grants under the 1995 SPND.

Compensation Expense

Total stock-based compensation for the years ended December 31, 2009, 2008, and 2007, was \$101 million, \$111 million, and \$196 million, respectively, of which \$20 million, \$15 million, and \$12 million related to stock options and \$81 million, \$96 million, and \$184 million, related to stock awards, respectively. Tax benefits recognized in the consolidated statements of operations for stock-based compensation during the years ended December 31, 2009, 2008, and 2007, were \$40 million, \$44 million, and \$77 million, respectively. In addition, the company realized tax benefits of \$4 million from the exercise of stock options and \$47 million from the issuance of stock awards in 2009.

Stock Options

The fair value of each of the company's stock option awards is estimated on the date of grant using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The fair value of the company's stock option awards is expensed on a straight-line basis over the vesting period of the options, which is generally three to four years. Expected volatility is based on an average of (1) historical volatility of the company's stock and (2) implied volatility from traded options on the company's stock. The risk-free rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. The company uses historical data to estimate future forfeitures. The expected term of awards granted is derived from historical experience under the company's stock-based compensation plans and represents the period of time that awards granted are expected to be outstanding.

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The significant weighted-average assumptions relating to the valuation of the company's stock options for the years ended December 31, 2009, 2008, and 2007, was as follows:

	2009	2008	2007
Dividend yield	3.6%	1.8%	2.0%
Volatility rate	25%	20%	20%
Risk-free interest rate	1.7%	2.8%	4.6%
Expected option life (years)	5-6	6	6

In 2007 and 2008, the company granted stock options almost exclusively to executives, and the expected term of six years was based on these employees' exercise behavior. Beginning in 2009, the company began granting options to non-executives and assigned an expected term of five years for valuing these options. The company believes that this stratification of expected terms best represents future expected exercise behavior between the two employee groups.

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2009, 2008, and 2007, was \$7, \$15, and \$15, per share, respectively.

In connection with the September 2009 announcement that the company's CEO would retire in June 2010, the board of directors modified the CEO's stock option grants by vesting the remaining unvested option grants to purchase 192,271 shares of company stock. The incremental expense associated with these modifications is \$2 million of which \$743,000 was recognized during 2009. The remaining unrecognized modification expense will be recognized ratably through June 2010.

Stock option activity for the year ended December 31, 2009, was as follows:

	Shares Under Option (in thousands)	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (\$ in millions)
Outstanding at January 1, 2009	13,481	\$54	4.2 years	\$18
Granted	2,711	45		
Exercised	(1,241)	42		
Cancelled and forfeited	(509)	55		
Outstanding at December 31, 2009	14,442	\$53	3.8 years	\$88
Vested and expected to vest in the future at December 31, 2009	14,252	\$53	3.8 years	\$87
Exercisable at December 31, 2009	10,646	\$53	3.1 years	\$59
Available for grant at December 31, 2009	8,936			

The total intrinsic value of options exercised during the years ended December 31, 2009, 2008, and 2007, was \$11 million, \$66 million, and \$153 million, respectively. Intrinsic value is measured using the fair market value at the date of exercise (for options exercised) or at December 31, 2009 (for outstanding options), less the applicable exercise price.

Stock Awards – Compensation expense for stock awards is measured at the grant date based on fair value and recognized over the vesting period, generally three years. The fair value of stock awards is determined based on the closing market price of the company's common stock on the grant date. For purposes of measuring compensation expense, the amount of shares ultimately expected to vest is estimated at each reporting date based on management's expectations regarding the relevant performance criteria.

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Stock award activity for the year ended December 31, 2009, is presented in the table below. Vested awards include stock awards fully vested during the year and net adjustments to reflect the final performance measure for issued shares.

	Stock Awards (in thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2007	7,364	\$57	1.3 years
Granted	1,759	72	
Vested	(3,695)	50	
Forfeited	(284)	63	
Outstanding at December 31, 2007	5,144	\$67	1.3 years
Granted	1,505	80	
Vested	(2,950)	64	
Forfeited	(423)	65	
Outstanding at December 31, 2008	3,276	\$75	1.4 years
Granted	2,356	45	
Vested	(1,645)	71	
Forfeited	(329)	66	
Outstanding at December 31, 2009	3,658	\$58	1.6 years
Available for grant at December 31, 2009	4,011		

The company issued 2.5 million, 2.9 million, and 2.6 million shares to employees in settlement of prior year stock awards that were fully vested, which had total fair values at issuance of \$111 million, \$233 million, and \$199 million and grant date fair values of \$161 million, \$155 million, and \$125 million during the years ended December 31, 2009, 2008, and 2007, respectively. The differences between the fair values at issuance and the grant date fair values reflect the effects of the performance adjustments and changes in the fair market value of the company's common stock.

In 2010, the company expects to issue to employees 1.3 million shares of common stock that were vested in 2009, which had a grant date fair value of \$95 million.

Unrecognized Compensation Expense – At December 31, 2009, there was \$156 million of unrecognized compensation expense related to unvested awards granted under the company's stock-based compensation plans, of which \$21 million relates to stock options and \$135 million relates to stock awards. These amounts are expected to be charged to expense over a weighted-average period of 1.4 years.

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18. UNAUDITED SELECTED QUARTERLY DATA

Unaudited quarterly financial results are set forth in the following tables. The financial results for all periods presented have been revised to reflect the various business dispositions that occurred during the 2009 and 2008 fiscal years (see Note 5 for further details). The company's common stock is traded on the New York Stock Exchange (trading symbol NOC). This unaudited quarterly information is labeled using a calendar convention; that is, first quarter is consistently labeled as ended on March 31, second quarter as ended on June 30, and third quarter as ended on September 30. It is the company's long-standing practice to establish actual interim closing dates using a "fiscal" calendar, which requires the businesses to close their books on a Friday, in order to normalize the potentially disruptive effects of quarterly closings on business processes. The effects of this practice only exist within a reporting year.

2009

<i>\$ in millions, except per share</i>	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Sales and services revenues as previously reported	\$8,320	\$8,957	\$8,726	
Discontinued operations	(385)	(412)	(376)	
Sales and services revenues	\$7,935	\$8,545	\$8,350	\$8,925
Operating income as previously reported	\$ 655	\$ 653	\$ 655	
Discontinued operations	(36)	(39)	(36)	
Operating income	\$ 619	\$ 614	\$ 619	\$ 631
Earnings from continuing operations as previously reported	\$ 389	\$ 394	\$ 487	
Discontinued operations	(23)	(26)	(23)	
Earnings from continuing operations	\$ 366	\$ 368	\$ 464	\$ 375
Net earnings	\$ 389	\$ 394	\$ 490	\$ 413
Basic earnings per share from continuing operations as previously reported	\$ 1.19	\$ 1.22	\$ 1.54	
Discontinued operations	(0.07)	(0.08)	(0.08)	
Basic earnings per share from continuing operations	\$ 1.12	\$ 1.14	\$ 1.46	\$ 1.20
Basic earnings per share	\$ 1.19	\$ 1.22	\$ 1.55	\$ 1.32
Diluted earnings per share from continuing operations as previously reported	\$ 1.17	\$ 1.21	\$ 1.52	
Discontinued operations	(0.07)	(0.08)	(0.07)	
Diluted earnings per share from continuing operations	\$ 1.10	\$ 1.13	\$ 1.45	\$ 1.19
Diluted earnings per share	\$ 1.17	\$ 1.21	\$ 1.53	\$ 1.31

Significant 2009 Fourth Quarter Events – In the fourth quarter of 2009, the company sold ASD for \$1.65 billion in cash.

NORTHROP GRUMMAN CORPORATION**2008***\$ in millions, except per share*

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Sales and services revenues as previously reported	\$7,724	\$8,628	\$8,381	\$ 9,154
Discontinued operations	(372)	(414)	(407)	(379)
Sales and services revenues	\$7,352	\$8,214	\$7,974	\$ 8,775
Operating income (loss) as previously reported	\$ 464	\$ 806	\$ 771	\$(2,152)
Discontinued operations	(35)	(41)	(37)	(39)
Operating income (loss)	\$ 429	\$ 765	\$ 734	\$(2,191)
Earnings (loss) from continuing operations as previously reported	\$ 263	\$ 483	\$ 509	\$(2,536)
Discontinued operations	(22)	(26)	(25)	(25)
Earnings (loss) from continuing operations	\$ 241	\$ 457	\$ 484	\$(2,561)
Net earnings (loss)	\$ 264	\$ 495	\$ 512	\$(2,533)
Basic earnings (loss) per share from continuing operations as previously reported	\$ 0.78	\$ 1.42	\$ 1.52	\$ (7.76)
Discontinued operations	(0.07)	(0.07)	(0.07)	(0.07)
Basic earnings (loss) per share from continuing operations	\$ 0.71	\$ 1.35	\$ 1.45	\$ (7.83)
Basic earnings (loss) per share	\$ 0.78	\$ 1.46	\$ 1.53	\$ (7.75)
Diluted earnings (loss) per share from continuing operations as previously reported	\$ 0.76	\$ 1.40	\$ 1.50	\$ (7.76)
Discontinued operations	(0.07)	(0.07)	(0.08)	(0.07)
Diluted earnings (loss) per share from continuing operations	\$ 0.69	\$ 1.33	\$ 1.42	\$ (7.83)
Diluted earnings (loss) per share	\$ 0.76	\$ 1.44	\$ 1.51	\$ (7.75)

Significant 2008 Fourth Quarter Events – In the fourth quarter of 2008, the company recorded a non-cash, after-tax charge of \$3.1 billion for impairment of goodwill, a non-cash, after-tax adjustment to accumulated other comprehensive loss of \$2.9 billion for the change in funded status of pension and post-retirement benefits, and made a \$200 million voluntary pre-funding payment to the company's pension plans.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No information is required in response to this item.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our principal executive officer (Chief Executive Officer and President) and principal financial officer (Corporate Vice President and Chief Financial Officer) have evaluated the company's disclosure controls and procedures as of December 31, 2009, and have concluded that these controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (15 USC § 78a et seq) is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit is accumulated and communicated to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of 2009, no change occurred in the company's internal control over financial reporting that materially affected, or is likely to materially affect, the company's internal control over financial reporting.

Item 9B. Other Information

No information is required in response to this item.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Northrop Grumman Corporation (the company) prepared and is responsible for the consolidated financial statements and all related financial information contained in this Annual Report. This responsibility includes establishing and maintaining effective internal control over financial reporting. The company's internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

To comply with the requirements of Section 404 of the Sarbanes – Oxley Act of 2002, the company designed and implemented a structured and comprehensive assessment process to evaluate its internal control over financial reporting across the enterprise. The assessment of the effectiveness of the company's internal control over financial reporting was based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Management regularly monitors its internal control over financial reporting, and actions are taken to correct any deficiencies as they are identified. Based on its assessment, management has concluded that the company's internal control over financial reporting is effective as of December 31, 2009.

Deloitte & Touche LLP issued an attestation report dated February 8, 2010, concerning the company's internal control over financial reporting, which is contained in this Annual Report. The company's consolidated financial statements as of and for the year ended December 31, 2009, have been audited by the independent registered public accounting firm of Deloitte & Touche LLP in accordance with the standards of the Public Company Accounting Oversight Board (United States).

/s/ Wesley G. Bush
Chief Executive Officer and President

/s/ James F. Palmer
Corporate Vice President and Chief Financial Officer

February 8, 2010

NORTHROP GRUMMAN CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Northrop Grumman Corporation and subsidiaries (the "Company") as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2009 of the Company and our report dated February 8, 2010 expressed an unqualified opinion on those financial statements and the financial statement schedule.

/s/ Deloitte & Touche LLP
Los Angeles, California
February 8, 2010

NORTHROP GRUMMAN CORPORATION

PART III

Item 10. Directors, Executive Officers, and Corporate Governance**Directors**

Information about our Directors will be incorporated herein by reference to the Proxy Statement for the 2010 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year.

Executive Officers

Our executive officers as of February 8, 2010 are listed below, along with their ages on that date, positions and offices with the company, and principal occupations and employment during the past five years.

<u>Name</u>	<u>Age</u>	<u>Office Held</u>	<u>Since</u>	<u>Prior Business Experience (Last Five Years)</u>
Wesley G. Bush	48	Chief Executive Officer and President	2010	President and Chief Operating Officer (2007-2009); Prior to March 2007, President and Chief Financial Officer (2006-2007); Corporate Vice President and Chief Financial Officer (2005-2006); Corporate Vice President and President, Space Technology (2003-2005)
James L. Cameron	52	Corporate Vice President and President, Technical Services	2006	Vice President and General Manager of Defensive and Navigation Systems Divisions, Electronic Systems Sector (2005); Prior to February 2005, Vice President and General Manager, Defensive Systems Division, Electronic Systems (2003-2005)
Gary W. Ervin	52	Corporate Vice President and President, Aerospace Systems	2009	Corporate Vice President and President, Integrated Systems (2008); Prior to 2008, Corporate Vice President (2007-2008); Vice President, Western Region, Integrated Systems (2005-2007); Vice President, Air Combat Systems, Integrated Systems (2002-2005)
Darryl M. Fraser	51	Corporate Vice President, Communications	2008	Sector Vice President of Business Development and Strategic Initiatives, Mission Systems (2007-March 2008); Prior to May 2007, Sector Vice President, Strategic Initiatives, Mission Systems (2007); Vice President, Washington Operations, Mission Systems and Space Technology (2005-2007); Vice President, Washington Operations, Mission Systems (2002-2005)
Kenneth N. Heintz	63	Corporate Vice President, Controller and Chief Accounting Officer	2005	Independent Financial Consultant (2004-2005)
Robert W. Helm	58	Corporate Vice President, Government Relations	1994	
Alexis C. Livanos	61	Corporate Vice President and Chief Technology Officer	2009	Corporate Vice President and President, Space Technology (2005-2008)

NORTHROP GRUMMAN CORPORATION

Name	Age	Office Held	Since	Prior Business Experience (Last Five Years)
Linda A. Mills	60	Corporate Vice President and President, Information Systems	2009	Corporate Vice President and President, Information Technology (2008); Prior to 2008, President of the Civilian Agencies business group, Information Technology (2007-2008); Vice President for Operations and Processes, Information Technology (2005-2007); Vice President, Mission Assurance/Six Sigma, Mission Systems (2003-2005)
James F. Palmer	60	Corporate Vice President and Chief Financial Officer	2007	Executive Vice President and Chief Financial Officer, Visteon Corporation (2004-2007)
C. Michael Petters	50	Corporate Vice President and President, Shipbuilding	2008	Corporate Vice President and President, Newport News (2004-January 2008)
James F. Pitts	58	Corporate Vice President and President, Electronic Systems	2005	Vice President and General Manager of Aerospace Systems Division, Electronic Systems (2001-2005)
Mark Rabinowitz	48	Corporate Vice President and Treasurer	2007	Vice President and Assistant Treasurer (2006-2007); Prior to June 2006, Corporate Director and Assistant Treasurer, Banking and Capital Markets (2003-2006)
Stephen D. Yslas	62	Corporate Vice President and General Counsel	2009	Corporate Vice President, Secretary and Deputy General Counsel (2006-2008); Prior to 2006, Corporate Vice President and Deputy General Counsel (2001-2006)
Ian V. Ziskin	51	Corporate Vice President and Chief Human Resources and Administrative Officer	2006	Corporate Vice President, Human Resources and Leadership Strategy (2003-2005)

Audit Committee Financial Expert

The information as to the Audit Committee and the Audit Committee Financial Expert will be incorporated herein by reference to the Proxy Statement for the 2010 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

Code of Ethics

We have adopted Standards of Business Conduct for all of our employees, including the principal executive officer, principal financial officer and principal accounting officer. The Standards of Business Conduct can be found on our internet web site at www.northropgrumman.com under "Investor Relations – Corporate Governance – Overview." A copy of the Standards of Business Conduct is available to any stockholder who requests it by writing to: Northrop Grumman Corporation, c/o Office of the Secretary, 1840 Century Park East, Los Angeles, CA 90067.

The web site and information contained on it or incorporated in it are not intended to be incorporated in this report on Form 10-K or other filings with the Securities Exchange Commission.

NORTHROP GRUMMAN CORPORATION

Other Disclosures

Other disclosures required by this Item will be incorporated herein by reference to the Proxy Statement for the 2010 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

Item 11. Executive Compensation

Information concerning Executive Compensation, including information concerning Compensation Committed Interlocks and Insider Participation and Compensation Committee Report, will be incorporated herein by reference to the Proxy Statement for the 2010 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information as to Securities Authorized for Issuance Under Equity Compensation Plans and Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters will be incorporated herein by reference to the Proxy Statement for the 2010 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information as to Certain Relationships and Related Transactions, and Director Independence will be incorporated herein by reference to the Proxy Statement for the 2010 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

Item 14. Principal Accountant Fees and Services

The information as to principal accountant fees and services will be incorporated herein by reference to the Proxy Statement for the 2010 Annual Meeting of Shareholders to be filed within 120 days after the end of the company's fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Report of Independent Registered Public Accounting Firm

Financial Statements

- Consolidated Statements of Operations
- Consolidated Statements of Financial Position
- Consolidated Statements of Cash Flows
- Consolidated Statements of Changes in Shareholders' Equity
- Notes to Consolidated Financial Statements

2. Financial Statement Schedule

- Schedule II – Valuation and Qualifying Accounts

All other schedules are omitted either because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

NORTHROP GRUMMAN CORPORATION

3. Exhibits

- 3(a) Restated Certificate of Incorporation of Northrop Grumman Corporation effective May 18, 2006 (incorporated by reference to Exhibit 3.1 to Form 8-K dated and filed May 19, 2006)
- 3(b) Bylaws of Northrop Grumman Corporation, as amended September 17, 2008 (incorporated by reference to Exhibit 3.2 to Form 8-K dated September 17, 2008 and filed September 23, 2008), and October 20, 2008 (incorporated by reference to Exhibit 3.2 to Form 8-K dated October 20, 2008 and filed October 23, 2008)
- 4(a) Registration Rights Agreement dated as of January 23, 2001, by and among Northrop Grumman Corporation (now Northrop Grumman Systems Corporation), NNG, Inc. (now Northrop Grumman Corporation) and Unitrin, Inc. (incorporated by reference to Exhibit(d)(6) to Amendment No. 4 to Schedule TO filed January 31, 2001)
- 4(b) Indenture dated as of October 15, 1994, between Northrop Grumman Corporation (now Northrop Grumman Systems Corporation) and The Chase Manhattan Bank (National Association), Trustee (incorporated by reference to Exhibit 4.1 to Form 8-K dated October 20, 1994, and filed October 25, 1994)
- 4(c) Form of Officers' Certificate (without exhibits) establishing the terms of Northrop Grumman Corporation's (now Northrop Grumman Systems Corporation's) 7.75 percent Debentures due 2016 and 7.875 percent Debentures due 2026 (incorporated by reference to Exhibit 4-3 to Form S-4 Registration Statement No. 333-02653 filed April 19, 1996)
- 4(d) Form of Northrop Grumman Corporation's (now Northrop Grumman Systems Corporation's) 7.75 percent Debentures due 2016 (incorporated by reference to Exhibit 4-5 to Form S-4 Registration Statement No. 333-02653 filed April 19, 1996)
- 4(e) Form of Northrop Grumman Corporation's (now Northrop Grumman Systems Corporation's) 7.875 percent Debentures due 2026 (incorporated by reference to Exhibit 4-6 to Form S-4 Registration Statement No. 333-02653 filed April 19, 1996)
- 4(f) Form of Officers' Certificate establishing the terms of Northrop Grumman Corporation's (now Northrop Grumman Systems Corporation's) 7.125 percent Notes due 2011 and 7.75 percent Debentures due 2031 (incorporated by reference to Exhibit 10.9 to Form 8-K dated and filed April 17, 2001)
- 4(g) Indenture dated as of April 13, 1998, between Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and The Bank of New York, as trustee, under which its 6.75 percent Senior Debentures due 2018 were issued (incorporated by reference to Exhibit 4.1 to the Form 10-Q of Litton Industries, Inc. for the quarter ended April 30, 1998, filed June 15, 1998)
- 4(h) Supplemental Indenture with respect to Indenture dated April 13, 1998, dated as of April 3, 2001, among Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation), Northrop Grumman Corporation, Northrop Grumman Systems Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.5 to Form 10-Q for the quarter ended March 31, 2001, filed May 10, 2001)
- 4(i) Supplemental Indenture with respect to Indenture dated April 13, 1998, dated as of December 20, 2002, among Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation), Northrop Grumman Corporation, Northrop Grumman Systems Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(q) to Form 10-K for the year ended December 31, 2002, filed March 24, 2003)
- 4(j) Senior Indenture dated as of December 15, 1991, between Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and The Bank of New York, as trustee, under which its 7.75 percent and 6.98 percent debentures due 2026 and 2036 were issued, and specimens of such debentures (incorporated by reference to Exhibit 4.1 to the Form 10-Q of Litton Industries, Inc. for the quarter ended April 30, 1996, filed June 11, 1996)

NORTHROP GRUMMAN CORPORATION

- 4(k) Supplemental Indenture with respect to Indenture dated December 15, 1991, dated as of April 3, 2001, among Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation), Northrop Grumman Corporation, Northrop Grumman Systems Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.7 to Form 10-Q for the quarter ended March 31, 2001, filed May 10, 2001)
- 4(l) Supplemental Indenture with respect to Indenture dated as of December 20, 2002, among Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation), Northrop Grumman Corporation, Northrop Grumman Systems Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(t) to Form 10-K for the year ended December 31, 2002, filed March 24, 2003)
- 4(m) Indenture between TRW Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and Mellon Bank, N.A., as trustee, dated as of May 1, 1986 (incorporated by reference to Exhibit 2 to the Form 8-A Registration Statement of TRW Inc. dated July 3, 1986)
- 4(n) First Supplemental Indenture between TRW Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and Mellon Bank, N.A., as trustee, dated as of August 24, 1989 (incorporated by reference to Exhibit 4(b) to Form S-3 Registration Statement No. 33-30350 of TRW Inc.)
- 4(o) Fifth Supplemental Indenture between TRW Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and The Chase Manhattan Bank, as successor trustee, dated as of June 2, 1999 (incorporated by reference to Exhibit 4(f) to Form S-4 Registration Statement No. 333-83227 of TRW Inc. filed July 20, 1999)
- *4(p) Ninth Supplemental Indenture dated as of December 31, 2009 among Northrop Grumman Space & Mission Systems Corp. (predecessor – in-interest to Northrop Grumman Systems Corporation); The Bank of New York Mellon, as successor trustee; Northrop Grumman Corporation; and Northrop Grumman Systems Corporation
- 4(q) Indenture dated as of November 21, 2001, between Northrop Grumman Corporation and JPMorgan Chase Bank, as trustee (incorporated by reference to Exhibit 4.1 to Form 8-K dated and filed November 21, 2001)
- 4(r) First Supplemental Indenture dated as of July 30, 2009, between Northrop Grumman Corporation and The Bank of New York Mellon, as successor trustee, to Indenture dated as of November 21, 2001 (incorporated by reference to Exhibit 4(a) to Form 8-K dated and filed July 30, 2009)
- 4(s) Form of Northrop Grumman Corporation’s 3.70 percent Senior Note due 2014 (incorporated by reference to Exhibit 4(b) to Form 8-K dated and filed July 30, 2009)
- 4(t) Form of Northrop Grumman Corporation’s 5.05 percent Senior Note due 2019 (incorporated by reference to Exhibit 4(c) to Form 8-K dated and filed July 30, 2009)
- 10(a) Form of Amended and Restated Credit Agreement dated as of August 10, 2007, among Northrop Grumman Corporation, as Borrower; Northrop Grumman Systems Corporation and Northrop Grumman Space & Mission Systems Corp. (predecessor – in-interest to Northrop Grumman Systems Corporation), as Guarantors; the Lenders party thereto; JPMorgan Chase Bank, N.A., as Payment Agent, an Issuing Bank, Swingline Lender and Administrative Agent; Credit Suisse, as Administrative Agent; Citicorp USA, Inc., as Syndication Agent; Deutsche Bank Securities Inc. and The Royal Bank of Scotland PLC, as Documentation Agents; and BNP Paribas as Co-Documentation Agent (incorporated by reference to Exhibit 10.1 to Form 8-K dated and filed August 13, 2007)
- 10(b) Form of Guarantee dated as of April 3, 2001, by Northrop Grumman Corporation of the indenture indebtedness issued by Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) (incorporated by reference to Exhibit 10.10 to Form 8-K dated and filed April 17, 2001)

NORTHROP GRUMMAN CORPORATION

- 10(c) Form of Guarantee dated as of April 3, 2001, by Northrop Grumman Corporation of Northrop Grumman Systems Corporation indenture indebtedness (incorporated by reference to Exhibit 10.11 to Form 8-K dated and filed April 17, 2001)
- 10(d) Form of Guarantee dated as of March 27, 2003, by Northrop Grumman Corporation, as Guarantor, in favor of JP Morgan Chase Bank, as trustee, of certain debt securities issued by the former Northrop Grumman Space & Mission Systems Corp. (predecessor-in-interest to Northrop Grumman Systems Corporation) (incorporated by reference to Exhibit 4.2 to Form 10-Q for the quarter ended March 31, 2003, filed May 14, 2003)
- 10(e) Northrop Grumman 1993 Long-Term Incentive Stock Plan, as amended and restated (incorporated by reference to Exhibit 4.1 to Form S-8 Registration Statement No. 333-68003 filed November 25, 1998)
- 10(f) Northrop Grumman Corporation 1993 Stock Plan for Non-Employee Directors (as Amended and Restated January 1, 2010) (incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2009, filed July 23, 2009)
- 10(g) Northrop Grumman Corporation 1995 Stock Plan for Non-Employee Directors, as Amended as of May 16, 2007 (incorporated by reference to Exhibit A to Schedule 14A filed April 12, 2007)
- 10(h) Northrop Grumman 2001 Long-Term Incentive Stock Plan (As amended September 17, 2003) (incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2003, filed November 6, 2003), as amended by First Amendment to the Northrop Grumman 2001 Long-Term Incentive Stock Plan dated December 19, 2007 (incorporated by reference to Exhibit 10(i) to Form 10-K for the year ended December 31, 2007, filed February 20, 2008)
 - (i) Form of Notice of Non-Qualified Grant of Stock Options and Option Agreement (incorporated by reference to Exhibit 10.5 to Form S-4 Registration Statement No. 333-83672 filed March 4, 2002)
 - (ii) Form of Agreement for 2005 Stock Options (officer) (incorporated by reference to Exhibit 10(d)(v) to Form 10-K for the year ended December 31, 2004, filed March 4, 2005)
 - (iii) Form of letter from Northrop Grumman Corporation regarding Stock Option Retirement Enhancement (incorporated by reference to Exhibit 10.2 to Form 8-K dated March 14, 2005 and filed March 15, 2005)
 - (iv) Form of Agreement for 2006 Stock Options (officer) (incorporated by reference to Exhibit 10(d)(viii) to Form 10-K for the year ended December 31, 2005, filed February 17, 2006)
 - (v) 2006 CPC Incentive Restricted Stock Rights Agreement of Wesley G. Bush dated May 16, 2006, as amended (incorporated by reference to Exhibit 10(i)(ix) to Form 10-K for the year ended December 31, 2007, filed February 20, 2008)

NORTHROP GRUMMAN CORPORATION

- (vi) Form of Restricted Performance Stock Rights Agreement, applicable to 2007 Restricted Performance Stock Rights, as amended (incorporated by reference to Exhibit 10(i)(xi) to Form 10-K for the year ended December 31, 2007, filed February 20, 2008)
- (vii) Form of Agreement for 2007 Stock Options (officers) (incorporated by reference to Exhibit 10(2)(ii) to Form 10-Q for the quarter ended March 31, 2007, filed April 24, 2007)
- (viii) Terms and Conditions Applicable to Special 2007 Restricted Stock Rights Granted to James F. Palmer dated March 12, 2007, as amended (incorporated by reference to Exhibit 10(i)(xiii) to Form 10-K for the year ended December 31, 2007, filed February 20, 2008)
- (ix) Form of Agreement for 2008 Stock Options (officer) (incorporated by reference to Exhibit 10(4)(i) to Form 10-Q for the quarter ended March 31, 2008, filed April 24, 2008)
- (x) Form of Agreement for 2008 Restricted Performance Stock Rights (incorporated by reference to Exhibit 10(4)(ii) to Form 10-Q for the quarter ended March 31, 2008, filed April 24, 2008)
- (xi) Form of Agreement for 2009 Stock Options (incorporated by reference to Exhibit 10.2(i) to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
- (xii) Form of Agreement for 2009 Restricted Performance Stock Rights (incorporated by reference to Exhibit 10.2(ii) to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
- *10(i) Northrop Grumman Supplemental Plan 2 (Amended and Restated Effective as of January 1, 2009)
 - * (i) Appendix A: Northrop Supplemental Retirement Income Program for Senior Executives (Amended and Restated Effective as of January 1, 2009)
 - * (ii) Appendix B: ERISA Supplemental Program 2 (Amended and Restated Effective as of January 1, 2009)
 - * (iii) Appendix F: CPC Supplemental Executive Retirement Program (Amended and Restated Effective as of January 1, 2009)
 - * (iv) Appendix G: Officers Supplemental Executive Retirement Program (Amended and Restated Effective as of January 1, 2009)
 - * (v) Appendix I: Officers Supplemental Executive Retirement Program II (Effective as of January 1, 2010)
- *10(j) Northrop Grumman ERISA Supplemental Plan (Amended and Restated Effective as of January 1, 2009)
- *10(k) Northrop Grumman Supplementary Retirement Income Plan (formerly TRW Supplementary Retirement Income Plan) (Amended and Restated Effective January 1, 2009)
- *10(l) Northrop Grumman Electronic Systems Executive Pension Plan (Amended and Restated Effective as of January 1, 2009)
- 10(m) Form of Northrop Grumman Corporation January 2009 Change in Control Severance Plan (incorporated by reference to Exhibit 10(n) to Form 10-K for the year ended December 31, 2008, filed February 10, 2009)
- 10(n) Form of Northrop Grumman Corporation January 2009 Special Agreement (relating to severance program for change-in-control) (incorporated by reference to Exhibit 10.1 to Form 8-K dated November 7, 2008 and filed November 13, 2008)
- 10(o) Form of Northrop Grumman Corporation January 2010 Special Agreement (relating to severance program for change-in-control) (incorporated by reference to Exhibit 10.1 to Form 8-K dated and filed October 8, 2009)

NORTHROP GRUMMAN CORPORATION

- *10(p) Northrop Grumman Corporation January 2010 Change in Control Severance Plan (effective as of January 1, 2010)
- 10(q) Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation as amended and restated effective October 1, 2009 (incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended September 30, 2009, filed October 21, 2009)
- 10(r) Non-Employee Director Compensation Term Sheet, effective October 1, 2008 (incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2008, filed October 22, 2008)
- 10(s) Non-Employee Director Compensation Term Sheet, effective January 1, 2010 (incorporated by reference to Exhibit 10.1 to Form 8-K dated December 15, 2009 and filed December 21, 2009)
- 10(t) Form of Indemnification Agreement between Northrop Grumman Corporation and its directors and executive officers (incorporated by reference to Exhibit 10.39 to Form S-4 Registration Statement No. 333-83672 filed March 4, 2002)
- *10(u) Northrop Grumman Deferred Compensation Plan (Amended and Restated Effective as of January 1, 2009)
- 10(v) The 2002 Incentive Compensation Plan of Northrop Grumman Corporation, As Amended and Restated effective January 1, 2009 (incorporated by reference to Exhibit 10.6 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
- 10(w) Northrop Grumman 2006 Annual Incentive Plan and Incentive Compensation Plan (for Non-Section 162(m) Officers), as amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10.7 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
- *10(x) Northrop Grumman Savings Excess Plan (Amended and Restated Effective as of January 1, 2009)
- *10(y) Northrop Grumman Officers Retirement Account Contribution Plan (Effective as of October 1, 2009)
- 10(z) Compensatory Arrangements of Certain Officers (Named Executive Officers) for 2009 (incorporated by reference to Form 8-K dated February 17, 2009 and filed February 23, 2009)
- 10(aa) Offering letter dated February 1, 2007 from Northrop Grumman Corporation to James F. Palmer relating to position of Corporate Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10(3) to Form 10-Q for the quarter ended March 31, 2007, filed April 24, 2007), as amended by Amendment to Letter Agreement between Northrop Grumman Corporation and James F. Palmer dated December 17, 2008 (incorporated by reference to Exhibit 10.3 to Form 8-K dated December 17, 2008 and filed December 19, 2008)
- *10(bb) Litton Industries, Inc. Restoration Plan 2 (Amended and Restated Effective as of January 1, 2009)
- *10(cc) Litton Industries, Inc. Restoration Plan (Amended and Restated Effective as of January 1, 2009)
- 10(dd) Litton Industries, Inc. Supplemental Executive Retirement Plan as amended and restated effective October 1, 2004 (incorporated by reference to Exhibit 10(ee) to Form 10-K for the year ended December 31, 2004, filed March 4, 2005)
- 10(ee) Northrop Grumman Supplemental Retirement Replacement Plan, as Restated, dated January 1, 2008 between Northrop Grumman Corporation and James F. Palmer (incorporated by reference to Exhibit 10.4 to Form 8-K dated December 17, 2008 and filed December 19, 2008)
- 10(ff) Northrop Grumman Corporation Special Officer Retiree Medical Plan (As Amended and Restated Effective January 1, 2008) (incorporated by reference to Exhibit 10(2) to Form 10-Q for the quarter ended March 31, 2008, filed April 24, 2008)

NORTHROP GRUMMAN CORPORATION

10(gg)	Executive Life Insurance Policy (incorporated by reference to Exhibit 10(gg) to Form 10-K for the year ended December 31, 2004, filed March 4, 2005)
10(hh)	Executive Accidental Death, Dismemberment and Plegia Insurance Policy Terms applicable to Executive Officers dated January 1, 2009 (incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
10(ii)	Executive Long-Term Disability Insurance Policy as amended by Amendment No. 2 dated June 19, 2008 and effective as of October 4, 2007 (incorporated by reference to Exhibit 10(2) to Form 10-Q for the quarter ended June 30, 2008, filed July 29, 2008)
10(jj)	Executive Dental Insurance Policy Group Numbers 5134 and 5135 (incorporated by reference to Exhibit 10(m) to Form 10-K for the year ended December 31, 1995, filed February 22, 1996), as amended by action of the Compensation Committee of the Board of Directors of Northrop Grumman Corporation effective July 1, 2009 (incorporated by reference to Item 5.02(e) of Form 8-K dated May 19, 2009 and filed May 26, 2009)
10(kk)	Group Personal Excess Liability Policy (incorporated by reference to Exhibit 10(ll) to Form 10-K for the year ended December 31, 2004, filed March 4, 2005)
10(ll)	Northrop Grumman Executive Health Plan Matrix effective July 1, 2008 (incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009), as amended by action of the Compensation Committee of the Board of Directors of Northrop Grumman Corporation effective July 1, 2009 (incorporated by reference to Item 5.02(e) of Form 8-K dated May 19, 2009 and filed May 26, 2009)
10(mm)	Letter dated December 16, 2009 from Northrop Grumman Corporation to Wesley G. Bush regarding compensation effective January 1, 2010 (incorporated by reference to Exhibit 10.2 to Form 8-K dated December 15, 2009 and filed December 21, 2009)
10(nn)	Letter agreement dated December 17, 2008 between Northrop Grumman Corporation and Ronald D. Sugar relating to termination of Employment Agreement dated February 19, 2003 (incorporated by reference to Exhibit 10.2 to Form 8-K dated December 17, 2008 and filed December 19, 2008)
10(oo)	Letter dated September 16, 2009 from Northrop Grumman Corporation to Dr. Ronald D. Sugar regarding Retirement and Transition (incorporated by reference to Exhibit 99.1 to Form 8-K dated September 16, 2009 and filed September 17, 2009)
10(pp)	Consultant Contract dated December 22, 2008 between Northrop Grumman Corporation and W. Burks Terry(incorporated by reference to Exhibit 10.5 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
*10(qq)	Consultant Contract dated February 3, 2010 between Northrop Grumman Corporation and W. Burks Terry
*12(a)	Computation of Ratio of Earnings to Fixed Charges
*21	Subsidiaries
*23	Consent of Independent Registered Public Accounting Firm
*24	Power of Attorney
*31.1	Rule 13a-15(e)/15d-15(e) Certification of Wesley G. Bush (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.2	Rule 13a-15(e)/15d-15(e) Certification of James F. Palmer (Section 302 of the Sarbanes-Oxley Act of 2002)
**32.1	Certification of Wesley G. Bush pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

NORTHROP GRUMMAN CORPORATION

- **32.2 Certification of James F. Palmer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- **101 Northrop Grumman Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2009, formatted in XBRL (Extensible Business Reporting Language); (i) the Consolidated Statements of Operations, (ii) Consolidated Statements of Financial Position, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Changes in Shareholders' Equity, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text
- * Filed with this Report
- ** Furnished with this Report

NORTHROP GRUMMAN CORPORATION

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

(\$ in millions)

Description	Balance at Beginning of Period	Additions At Cost	Changes – Add (Deduct)	Balance at End of Period
Year ended December 31, 2007 ⁽²⁾				
Reserves and allowances deducted from asset accounts ⁽¹⁾				
Allowances for doubtful amounts	\$ 304	\$124	\$(143)	\$285
Valuation allowance on deferred tax assets	1,300	3	(711)	592
Year ended December 31, 2008 ⁽²⁾				
Reserves and allowances deducted from asset accounts ⁽¹⁾				
Allowances for doubtful amounts	\$ 285	\$121	\$(106)	\$300
Valuation allowance on deferred tax assets	592		(559)	33
Year ended December 31, 2009 ⁽²⁾				
Reserves and allowances deducted from asset accounts ⁽¹⁾				
Allowances for doubtful amounts	\$ 300	\$222	\$(198)	\$324
Valuation allowance on deferred tax assets	33		(33)	

(1) Uncollectible amounts written off, net of recoveries.

(2) Certain prior-period information has been reclassified to conform to the current year's presentation.

NINTH SUPPLEMENTAL INDENTURE

THIS NINTH SUPPLEMENTAL INDENTURE (this "Ninth Supplemental Indenture") dated as of December 31, 2009, among Northrop Grumman Space & Mission Systems Corp. (formerly known as TRW Inc.), an Ohio corporation (the "Company"); The Bank of New York Mellon, a New York state chartered bank, as successor trustee ("Trustee") to JPMorgan Chase Bank and to Mellon Bank, N.A.; Northrop Grumman Corporation, a Delaware corporation ("NGC"); and Northrop Grumman Systems Corporation, a Delaware corporation ("NGSC"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Indenture (as defined below).

WHEREAS, the Company has executed and delivered to the Trustee an Indenture dated as of May 1, 1986 (the "Original Indenture"), as amended by the First Supplemental Indenture dated as of August 24, 1989, the Second Supplemental Indenture dated as of June 2, 1999, the Third Supplemental Indenture dated as of June 2, 1999, the Fourth Supplemental Indenture dated as of June 2, 1999, the Fifth Supplemental Indenture dated as of June 2, 1999, the Sixth Supplemental Indenture dated as of June 23, 1999, the Seventh Supplemental Indenture dated as of June 23, 1999 and the Eighth Supplemental Indenture dated as of March 27, 2003, between the Company and the Trustee (collectively, the "Supplemental Indentures"), providing for the issuance and sale by the Company from time to time of its senior debt securities (the "Securities") (the Original Indenture, as amended by the Supplemental Indentures, is herein called the "Indenture");

WHEREAS, Section 11.01(a) of the Indenture permits the Company, when authorized by a resolution of the Board of Directors of the Company, and the Trustee, at any time and from time to time, to enter into one or more indentures supplemental to the Indenture, in form satisfactory to the Trustee, for the purpose of evidencing the succession of another corporation to the Company and the assumption by the successor corporation of the covenants, agreements and obligations of the Company under the Indenture and contained in the Securities pursuant to Article Twelve of the Original Indenture.

WHEREAS, NGSC and the Company are both wholly-owned direct subsidiaries of NGC;

WHEREAS, NGC desires to simplify its organizational structure by contributing all of the outstanding shares of capital stock of the Company to NGSC, after which the Company will be merged into NGSC pursuant to Section 251 of the Delaware General Corporation Law (the "Merger"), effective at 11:59 p.m. on December 31, 2009;

WHEREAS, the Company and NGSC propose in and by this Ninth Supplemental Indenture to supplement and amend the Indenture in certain respects to evidence the succession of NGSC to the Company and the assumption by NGSC of the covenants, agreements and obligations of the Company under the Indenture and contained in the Securities pursuant to Article Twelve of the Indenture;

WHEREAS, pursuant to the Eighth Supplemental Indenture, NGC agreed to enter into and become bound by the terms of its Guarantee dated as of March 27, 2003 (the "Guarantee") in favor of the Trustee for the Holders of the Securities; and

WHEREAS, the Company has requested that the Trustee execute and deliver this Ninth Supplemental Indenture and has certified that all requirements necessary to make this Ninth Supplemental Indenture a valid instrument in accordance with its terms have been satisfied, and that the execution and delivery of this Ninth Supplemental Indenture has been duly authorized in all respects.

NOW, THEREFORE, NGC, NGSC and the Company covenant and agree to and with the Trustee, for the equal and proportionate benefit of all present and future Holders of the Securities, as follows:

1. Assumption of Obligations by NGSC and Guarantee of the Obligations by NGC.

NGSC hereby agrees that upon consummation of the Merger, NGSC shall assume the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed, observed or satisfied by the Company. NGC understands and agrees that under Section 2(f) of the Guarantee, its obligations under the Guarantee remain absolute and unconditional irrespective of any change or termination of the existence of the Company, and that upon consummation of the Merger, the Guarantee shall continue in full force and effect. NGSC hereby represents that immediately after the Merger, no Event of Default shall have occurred or be continuing and that it shall not immediately after the Merger have outstanding any secured Debt not permitted by Section 5.05 of the Indenture.

2. Acknowledgement of Trustee.

The Trustee hereby acknowledges receipt of the following documents pursuant to the provisions of the Indenture:

- (a) An Officers' Certificate of the Company as required by Sections 12.04 and 15.05 of the Indenture and an Opinion of Counsel as required by Sections 11.03, 12.04 and 15.05 of the Indenture.
- (b) A copy of a Board Resolution of each of the Company and NGSC authorizing the execution of this Ninth Supplemental Indenture, as required by Section 11.01 of the Indenture.

3. Incorporation by Reference.

This Ninth Supplemental Indenture shall be construed as supplemental to the Indenture and shall form a part of it, and the Indenture is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

4. Headings.

The headings of this Ninth Supplemental Indenture are for reference only and shall not limit or otherwise affect the meaning hereof.

5. Successors and Assigns.

All covenants and agreements in this Ninth Supplemental Indenture by NGC, NGSC and the Company shall bind their successors and assigns, whether so expressed or not.

6. Severability.

In case any provision of one or more of the provisions contained in this Ninth Supplemental Indenture shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Ninth Supplemental Indenture, but this Ninth Supplemental Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

7. Governing Law.

THIS NINTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

8. Additional Supplemental Indentures.

Nothing contained herein shall impair the rights of the parties to enter into one or more additional supplemental indentures in the manner provided in the Indenture.

9. Counterparts.

This Ninth Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

10. Trustee Not Responsible for Recitals.

The recitals herein contained are made by the Company, NGC and NGSC, and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Ninth Supplemental Indenture.

11. Notice to Trustee.

NGSC shall give the Trustee prompt notice of the consummation of the Merger.

12. Notices.

For purposes of Section 15.03 of the Indenture, the address of NGSC shall be as follows:

Northrop Grumman Systems Corporation
1840 Century Park East
Los Angeles, CA 90067
Attention: Mark Rabinowitz, Corporate Vice President and Treasurer

IN WITNESS WHEREOF, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed as of December 31, 2009.

NORTHROP GRUMMAN SPACE & MISSION SYSTEMS
CORP.

/s/ Mark Rabinowitz

By: Mark Rabinowitz
Its: Treasurer

Attest:

/s/ Kathleen M. Salmas

By: Kathleen M. Salmas
Its: Secretary

NORTHROP GRUMMAN CORPORATION

/s/ Mark Rabinowitz

By: Mark Rabinowitz
Its: Corporate Vice President and Treasurer

Attest:

/s/ Kathleen M. Salmas

By: Kathleen M. Salmas
Its: Assistant Secretary

NORTHROP GRUMMAN SYSTEMS CORPORATION

/s/ Mark Rabinowitz
By: Mark Rabinowitz
Its: Treasurer

Attest:

/s/ Kathleen M. Salmas
By: Kathleen M. Salmas
Its: Secretary

THE BANK OF NEW YORK MELLON, as Trustee

/s/ Lawrence J. O'Brien
By: Lawrence J. O'Brien
Its: Vice President

NORTHROP GRUMMAN
SUPPLEMENTAL PLAN 2
(Amended and Restated Effective as of January 1, 2009)

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Note: All of the following Appendices are saved as separate documents.

Confidential documents may be requested from Benefits Strategy & Design.

APPENDIX A Northrop Supplemental Retirement Income Program For Senior Executives

APPENDIX B ERISA Supplemental Program 2

APPENDIX C Arthur F. Dauer Program (Confidential)

APPENDIX D Nelson Gibbs, Jr. Program (Confidential)

APPENDIX E Oliver Boileau Program (Confidential)

APPENDIX F CPC Supplemental Executive Retirement Program

APPENDIX G Officers Supplemental Executive Retirement Program

APPENDIX H Robert P. Iorizzo Program

APPENDIX I Officers Supplemental Executive Retirement Program II

The Northrop Grumman Supplemental Plan 2 (the "Plan") is hereby amended and restated effective as of January 1, 2009. This restatement amends the January 1, 2005 restatement of the Plan and includes changes that apply to Grandfathered Amounts.

The Plan is intended to comply with Code section 409A and official guidance issued thereunder (except for Grandfathered Amounts). Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with this intention.

ARTICLE I

Definitions

For purposes of the Plan, the following terms, when capitalized, will have the following meanings:

- 1.01 Affiliated Companies. The Company and any other entity related to the Company under the rules of section 414 of the Code. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.
 - 1.02 Board of Directors. The Board of Directors of the Company.
 - 1.03 CIC Plans. Northrop Grumman Corporation Change-In-Control Severance Plan (effective August 1, 1996, as amended) or the Northrop Grumman Corporation March 2000 Change-In-Control Severance Plan.
 - 1.04 Code. The Internal Revenue Code of 1986, as amended.
 - 1.05 Company. Northrop Grumman Corporation.
 - 1.06 Deferred Compensation Plan. The Northrop Grumman Deferred Compensation Plan and the Northrop Grumman Savings Excess Plan.
 - 1.07 ERISA. The Employee Retirement Income Security Act of 1974, as amended.
 - 1.08 Grandfathered Amounts. Plan benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder.
 - 1.09 Key Employee. An employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key
-

Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

- 1.10 Participant. Any employee of the Company who is eligible for benefits under a particular Program and has not received full payment under the Program.
- 1.11 Payment Date. The 1st of the month coincident with or following the later of (a) the date the Participant attains age 55, or (b) the date the Participant Separates from Service.
- 1.12 Pension Plan.
- (a) The Northrop Grumman Pension Plan (subject to the special effective dates noted below for the following merged plans)
 - o The Northrop Grumman Retirement Value Plan (effective as of January 1, 2000)
 - o The Northrop Grumman Commercial Aircraft Division Salaried Retirement Plan (effective as of July 1, 2000)
 - o The Grumman Pension Plan (effective as of July 1, 2003)
 - (b) The Northrop Grumman Electronic Systems – Space Division Consolidated Pension Plan (effective as of October 22, 2001)
 - (c) The Northrop Grumman Norden Systems Employee Retirement Plan (effective July 1, 2003)
- 1.13 Plan. The Northrop Grumman Supplemental Plan 2.
- 1.14 Program. One of the eligibility and benefit structures described in the Appendices.
- 1.15 Qualified Plan. The Northrop Grumman Pension Plan and Cash Balance Plans (as defined under the Northrop Grumman Pension Plan).
- 1.16 Separation from Service or Separates from Service. A “separation from service” within the meaning of Code section 409A.
- 1.17 Termination of Employment. Complete termination of employment with the Affiliated Companies.

- (a) If a Participant leaves one Affiliated Company to go to work for another, he or she will not have a Termination of Employment.
- (b) A Participant will have a Termination of Employment if he or she leaves the Affiliated Companies because the affiliate he or she works for ceases to be an Affiliated Company because it is sold or spunoff.

ARTICLE II

General Provisions

- 2.01 In General. The Plan contains a number of different benefit Programs which are set forth in the Appendices. The Appendices describe the eligibility conditions and the amount of benefits payable under the Programs. The Company, in its sole discretion, will determine all eligibility conditions, make all benefit determinations, and otherwise exercise sole authority to interpret the Plan and Programs.
- 2.02 Treatment of 2000 Ad Hoc Increases for Retirees. In no event, however, (1) will this Plan pay any amount of a Participant's retirement benefit, if any, attributable to the "2000 Ad Hoc Increase for Retirees" Appendix added to certain of the Company's tax-qualified plans pursuant to the Board of Directors resolution adopted May 17, 2000, or (2) will a Participant be entitled to a benefit (or an increased benefit) from or as a result of participation in this Plan under the Board of Directors resolution adopted May 17, 2000.
- 2.03 Forms and Times of Benefit Payments. This Section only applies to Grandfathered Amounts. The Company will determine the form and timing of benefit payments in its sole discretion unless particular rules regarding the form and timing of benefit payments are set forth in a Program or where a lump sum election under Article III is applicable.
- (a) For payments made to supplement those of a particular tax-qualified retirement or savings plan, the Company will only select among the options available under that plan, using the same actuarial adjustments used in that plan, except in cases of lump sums.
 - (b) Whenever the present value of the amount payable under a particular Program does not exceed \$10,000, it will be paid in the form of a single lump sum as of the first of the month following Termination of Employment. The lump sum will be calculated using the factors and methodology described in Section 3.06 below (See Section 2.05 for the rule that applies as of January 1, 2008).
 - (c) No payments will commence under this Plan until a Participant has a Termination of Employment, even in cases where benefits have commenced under a qualified retirement plan for Participants over age 70^{1/2}, or for any other reason.

See Appendix 1 and Appendix 2 for the rules that apply to other benefits earned under the Plan.

- 2.04 Beneficiaries and Spouses. This Section only applies to Grandfathered Amounts. If the Company selects a form of payment which includes a survivor benefit, the

Participant may make a beneficiary designation, which may be changed at any time prior to commencement of benefits. A beneficiary designation must be in writing and will be effective only when received by the Company.

- (a) If a Participant is married on the date his or her benefits are scheduled to commence, his or her beneficiary will be his or her spouse unless some other beneficiary is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before benefits commence and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.
- (b) With respect to Programs designed to supplement tax-qualified retirement or savings plans, the Participant's spouse will be the spouse as determined under the underlying tax-qualified plan. Otherwise, the Participant's spouse will be determined by the Company in its sole discretion.

See Appendix 1 and Appendix 2 for the rules that apply to other benefits earned under the Plan.

2.05 Mandatory Cashout. Notwithstanding any other provisions in the Plan, Participants with Grandfathered Amounts who have not commenced payment of such benefits prior to January 1, 2008 will be subject to the following rules:

- (a) Post-2007 Terminations. Participants who have a Termination of Employment after 2007 will receive a lump sum distribution of the present value of their Grandfathered Amounts under a Program within two months of Termination of Employment (without interest), if such present value is below the Code section 402(g) limit in effect at the Termination of Employment.
- (b) Pre-2008 Terminations. Participants who had a Termination of Employment before 2008 will receive a lump sum distribution of the present value of their Grandfathered Amounts under a Program within two months of the time they commence payment of their underlying qualified pension plan benefits (without interest), if such present value is below the Code section 402(g) limit in effect at the time such payments commence.

For purposes of calculating present values under this Section, the actual assumptions and calculation procedures for lump sum distributions under the Northrop Grumman Pension Plan shall be used.

2.06 Optional Payment Forms. Participants with Grandfathered Amounts shall be permitted to elect (a) or (b) below:

- (a) To receive their Grandfathered Amounts in any form of distribution available under the Plan at October 3, 2004, provided that form remains

available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under this Plan on October 3, 2004.

- (b) To receive their Grandfathered Amounts in any life annuity form not included in (a) above but included in the underlying qualified pension plan distribution options at the time payment of the Grandfathered Amounts commences. The conversion factors will be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

- 2.07 Special Tax Distribution. On the date a Participant's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the Participant's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the Plan, including Grandfathered Amounts. This payment will reduce the Participant's future benefit payments under the Plan on an actuarial basis.
- 2.08 Amendment and Plan Termination. The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the provisions of the Plan with respect to lump sum distributions, including any lump sum calculation factors, whether or not a Participant has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's accrued benefit under the Plan as of the date of such amendment or termination.
- No amendment of the Plan shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to the Grandfathered Amounts.
- The Company may, in its sole discretion, seek reimbursement from the Company's tax-qualified plans to the extent this Plan pays tax-qualified plan benefits to which Participants were entitled to or became entitled to under the tax-qualified plans.
- 2.09 Not an Employment Agreement. Nothing contained in this Plan gives any Participant the right to be retained in the service of the Company, nor does it interfere with the right of the Company to discharge or otherwise deal with Participants without regard to the existence of this Plan.

2.10 Assignment of Benefits. A Participant, surviving spouse or beneficiary may not, either voluntarily or involuntarily, assign, anticipate, alienate, commute, sell, transfer, pledge or encumber any benefits to which he or she is or may become entitled under the Plan, nor may Plan benefits be subject to attachment or garnishment by any of their creditors or to legal process.

Notwithstanding the foregoing, all or a portion of a Participant's benefit may be paid to another person as specified in a domestic relations order that the plan administrator determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State's domestic relations law;
- (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and
- (4) meets such other requirements established by the plan administrator.

The plan administrator shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the plan administrator may consider the rules applicable to the "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

2.11 Nonduplication of Benefits. This Section applies if, despite Section 2.10, with respect to any Participant (or his or her beneficiaries), the Company is required to make payments under this Plan to a person or entity other than the payees described in the Plan. In such a case, any amounts due the Participant (or his or her beneficiaries) 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 factors and methodology described in Section 3.06 below (in the case of lump sums) and using the actuarial assumptions in the underlying Pension Plan in all other cases.
- (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 actuarial cost to the Company.

2.12 Funding. Participants have the status of general unsecured creditors of the Company and the Plan constitutes a mere promise by the Company to make

benefit payments in the future. The Company may, but need not, fund benefits under the Plan through a trust. If it does so, any trust created by the Company and any assets held by the trust to assist it in meeting its obligations under the Plan will conform to the terms of the model trust, as described in Internal Revenue Service Revenue Procedure 92-64, but only to the extent required by Internal Revenue Service Revenue Procedure 92-65. It is the intention of the Company and Participants that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.

Any funding of benefits under this Plan will be in the Company's sole discretion. The Company may set and amend the terms under which it will fund and may cease to fund at any time.

2.13 Construction. The Company shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Company's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or beneficiary. The Company shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

2.14 Governing Law. This Plan shall be governed by the law of the State of California, except to the extent superseded by federal law.

2.15 Actions by Company and Claims Procedures. Any powers exercisable by the Company under the Plan shall be utilized by written resolution adopted by the Board of Directors or its delegate. The Board of Directors 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.

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

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

2.17 Number. The singular, where appearing in this Plan, will be deemed to include the plural, unless the context clearly indicates the contrary.

ARTICLE III

Lump Sum Election

This Article only applies with respect to Grandfathered Amounts. See Appendix 1 and Appendix 2 for the distribution rules that apply to other benefits earned under the Plan.

3.01 In General. This Article sets forth the rules under which Participants may elect to receive their benefits in a lump sum. Except as provided in Section 3.05, this Article does not apply to employees in cases where benefits under a particular Program are automatically payable in lump sum form under Article II. This Article will not apply if a particular Program so provides.

3.02 Election. Participants may elect to have their benefits paid in the form of a single lump sum under this Section.

- (a) An election to take a lump sum may be made at any time during the 60-day period prior to Termination of Employment and covers both—
 - (1) Benefits payable to the Participant during his or her lifetime, and
 - (2) Survivor benefits (if any) payable to the Participant's beneficiary, including preretirement death benefits (if any) payable to the Participant's spouse.
- (b) An election does not become effective until the earlier of:
 - (1) the Participant's Termination of Employment, or
 - (2) the Participant's death.
- (c) Before the election becomes effective, it may be revoked.
- (d) If a Participant does not have a Termination of Employment within 60 days after making an election, the election will never take effect.
- (e) An election may only be made once. If it fails to become effective after 60 days or is revoked before becoming effective, it cannot be made again at a later time.
- (f) After a Participant has a Termination of Employment, no election can be made.
- (g) If a Participant dies before making a lump sum election, his or her spouse may not make a lump sum election with respect to any benefits which may be due the spouse.

- (h) Elections to receive a lump sum must be made in writing and must include spousal consent if the Participant is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.

3.03 Lump Sum—Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.02 has a Termination of Employment after he or she is entitled to commence benefits under the Pension Plans, payments will be made in accordance with this Section.

- (a) Monthly benefit payments will be made for up to 12 months, commencing the first of the month following Termination of Employment. Payments will be made:
 - (1) in the case of a Participant who is not married on the date benefits are scheduled to commence, based on a straight life annuity for the Participant's life and ceasing upon the Participant's death should he or she die before the 12 months elapse, or
 - (2) in the case of a Participant who is married on the date benefits are scheduled to commence, based on a joint and survivor annuity form—
 - (A) with the survivor benefit equal to 50% of the Participant's benefit;
 - (B) with the Participant's spouse as the survivor annuitant;
 - (C) determined by using the contingent annuitant option factors used to convert straight life annuities to 50% joint and survivor annuities under the Northrop Grumman Retirement Plan; and
 - (D) with all payments ceasing upon the death of both the Participant and his or her spouse should they die before the 12 months elapse.
- (b) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum. Payment of the lump sum will be made to the Participant if he or she is still alive, or, if not, to his or her surviving spouse, if any.
- (c) No lump sum payment will be made if:
 - (1) The Participant is receiving monthly benefit payments in the form of a straight life annuity and the Participant dies before the time the lump sum payment is due.

(2) The Participant is receiving monthly benefit payments in a joint and survivor annuity form and the Participant and his or her spouse both die before the time the lump sum payment is due.

(d) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:

(1) the Participant dies after making a valid lump sum election but prior to commencement of any benefits under this Plan;

(2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and

(3) the spouse survives to the first of the month following the date of the Participant's death.

3.04 Lump Sum—Not Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.02 has a Termination of Employment before he or she is entitled to commence benefits under the Pension Plans, payments will be made in accordance with this Section.

(a) No monthly benefit payments will be made.

(b) Following Termination of Employment, a single lump sum payment of the benefit will be made on the first of the month following 12 months after the date of the Participant's Termination of Employment.

(c) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:

(1) the Participant dies after making a valid lump sum election but prior to commencement of any benefits under this Plan;

(2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and

(3) the spouse survives to the first of the month following the date of the Participant's death.

(d) No lump sum payment will be made if the Participant is unmarried at the time of death and dies before the time the lump sum payment is due.

3.05 Lump Sums with CIC Severance Plan Election. A Participant who elects lump sum payments of all his or her nonqualified benefits under the CIC Plans is entitled to have his or her benefits paid as a lump sum calculated under the terms of the applicable CIC Plan. Otherwise, benefit payments are governed by the

general provisions of this Article, which provide different rules for calculating the amount of lump sum payments.

3.06 Calculation of Lump Sum.

- (a) The factors to be used in calculating the lump sum are as follows:
 - (1) Interest: Whichever of the following two rates that produces the smaller lump sum:
 - (A) the discount rate used by the Company for purposes of Statement of Financial Accounting Standards No. 87 of the Financial Accounting Standards Board as disclosed in the Company's annual report to shareholders for the year end immediately preceding the date of distribution, or
 - (B) the applicable interest rate that would be used to calculate a lump sum value for the benefit under the Pension Plans.
 - (2) Mortality: the applicable mortality table, which would be used to calculate a lump sum value for the benefit under the Pension Plans.
 - (3) Increase in Section 415 Limit: 4% per year.
 - (4) Age: Age rounded to the nearest month on the date the lump sum is payable.
 - (5) Variable Unit Values: Variable Unit Values are presumed not to increase for future periods after the date the lump sum is payable.
- (b) The annuity to be converted to a lump sum will be the remaining annuity currently payable to the Participant or his or her beneficiary at the time the lump sum is due.
 - (1) For example, assume a Participant is receiving benefit payments in the form of a 50% joint and survivor annuity.
 - (2) If the Participant and the survivor annuitant are both still alive at the time the lump sum payment is due, the present value calculation will be based on the remaining benefits that would be paid to both the Participant and the survivor in the annuity form.
 - (3) If only the survivor is alive, the calculation will be based solely on the remaining 50% survivor benefits that would be paid to the survivor.
 - (4) If only the Participant is alive, the calculation will be based solely on the remaining benefits that would be paid to the Participant.

(5) In the case of a Participant who dies prior to commencement of benefits under this Plan so that only a preretirement surviving spouse benefit (if any) is payable, the lump sum will be based solely on the value of the preretirement surviving spouse benefit.

(c) In the case of a lump-sum under Section 3.05 (related to lump sums with a CIC Severance Plan election), the lump-sum amount will be calculated as described in that section and the rules of this Section 3.06 are not used.

3.07 Spousal consent. Spousal consent, as required for elections as described above, need not be obtained if the Company determines that there is no spouse or the spouse cannot be located.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits & International

APPENDIX 1 – 2005-2007 TRANSITION RULES

This Appendix 1 provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Participants with benefit commencement dates after January 1, 2005 and before January 1, 2008.

- 1.01 Election. Participants scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Participants electing optional forms of benefits under this provision will commence payments on the Participant's selected benefit commencement date.
- 1.02 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Participants commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Participant.
- (a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.
- (b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:
- (i) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, a Participant must be an elected or appointed officer of the Company and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;
 - (ii) The lump sum payment shall be made in 2005 as soon as feasible after the election; and
 - (iii) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.

1.03 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007), distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Participant's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Participant's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

APPENDIX 2 – POST 2007
DISTRIBUTION OF 409A AMOUNTS

The provisions of this Appendix 2 shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Articles II and III, and Appendix 1 addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008.

- 2.01 Time of Distribution. Subject to the special rules provided in this Appendix 2, distributions to a Participant of his vested retirement benefit shall commence as of the Payment Date.
- 2.02 Special Rule for Key Employees. If a Participant is a Key Employee and age 55 or older at his Separation from Service, distributions to the Participant shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Participant's death). Amounts otherwise payable to the Participant during such period of delay shall be accumulated and paid on the first day of the seventh month following the Participant's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).
- 2.03 Forms of Distribution. Subject to the special rules provided in this Appendix 2, a Participant's vested retirement benefit shall be distributed in the form of a single life annuity. However, a Participant may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:
- (a) 50% joint and survivor annuity
 - (b) 75% joint and survivor annuity
 - (c) 100% joint and survivor annuity.

If a Participant is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

- 2.04 Death. If a married Participant dies before the Payment Date, a death benefit will be payable to the Participant's spouse commencing 90 days after the Participant's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of a Participant's vested retirement benefit based on a 100% joint

and survivor annuity determined on the Participant's date of death. This benefit is also payable to a Participant's domestic partner who is properly registered with the Company in accordance with procedures established by the Company.

2.05 Actuarial Assumptions. Except as provided in Section 2.06 of this Appendix 2, all forms of payment under this Appendix 2 shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

2.06 Accelerated Lump Sum Payouts.

- (a) Post-2007 Separations. Notwithstanding the provisions of this Appendix 2, for Participants who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section 2.02 of this Appendix 2, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Participant's Separation from Service.
- (b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix 2, for Participants who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Participant attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the Participant attains age 55, but no earlier than January 1, 2008.
- (c) Conflicts of Interest. The present value of a Participant's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.

(d) Present Value Calculation. The conversion of a Participant's retirement benefit into a lump sum payment and the present value calculations under this Section 2.06 of this Appendix 2 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the Participant's immediate benefit if the Participant is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Participant will be eligible to receive at age 55.

2.07 Effect of Early Taxation. If the Participant's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Participant.

2.08 Permitted Delays. Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Company's reasonable anticipation of one or more of the following events:

(a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or

(b) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section 2.08 of this Appendix 2 shall be paid in accordance with Code section 409A.

APPENDIX A
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2
Northrop Supplemental Retirement Income Program For Senior Executives

(Amended and Restated Effective as of January 1, 2009)

Appendix A to the Northrop Grumman Supplemental Plan 2 (the "Appendix") is hereby amended and restated effective as of January 1, 2009. This restatement amends the January 1, 2005 restatement and includes changes that apply to Grandfathered Amounts.

- A.01 Purpose. The purpose of this Program is to provide minimum pension and death benefits to senior executives participating in the Pension Plans who have only had a short period of service with the Company prior to retirement.
- A.02 Eligibility. Officers of the Company may become Participants under this Program only if they are designated as such by the Board of Directors.
- (a) Effective as of April 1, 2003, Kent Kresa ceased being an active Participant under this Program and entered pay-status.
- (b) Effective as of January 1, 2002, the Board of Directors has determined that Dr. Ronald D. Sugar (the "Executive") will be eligible to participate in this Program.
- (c) There are no other Participants in this Program as of July 1, 2003.
- A.03 Retirement Benefit. A Participant is eligible for the benefit under Section A.04 upon voluntary or involuntary Termination of Employment with the Company (other than by death) at or after age 55 with 10 or more years of Vesting Service.
- A.04 Amount of Retirement Benefit. The amount of the retirement benefit under this Appendix is the amount in (a), reduced by (b), where:
- (a) is the greater of
- (1) the amount of the Participant's retirement income under the Pension Plans on a straight life annuity basis, computed:
- (A) without regard to the limitations on benefits and the cap on counted compensation imposed by Code sections 415 and 401(a)(17), and
- (B) using Eligible Pay as defined in subsection (c) below, or
-

- (2) the amount of a straight life annuity with annual payments equal to the participant's Final Average Salary (as defined below) in effect on the date of his or her Termination of Employment multiplied by the appropriate percentage shown in the following schedule:

Age at Termination Date*	Percentage of Final Average Salary at Termination Date**
55	30%
56	34%
57	38%
58	42%
59	46%
60	50%
61	52%
62	54%
63	56%
64	58%
65 and over	60%

(b) is the sum of (1) and (2) below, where:

- (1) is the amount of the Participant's retirement income payable to the Participant, including all early retirement subsidies, supplements, and other such benefits, under the following plans and programs:
- (A) the Qualified Plans, including any predecessor plans, taking into account the limitations on benefits and the cap on counted compensation imposed by Code sections 415 and 401(a)(17);
 - (B) the CPC Supplemental Executive Retirement Program set forth in Appendix F;
 - (C) the Northrop Grumman ERISA Supplemental Plan;
 - (D) the ERISA Supplemental Program 2 set forth in Appendix B; and
 - (E) any defined benefit retirement plans, programs, and arrangements (whether qualified or nonqualified) maintained by TRW Inc. or Litton Industries, Inc., their predecessors, or any affiliates of

* Calculated to years and completed months on the Termination Date.

** The applicable percentage shall be straight line interpolation depending on the Participant's age on his termination date. The percentage thus determined shall be rounded to the nearest hundredth. For example, if a Participant terminates when he is 55 years and 8 months old, the applicable percentage is $30.00\% + 2.67\% = 32.67\%$.

either in which the Executive participated prior to the commencement of his employment with the Company; and

- (2) is an annual benefit of \$124,788 which represents a portion of the retirement benefits previously received by the Executive from certain plans previously maintained by Litton Industries, Inc.
- (c) Final Average Salary.
 - (1) Final Average Salary for any Plan Year is the Participant's average Eligible Pay for the highest three of the last ten consecutive Plan Years. For this purpose, years will be deemed to be consecutive even though a break in service year(s) intervenes.

Notwithstanding the foregoing, for Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of Eligible Pay. All benefits resulting from this change in determining the highest three years of Eligible Pay shall be subject to Code section 409A.

- (2) Eligible Pay will be determined under the rules of Appendix F.

A.05 Post-55 Preretirement Surviving Spouse Benefit. If a Participant dies:

- (a) after age 55;
- (b) while credited with 10 or more years of Vesting Service;
- (c) prior to Termination of Employment; and
- (d) his or her spouse is entitled to a survivor annuity under the Pension Plans,

then the Participant's spouse will be entitled to the benefit under Section A.06.

A.06 Amount of Post-55 Spouse's Benefit. The Participant's surviving spouse benefit under this Section shall be equal in value to the sum of (a) and (b), with such sum then reduced by (c) where:

- (a) is the amount of retirement income that the Participant would have received under the 100% Joint and Survivor Option under the Qualified Plan in which he or she was participating had the Participant retired on the date of death,
- (b) is the amount of the benefit under this Program, after the offset of the benefits included in Section A.04(b), the Participant would have received if he or she had retired on the date of his or her death with this 100% Joint and Survivor Option in effect, and

(c) is the amount of the annuity benefit payable to the surviving spouse under the Qualified Plans (even if the annuity is commuted to a lump sum).

A.07 Payment of Post-55 Spouse's Benefit. The spouse's benefit described in Section A.06 will be payable commencing the first day of the month next following the Participant's date of death and shall terminate on the date of death of the surviving spouse.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

A.08 Pre-55 Preretirement Surviving Spouse Benefit. If a Participant dies:

- (a) before age 55;
- (b) while credited with 10 or more years of Vesting Service; and
- (c) prior to Termination of Employment,
then the Participant's spouse will be entitled to the benefit under Section A.09.

A.09 Amount of Pre-55 Spouse's Benefit. The Participant's surviving spouse benefit under this Section shall be equal in value to the benefit standing to the credit of the Participant under the Pension Plans as of the date of his or her death, actuarially reduced in accordance with the factors in the following table:

<u>Age of Participant at Date of Death*</u>	<u>Factor to be Applied to the Earned Benefit**</u>
55	.431
54	.399
53	.370
52	.343
51	.319
50	.297
49	.276
48	.257
47	.240
46	.223
45	.208

Any extension of the above table below age 45 shall be based on the following assumptions (i) Mortality — 1971 Towers, Perrin, Forster & Crosby Forecast Mortality Table, and (ii) Interest — 6% compounded annually.

* Calculated to years and completed months on date of death.

** The applicable factor shall be determined by straight line interpolation depending on Participant's age at date of death.

A.10 Payment of Pre-55 Spouse's Benefit. The spouse's benefit described in Section A.09 will be payable commencing the first day of the month next following the Participant's date of death and will terminate on the date of death of the surviving spouse.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

A.11 Effective Date. This Program first became effective on July 18, 1973 and will be effective as to each Participant on the date the Board of Directors takes the action designating him or her as a Participant under this Program.

A.12 Vesting Service.

(a) In General. Vesting Service is generally determined under the Qualified Plans.

(b) Special Rule for the Executive. The Executive is deemed to have earned 5 years of Vesting Service as of January 1, 2002. For service performed after December 31, 2001, the Executive's Vesting Service is determined under the Qualified Plans.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits & International

APPENDIX B
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

ERISA Supplemental Program 2

(Amended and Restated Effective as of January 1, 2009)

Appendix B to the Northrop Grumman Supplemental Plan 2 (the "Appendix") is hereby amended and restated effective as of January 1, 2009. This restatement amends the October 1, 2004 restatement and includes changes that apply to Grandfathered Amounts.

B.01 Purpose. The purpose of the Program is:

- (a) to restore benefits lost under the Pension Plans as a result of the compensation limit in Code section 401(a)(17), or any successor provision; and
- (b) to include compensation deferred under a Deferred Compensation Plan and deferrals required in connection with participation under the Northrop Grumman Electronic Systems Executive Pension Plan.

B.02 Eligibility. An employee of the Company, other than Charles H. Noski, is eligible to receive a benefit under this Program if he or she:

- (a) retires on or after January 1, 1989;
- (b) has vested in Pension Plan benefits that are reduced because of one or both of the following:
 - (1) the Code section 401(a)(17) limit on compensation; or
 - (2) participation in a Deferred Compensation Plan.

B.03 Amount of Benefit.

- (a) The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime will equal the amounts described in (1) through (3) below.
 - (1) Cash Balance Piece. Effective for periods after June 30, 2003, a Participant whose retirement benefit is determined under the terms of a Cash Balance Plan is credited under this Program with Benefit Credits (as defined under the Participant's Cash Balance Plan) he or she would have received:
-

- (A) but for the restrictions of Code sections 401(a)(17) or 415, as those limits are described by the applicable Cash Balance Plan; and
- (B) but for the fact the Participant made deferrals to a Deferred Compensation Plan.

For purposes of (B), the Benefit Credits earned are credited in accordance with the terms of the Cash Balance Plan applicable to Eligible Pay in excess of the Social Security Wage Base and any compensation deferred is only treated as compensation for benefit calculation purposes under this Program in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.

- (2) Historical and Transition Piece. Effective for periods prior to July 1, 2003 the Participant is credited with the retirement benefit, if any, that would have been payable under the terms of the Pension Plan:

- (A) but for the restrictions of Code sections 401(a)(17) or 415, as those limits are described by the applicable Pension Plan; and
- (B) but for the fact that the Participant deferred compensation under either a Deferred Compensation Plan or in connection with the Northrop Grumman Electronic Systems Executive Pension Plan.

For purposes of (B), any compensation deferred is only treated as compensation for benefit calculation purposes under this Program in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.

- (3) For Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of eligible pay for purposes of calculating benefit amounts. All benefits resulting from this change in determining the highest three years of eligible pay shall be subject to Code section 409A.
- (b) The benefit payable under this Program will be reduced by the combined amounts of Pension Plan Benefits and the Northrop Grumman ERISA Supplemental Plan benefits attributable to the applicable Pension Plan.
- (c) Notwithstanding any other provision of the Program, in accordance with Section G.05, a Participant's total accrued benefits under all plans, programs, and arrangements in which he or she participates, including the benefit accrued under Section B.03, may not exceed 60% of his or her Final Average Salary (as defined in Section G.02(c)), reduced for early retirement using the factors in Section G.09. If this limit is exceeded, the Participant's accrued benefit under Appendix F or G, whichever is applicable, will be reduced first, and the Participant's accrued

benefit under this Program will then be reduced to the extent necessary to satisfy the limit.

- (d) Minimum Normal Retirement Benefits for Designated Participants.
 - (1) “Minimum Normal Retirement Benefits for Designated Participants” are benefits provided only in the Pension Plan appendices (i.e., benefits in excess of the benefits provided by other portions of the Pension Plans).
 - (A) These extra benefits are meant to partially restore benefits lost because of Code section 401(a)(17).
 - (B) Therefore, they are not included in the “retirement benefit” in (a), but they are included for purposes of the offset in (b).
 - (2) Example. An employee is initially entitled to an \$85,000 annual benefit under the Pension Plans. The employee would be entitled, but for section 401(a)(17), to a \$100,000 annual benefit under the Pension Plans, so that \$15,000 is payable under this Program. The Company then adds the minimum normal retirement benefit appendices under the Pension Plans, which are intended to pay all or a portion of the benefits previously payable by this Program under the Pension Plans instead. Assume this results in the employee being entitled to an additional \$10,000 annual benefit under the appendices to the Pension Plans, so that the Pension Plans now pay a total of \$95,000. This Program restores to the employee only the difference between \$100,000 and \$95,000, or a \$5,000 annual benefit.
- (e) Benefits under this Program will only be paid to supplement benefit payments actually made from a Pension Plan. If benefits are not payable under a Pension Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Program with respect to such Pension Plan.
- (f) The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Program:
 - (1) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (2) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

B.04 Preretirement Surviving Spouse Benefit.

- (a) Preretirement surviving spouse benefits will be payable under this Program on behalf of a Participant if such Participant's surviving spouse is eligible for benefits payable from a Pension Plan.
- (b) The benefit payable will be:
 - (1) for periods after June 30, 2003, the amount which would have been payable under the Cash Balance Plan:
 - (A) but for the restrictions of Code sections 401(a)(17) and 415 (or any successor sections), as those limits are described by the applicable Cash Balance Plan; and
 - (B) but for the fact that the Participant deferred compensation under a Deferred Compensation Plan (with Benefit Credits determined by reference to amounts exceeding the Social Security Wage Base); and
 - (2) for periods prior to July 1, 2003, the amount which would have been payable under the Pension Plan:
 - (A) but for the restrictions of Code sections 401(a)(17) and 415 (or any successor sections), as those limits are described by the applicable Pension Plan; and
 - (B) but for the fact that the Participant deferred compensation under either a Deferred Compensation Plan or in connection with the Northrop Grumman Electronic Systems Executive Pension Plan.
 - (3) For Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of eligible pay for purposes of calculating benefit amounts. All benefits resulting from this change in determining the highest three years of eligible pay shall be subject to Code section 409A.
- (c) For purposes of paragraph (b)(2) above, any compensation deferred will only be treated as compensation for benefit calculation purposes under this Program in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.
- (d) The benefit payable under this Program will be reduced by the combined amounts of the Pension Plan Benefits and the Northrop Grumman Corporation ERISA Supplemental Plan benefits attributable to the applicable Pension Plan.

- (e) No benefit will be payable under this Program with respect to a spouse after the death of that spouse.
- (f) The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Program:
 - (1) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (2) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

B.05 Plan Termination. No further benefits may be earned under this Program with respect to a particular Pension Plan after the termination of such Pension Plan.

B.06 Pension Plan Benefits. For purposes of this Appendix, the term "Pension Plan Benefits" generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Pension Plan. However, this Program is only intended to remedy pension reductions caused by the operation of section 401(a)(17) and not reductions caused for any other reason. In those instances where pension benefits are reduced for some other reason, the term "Pension Plan Benefits" shall be deemed to mean the benefits that actually would have been payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA § 4041(c) or any comparable successor provision of law) of a Pension Plan. In such a case, the Pension Plan Benefits will be deemed to refer to the payments that would have been made from the Pension Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA § 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under Code section 412(c)(8), as amended, or any comparable successor provision of law.
- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant's benefits to a third party on behalf of or with respect to a Participant.

B.07 ISA Excess Plan Participants.

- (a) Background. Effective as of the ISA Eligibility Date, all liabilities for benefits accrued after that date under the Northrop Grumman Integrated Systems & Aerostructures (ISA) Sector ERISA Excess Plan (the "ISA Plan") are transferred to this Plan. This Section describes the treatment of those liabilities ("Transferred

Liabilities”) and the Participants to whom those liabilities relate (“Transferred Participants”).

The “ISA Eligibility Date” is July 1, 2000.

- (b) Transferred Participants. This Section B.07 applies only to employees who: (1) were active participants in the ISA Plan as of the day before the ISA Eligibility Date; and (2) accrued a benefit under the terms of the ISA Plan on or after the ISA Eligibility Date.
- (c) Treatment of Transferred Liabilities. The Transferred Liabilities consist of any post-ISA Eligibility Date accruals under Article III of the ISA Plan. Those liabilities are treated as if they were accrued under Section B.03 of this Plan. Other provisions of this Plan govern as provided below.
- (d) Distributions. Distributions of benefits attributable to the Transferred Liabilities are generally made under Articles II and III of this Plan.
- (e) Other Provisions. The Transferred Liabilities and the Transferred Participants are fully subject to Articles I-III and Appendix B of this Plan. The amount of the Transferred Liabilities is, however, determined under Article III of the ISA Plan.

B.08 Grumman Excess Plan Spinoff.

- (a) Background. Effective as of the Grumman Spinoff Date, all liabilities for benefits accrued by Transferred Participants under the Northrop Grumman Excess Plan for the Grumman Pension Plan (the “Grumman Plan”) were transferred to this Plan. This Section describes the treatment of those liabilities (“Transferred Liabilities”) under this Plan.

The “Grumman Spinoff Date” is July 1, 2003.

- (b) Treatment of Transferred Liabilities. The Transferred Liabilities will generally be treated under the Plan like any other benefits under B.03.
- (c) Transferred Participants. The “Transferred Participants” are active employees who were eligible to participate in the Grumman Plan as of June 30, 2003. Grumman Plan benefits of individuals who terminated employment before July 1, 2003 remain subject to the Grumman Plan, and this Plan assumes no liabilities for those benefits.
- (d) Distributions. Distributions of amounts corresponding to the Transferred Liabilities will generally be made under Articles II and III.
- (e) Other Provisions. The Transferred Liabilities and the Transferred Participants are fully subject to Articles I-III and Appendix B.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of Dec., 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation, Benefits & International

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APPENDIX F
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

CPC Supplemental Executive Retirement Program

(Amended and Restated Effective as of January 1, 2009)

Appendix F to the Northrop Grumman Supplemental Plan 2 (the "Appendix") is hereby amended and restated effective as of January 1, 2009. This restatement amends the January 1, 2005 restatement and includes changes that apply to Grandfathered Amounts.

F.01 Purpose. The purpose of this Program is to give enhanced retirement benefits to eligible elected officers of the Company's Corporate Policy Council. This Program is intended to supplement benefits that are otherwise available under the Qualified Plans.

F.02 Definitions and Construction.

- (a) Capitalized terms used in this Appendix that are not defined in this Appendix or Article I of the Plan are taken from the Qualified Plans and are intended to have the same meaning.
 - (b) CPC Service.
 - (1) Months of CPC Service will be determined under the rules of the Qualified Plans for determining Credited Service.
 - (2) Only months of Credited Service after the commencement of a Participant's tenure on the Corporate Policy Council will be counted.
 - (3) Months of CPC Service will continue to be counted for a Participant until the earlier of (A) and (B):
 - (A) The date the Participant ceases to earn benefit accrual service under either the Qualified Plans or some other defined benefit plan of the Affiliated Companies that is qualified under section 401(a) of the Code ("Successor Qualified Plan").
 - (B) Cessation of the officer's membership on the Corporate Policy Council (whether because of termination of his membership or dissolution of the Council).
 - (C) Examples: The following examples assume that the Participant continues to earn months of CPC Service under the Qualified Plans until termination of employment.
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Example 1: Officer A terminates employment with the Affiliated Companies on March 31, 2004. At that time, he is still a member of the CPC. His service under this Program ceases to accrue on March 31, 2004.

Example 2: Officer B ceases to be a member of the CPC on December 31, 2005, though continuing to work for the Affiliated Companies after that date. His service under this Program ceases to accrue on December 31, 2005.

- (4) If a Participant is transferred to a position with an Affiliated Company not covered by a Qualified Plan, CPC Service will be determined as the Credited Service under the Participant's last Qualified Plan.
 - (A) If such a transfer occurs, the Participant will continue to earn deemed service credits as if he or she were still participating under the Qualified Plan.
 - (B) Those deemed service credits will not be considered as earned under the Qualified Plan for purposes of determining:
 - (i) benefits under the Qualified Plan or supplements to the Qualified Plan other than this Program, or
 - (ii) the offset under Section F.04(b) below, including the early retirement factors associated with the plans included in the offset.
- (c) Eligible Pay. Subject to paragraphs (1) through (4) below, Eligible Pay will generally be determined under the rules of the Participant's supplemental benefit plan (for section 401(a)(17) purposes).
 - (1) For periods during which a Participant did not participate in a supplemental benefit plan, Eligible Pay will be determined by reference to the applicable qualified defined benefit retirement plan under which the Participant benefits.
 - (A) Eligible Pay will be calculated without regard to any otherwise applicable limitations under the Code, including section 401(a)(17).
 - (B) Eligible Pay will include compensation deferred under a Deferred Compensation Plan and in connection with the Northrop Grumman Electronic Systems Executive Pension Plan.
 - (C) For purposes of (B), any compensation deferred will only be treated as compensation for Plan benefit calculation purposes in

the year(s) payment would otherwise have been made and not in the year(s) of actual payment.

- (2) For periods during which a Participant did not participate in a supplemental benefit plan or a qualified defined benefit retirement plan, Eligible Pay will be his or her annualized base pay (determined in accordance with the Northrop Grumman Retirement Plan), plus any bonuses received.
 - (A) Annualized base pay is calculated without regard to any otherwise applicable limitations under the Code, including section 401(a) (17).
 - (B) Annualized base pay includes compensation deferred under a deferred compensation arrangement with those deferrals treated as compensation for Plan benefit calculation purposes in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.
- (3) If a Participant experiences a Termination of Employment before December 31 of any year, Eligible Pay for the year in which the Participant's Termination of Employment occurs is determined in accordance with the Standard Annualization Procedure in Article 2 of the Standard Definitions and Procedures for Certain Northrop Grumman Corporation Retirement Plans.
- (4) The following shall not be considered as Eligible Pay for purposes of determining the amount of any benefit under the Program:
 - (A) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (B) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.
- (d) Final Average Salary will mean the Participant's average Eligible Pay for the highest three of the last ten consecutive Plan Years. For this purpose, years will be deemed to be consecutive even though a break in service year(s) intervenes.

Notwithstanding the foregoing, for Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of Eligible Pay. All benefits resulting from this change in determining the highest three years of Eligible Pay shall be subject to Code section 409A.

- (e) The benefits under this Program are designed to supplement benefits under the Qualified Plans and are therefore to be construed utilizing the same principles and benefit calculation methodologies applicable under the Qualified Plans except where expressly modified.
- (f) Benefits under this Program will be calculated without regard to the limits in sections 401(a)(17) and 415 of the Code.

F.03 Eligibility. Eligibility for benefits under this Program will be limited to those elected officers of the Company's Corporate Policy Council, other than Charles H. Noski, designated as "Participants" by the Company's Board of Directors or Compensation Committee. No Participant will be entitled to any benefits under this Appendix F until he or she becomes Vested under the Qualified Plans, except to the extent provided in Section F.08.

No individuals shall become eligible to participate in the Program after June 2009.

F.04 Benefit Amount. A Participant's total accrued benefit under this Program is his or her gross benefit under (a), reduced by (b) (as modified by (c)), and adjusted under (d). The benefit calculated under this Section F.04 will be subject to the benefit limit under Section F.05.

- (a) A Participant's gross annual benefit under this Program will equal $3.33\% \times \text{Final Average Salary} \times \text{months of CPC Service} \div 12$.

Effective July 1, 2009, a Participant's gross annual benefit under this Program will equal the sum of (A), (B) and (C) below:

- (A) $3.33\% \times \text{Final Average Salary} \times \text{months of CPC Service up to 120 months} \div 12$,
- (B) $1.50\% \times \text{Final Average Salary} \times \text{months of CPC Service in excess of 120 months up to 240 months} \div 12$, and
- (C) $1.00\% \times \text{Final Average Salary} \times \text{months of CPC Service in excess of 240} \div 12$.

Notwithstanding the foregoing, if a Participant had 120 months or more of CPC Service on July 1, 2009, his gross annual benefit under this Program will equal his gross annual benefit under this Program on June 30, 2009 plus accruals in accordance with (B) and (C) above based on CPC Service after June 30, 2009.

- (1) The benefit payable is a single, straight life annuity commencing on the Participant's Normal Retirement Date. The form of benefit and timing of commencement will be determined under Section F.06.

- (2) If a Participant's benefit is paid under this Program before his Normal Retirement Date, the gross benefit will be adjusted for early commencement in accordance with Section G.04(c).
- (b) The gross benefit under (a) above (multiplied by any applicable early retirement factor) is reduced by the retirement benefits the participant is entitled to receive (including all early retirement subsidies, supplements, and other such benefits) under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified (but not contributory or defined contribution plans, programs, or arrangements).
- (c) For purposes of the offset adjustment in subsection (b):
- (1) The Participant's gross benefit under subsection (a) will be reduced only by the benefits accrued under the plans described in (b) for the period during which the Participant earns CPC Service.
- (A) No offset will be made for accruals earned before (or after) participation in this Program.
- (B) Offsets will be made for benefits accrued under any plan while a Participant:
- (i) is employed by the Affiliated Companies; or
- (ii) was employed by a company before it became an Affiliated Company.
- (C) The offset under (b) includes any benefit enhancements under change-in-control Special Agreements (including enhancements for age and service) that Participants have entered into with the Company ("Special Agreements").
- (D) The offset under (b) does not include:
- (i) benefits accrued under the Supplemental Retirement Income Program for Senior Executives described in Appendix A; or
- (ii) Part II benefits under the Litton Restoration Plan and Litton Restoration Plan II.
- (2) If a Participant's benefit under this Program commences upon reaching age 65, benefits under all the plans and programs described in (b) above will be compared on the basis of a single, straight life annuity commencing at age 65 using the assumptions in Section F.09.

- (3) If a Participant's benefit under this Program commences before age 65, benefits under this Program will be offset for the plans described in (b) above by converting the benefits paid or payable from those plans to an actuarially equivalent single life annuity benefit commencing upon retirement. For this purpose, the benefit will be converted to an early retirement benefit under each applicable plan's terms and further adjusted, if necessary, for different normal forms of benefits or different commencement dates using the actuarial assumptions in Section F.09.
- (d) A Participant's benefit under this Program will be no less than the benefit that would have been accrued under Appendix G had the Participant been eligible to participate in that Program.
 - (1) If the net benefit calculated under Appendix G would be greater than the benefit determined in accordance with Sections F.04(a) through (c), the Participant will receive an additional amount under this Program equal to the difference between the net benefit calculated under Appendix G and the benefit calculated under Sections F.04(a) through (c).
 - (2) The above comparison will be made following the application of the applicable early retirement factors and offset adjustments under this Program and Appendix G.

F.05 Benefit Limit. A Participant's total accrued benefits under all plans, programs, and arrangements in which he or she participates, including the benefit accrued under Section F.04 and all plans included in Section F.04(b), may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the Participant's benefit accrued under this Program will be reduced to the extent necessary to satisfy the limit.

- (a) The accrued benefits a Participant has earned under the plans included in Section F.04(b) that are taken into account for purposes of this Section are not limited to those benefits accrued during the time he or she participated in this Program (as described in Section F.04(c)(1)), but instead will count all service with the Affiliated Companies.
- (b) If a participant has previously received a distribution from one of the plans included in Section F.04(b), that previously received benefit applies toward the limit in this Section.
- (c) The Participant's Final Average Salary is reduced for early retirement applying the factors in Section G.04(c).
- (d) The limit in this Section may not be exceeded even after the benefits under this Program have been enhanced under any Special Agreements.

F.06 Payment of Benefits.

- (a) Benefits will generally be paid in accordance with Section 2.03 of the Plan.

In addition to all other benefit forms otherwise available under this Program, effective as of January 1, 2004, a Participant may elect to have his or her benefits paid in the form of a 75% Joint and Survivor Option. Under this option, the Participant is paid a reduced monthly benefit for life and then, if the Participant's spouse is still alive, a benefit equal to 75% of the Participant's monthly benefit is paid to the spouse for the remainder of his or her life. If the spouse is not still alive when the Participant dies, no further payments are made. The determination of the benefit payable under this option will be made utilizing the factors for a 75% Joint and Survivor Option under the provisions of the Northrop Grumman Retirement Plan.

- (b) Except as provided in subsection (c), benefits will commence as of the first day of the month following the Participant's Termination of Employment or, if later, as of the date the Participant's early retirement benefit commences under the Qualified Plans.
- (c) If a Participant has a Termination of Employment because of Disability before the Participant is eligible for an early retirement benefit from a Qualified Plan, benefits may commence immediately, subject to adjustment for early commencement using the applicable factors and methodologies under Sections F.04(a)(2) and F.04(c)(3).
- (d) If a Participant dies after commencement of benefits, any survivor benefits will be paid in accordance with the form of benefit selected by the Company. If a Participant dies prior to commencement of benefits, payment will be made under Section F.07.

The distribution rules under this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

F.07 Preretirement Death Benefits. If a Participant dies before benefits commence, preretirement surviving spouse benefits are payable under this Program if his or her surviving spouse is eligible for a qualified preretirement survivor annuity (as required under section 401(a)(11) of the Code) from a Qualified Plan.

- (a) Amount and Form of Preretirement Death Benefit. A preretirement death benefit paid to a surviving spouse is the survivor benefit portion of a 100% joint-and-survivor annuity calculated using the survivor annuity factors under the Northrop Grumman Pension Plan in an amount determined as follows:
- (1) First, the Participant's gross benefit under Section F.04(a) will be calculated and reduced, as necessary, for early retirement using the factors in Section F.04(a)(2) and adjusted, as necessary, in accordance with Section F.04(d);

- (2) Second, the target preretirement death benefit under this Program will be calculated by applying the appropriate 100% joint-and-survivor annuity factor (as provided in the Northrop Grumman Pension Plan) to the amount determined in (1); and
 - (3) Third, the target preretirement death benefit determined in (2) will be reduced by the preretirement death benefits, if any, payable under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified, that are otherwise included in the offsets described under Section F.04(b) such that the sum of the preretirement death benefit payments made to the surviving spouse under all plans, including this Program, will equal, at all times, the level of payments determined to be the target preretirement death benefit (subject to the benefit limit described in Section G.05(a)).
- (b) Timing of Preretirement Death Benefit.
- (1) Benefits commence as of the first day of the month following the death of the Participant, subject to adjustment for early commencement using the applicable factors under G.04(c).
 - (2) If there is a dispute as to whom payment is due, the Company may delay payment until the dispute is settled.
- (c) No benefit is payable under this Program with respect to a spouse after the spouse dies.

The distribution rules under this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

F.08 Individual Arrangements. This Section applies to a Participant who has an individually-negotiated arrangement with the Company for supplemental retirement benefits.

- (a) This Section is intended to coordinate the benefits under this Program with those of any individually-negotiated arrangement. Participants with such arrangements will be paid the better of the benefits under the arrangement or under Sections F.04 or F.07 (as limited by F.05).
- (b) In no case will duplicate benefits be paid under this Program and such an individual arrangement. Any payments under this Program will be counted toward the Company's obligations under an individual arrangement, and vice-versa.
- (c) If the benefit under an individually-negotiated arrangement exceeds the one payable under this Program, then the individual benefit will be substituted as the benefit payable under this Program (even if it exceeds the limit under F.05).

- (d) To determine which benefit is greater, all benefits will be compared, subject to adjustment for early retirement using the applicable factors and methodologies under Sections F.04(a)(2) and F.04(c)(3).
- (e) For purposes of (d), the individually-negotiated benefit will be determined in accordance with all of its terms and conditions. Nothing in this Section is meant to alter any of those terms and conditions.
- (f) This Section does not apply to the Special Agreements.

F.09 Actuarial Assumptions: The following defined terms and actuarial assumptions will be used to the extent necessary to convert benefits to straight life annuity form commencing at the Participant's Normal Retirement Date under Sections F.04 and F.08:

Interest: Five percent (5%)

Mortality: The applicable mortality table which would be used to calculate a lump sum value for the benefit under the Qualified Plans.

Increase in Code Section 415 Limit: 2.8% per year.

Variable Unit Values: Variable Unit Values are presumed not to increase for future periods after commencement of benefits.

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IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits & International

APPENDIX G
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

Officers Supplemental Executive Retirement Program

(Amended and Restated Effective as of January 1, 2009)

Appendix G to the Northrop Grumman Supplemental Plan 2 (the "Appendix") is hereby amended and restated effective as of January 1, 2009. This restatement amends the January 1, 2005 restatement and includes changes that apply to Grandfathered Amounts.

G.01 Purpose. The purpose of this Program is to give enhanced retirement benefits to eligible officers of the Company. This Program is intended to supplement benefits that are otherwise available under the Qualified Plans.

G.02 Definitions and Construction.

- (a) Capitalized terms used in this Appendix that are not defined in this Appendix or Article I of the Plan are taken from the Qualified Plans, and are intended to have the same meaning.
 - (b) Eligible Pay. Subject to paragraphs (1) through (5) below, Eligible Pay will generally be determined under the rules of the Participant's supplemental benefit plan (for section 401(a)(17) purposes).
 - (1) For periods during which a Participant did not participate in a supplemental benefit plan, Eligible Pay will be determined by reference to the applicable qualified defined benefit retirement plan under which the Participant benefits.
 - (A) Eligible Pay will be calculated without regard to any otherwise applicable limitations under the Code, including section 401(a)(17).
 - (B) Eligible Pay will include compensation deferred under a Deferred Compensation Plan and in connection with the Northrop Grumman Electronic Systems Executive Pension Plan.
 - (C) For purposes of (B), any compensation deferred will only be treated as compensation for Plan benefit calculation purposes in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.
 - (2) Special Rules for Certain Participants.
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- (A) Former Northrop Grumman Electronic Systems Executive Pension Plan Participants. For years prior to 2002, Eligible Pay is determined by reference to the Participant's total base salary under the Northrop Grumman Electronic Systems Pension Plan plus any bonuses that were received or would have been received had the Participant not elected to have the amounts deferred under a deferred compensation arrangement. No compensation of any kind paid or otherwise earned while employed by an entity prior to that entity becoming an Affiliated Company will be included in the Participant's Eligible Pay.
- (B) Employees of Newport News Shipbuilding, Inc. For the period beginning on January 1, 1994 and ending December 31, 2003, Eligible Pay is determined by reference to the Participant's total base salary plus any bonuses that were received or would have been received had the Participant not elected to have the amounts deferred under a deferred compensation arrangement.
- (3) If a Participant experiences a Termination of Employment before December 31 of any year, Eligible Pay for the year in which the Participant's Termination of Employment occurs is determined in accordance with the Standard Annualization Procedure in Article 2 of the Standard Definitions and Procedures for Certain Northrop Grumman Corporation Retirement Plans.
- (4) The following shall not be considered as Eligible Pay for purposes of determining the amount of any benefit under the Program:
 - (A) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (B) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.
- (5) Eligible Pay shall include amounts earned after a Participant attains age 65, provided any benefits based on such compensation shall be subject to Code section 409A.
- (c) Final Average Salary for any Plan Year is the Participant's average Eligible Pay for the highest three of the last ten consecutive Plan Years in which the Participant was an employee of an Affiliated Company and a participant in a qualified defined benefit retirement plan. For this purpose, years will be deemed to be consecutive even though a break in service year(s) intervenes.

Notwithstanding the foregoing, for Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of Eligible Pay. All benefits resulting from this change in determining the highest three years of Eligible Pay shall be subject to Code section 409A.

(d) Months of Benefit Service.

- (1) Months of Benefit Service will be determined under the rules of the Qualified Plans for determining Credited Service.
- (2) Months of Benefit Service will continue to be counted for a Participant until the earlier of (A) or (B):
 - (A) The date the Participant ceases to earn benefit accrual service under either the Qualified Plans or some other defined benefit plan of the Affiliated Companies that is qualified under section 401(a) of the Code ("Successor Qualified Plan").
 - (B) Cessation of the Participant's status as an elected or appointed officer of the Company (except as otherwise provided in Section G.04(f)).
- (3) If a Participant is transferred to a position with an Affiliated Company not covered by a Qualified Plan, Months of Benefit Service will be determined as the Credited Service in the Participant's last Qualified Plan.
 - (A) If such a transfer occurs, the Participant will continue to earn deemed service credits as if he or she were still participating under the Qualified Plan.
 - (B) Those deemed service credits will not be considered as earned under the Qualified Plan for purposes of determining:
 - (i) benefits under the Qualified Plan or supplements to the Qualified Plan other than this Program, or
 - (ii) the offset under Section G.05 below, including the early retirement factors associated with the plans included in the offset.
- (4) For Participants who become eligible to participate in the Program on or after March 10, 2006, Months of Benefit Service shall not include any time that counts as service under any portion of a plan spun out of the Company's controlled group, if the service is no longer treated as benefit accrual service under a qualified plan in the Company's controlled group.

- (5) Months of Benefit Service shall continue to be earned after a Participant has attained age 65, provided that any benefits based on such service shall be subject to Code section 409A.
 - (e) The benefits under this Program are designed to supplement benefits under the Qualified Plans and are to be construed using the same principles and benefit calculation methodologies applicable under the Qualified Plans except where expressly modified in this Program.
 - (f) Benefits are calculated without regard to the limits in sections 401(a)(17) and 415 of the Code.
- G.03 Eligibility. Except as otherwise provided in (a) through (f) below, eligibility for benefits under this Program is limited to elected or appointed officers of the Company, other than Charles H. Noski.
- (a) Employees of Newport New Shipbuilding, Inc. will be eligible to participate under this Program effective January 1, 2004.
 - (b) No employees of Vinnell Corporation, Component Technologies, or Premier America Credit Union are eligible for benefits under this Program.
 - (c) No Participant is entitled to any benefits under this Appendix G until he or she becomes Vested under the Qualified Plans, except to the extent provided otherwise in this Appendix G.
 - (d) No individual who is, was, or will be eligible to participate in and receive benefits under Appendix F of the Plan (the "CPC SERP") is eligible to participate under this Program.
 - (e) Notwithstanding any other provisions of this Program to the contrary, elected and appointed officers of the Company's Mission Systems and Space Technology Sectors will be eligible to participate under this Program effective as of January 1, 2005.
 - (f) After June 2008, the only employees who shall become eligible to participate in the Program shall be:
 - (1) individuals who become elected or appointed officers of the Company after June 2008 due to rehire or promotion, provided they have been and continue to be actively accruing benefits under a Company-sponsored qualified defined benefit pension plan, and
 - (2) any other individuals designated for participation in writing by the Vice President, Compensation, Benefits and International (as such title may be modified from time to time).

G.04 Benefit Amount.

- (a) A Participant's annual Normal Retirement Benefit under this Program equals the sum of (1) through (3) below, subject to the limit described in Section G.05:
- (1) $2.0\% \times \text{Final Average Salary} \times \text{Months of Benefit Service up to 120 months} \div 12$
 - (2) $1.5\% \times \text{Final Average Salary} \times \text{Months of Benefit Service in excess of 120 months up to 240 months} \div 12$
 - (3) $1.0\% \times \text{Final Average Salary} \times \text{Months of Benefit Service in excess of 240 months up to 540 months} \div 12$

However, if an employee performs service during his or her career in covered positions under both this Appendix G and the CPC SERP: the employee's entire benefit will be calculated under Section F.04 of the CPC SERP and payable under the terms of that program; all benefits accrued under this Program will be eliminated; and no amounts will be payable under this Appendix G.

- (b) The total benefit payable is a single, straight life annuity commencing at age 65, assuming an annual benefit equal to the gross benefit under (a). The form of benefit and timing of commencement will be determined under Section G.06.
- (c) If a Participant's benefit is paid under this Program before age 65, the benefit will be adjusted as follows. The Early Retirement Benefit is a monthly benefit equal to the Normal Retirement Benefit reduced by the lesser of:
- (1) 1/12th of 2.5% for each calendar month the payment of benefits begins before age 65; or
 - (2) 2.5% for each Benefit Point less than 85 where the Participant's Benefit Points (truncated to reach a whole number) equal the sum of:
 - (A) his or her age (computed to the nearest 1/12th of a year) at the annuity starting date and
 - (B) 1/12th of his or her months of Credited Service under the applicable Qualified Plan (also computed to the nearest 1/12th of a year) as of the date his or her employment terminated.

A Participant's Vesting Service and months of Credited Service earned under the Qualified Plans (or deemed earned in the event of a transfer) are used to determine whether the Early Retirement Benefit provisions apply and to calculate the early retirement reduction.

- (d) Except as provided otherwise in this Appendix G, no benefit will be paid under this Program if a Participant experiences a Termination of Employment before (1)

attaining age 55 and completing 120 Months of Benefit Service, or (2) attaining age 65 and completing 60 Months of Benefit Service.

Notwithstanding any other provision of the Program to the contrary, a Participant who otherwise satisfies the requirements of this subsection (d) is not required to retire and commence benefits under this Program upon his or her Termination of Employment. This provision applies to Grandfathered Amounts only.

- (e) A Participant shall be entitled to benefits notwithstanding the Participant's failure to meet the requirements of Section G.04(d) if the following requirements are satisfied:
- (1) the Participant has been involuntarily terminated without cause or terminated due to the divestiture of his business unit;
 - (2) the Participant has reached age 53 and completed 10 years of early retirement eligibility service, or has accumulated 75 points, as of the date of termination, all as determined under the terms of the Northrop Grumman Pension Plan; and
 - (3) the Participant is actively accruing benefits under the Program as of the date of termination.

If a Participant receives a notice of an involuntary termination and then transfers to another related entity instead of being involuntarily terminated, the Participant will not qualify for vesting under this subsection (e). If an involuntarily terminated Participant is rehired by the Company, vesting under this subsection (e) would not apply unless the Participant is subsequently terminated and meets the requirements described above.

All benefits payable pursuant to this subsection (e) shall be subject to reduction for early retirement as applicable under Section G.04(c). All benefits payable under this subsection (e) shall be subject to section 409A of the Code.

- (f) The rules set forth in this Section G.04(f) shall apply in the event a Participant ceases to satisfy the eligibility requirements of Section G.03 (the "eligibility requirements") because the Participant is no longer an elected or appointed officer of the Company:
- (1) for purposes of calculating the Participant's benefit amount pursuant to Section G.04(a), "Eligible Pay" and "Months of Benefit Service" shall not reflect amounts paid or service on or after the date the Participant ceases to satisfy the eligibility requirements, except that in the event the Participant subsequently satisfies the eligibility requirements, "Eligible Pay" and "Months of Benefit Service" shall reflect all pay and past service to the extent consistent with the terms of this Program in effect for newly eligible employees at the time the Participant satisfies the eligibility requirements for the second time;

- (2) for purposes of applying the 60% limitation pursuant to Section G.05(a), "Eligible Pay" shall include amounts paid on or after the date the Participant ceases to satisfy the eligibility requirements;
- (3) for purposes of applying the offset provision of Section G.05(b), benefits accrued under other plans shall reflect pay and service on or after the date the Participant ceases to satisfy the eligibility requirements;
- (4) for purposes of applying Sections G.04(d) and G.04(e), service on or after the date the Participant ceases to satisfy the eligibility requirements shall continue to count as service, provided that if the Participant would not otherwise receive benefits if not for the application of this paragraph (4), all benefits shall be subject to section 409A of the Code;
- (5) for purposes of applying the reduction for early retirement pursuant to Section G.04(c), service on or after the date the Participant ceases to satisfy the eligibility requirements shall continue to count as service.

G.05 Benefit Limit. Accruals under Section G.04 will be limited as provided in this Section.

- (a) A Participant's total accrued benefits under all plans, programs, and arrangements in which he or she participates, including the benefit accrued under Section G.04 and all plans included in Section G.05(b), may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the Participant's benefit accrued under this Program will be reduced to the extent necessary to satisfy the limit.
 - (1) The Participant's Final Average Salary will be reduced for early retirement applying the factors in Section G.04(c).
 - (2) The limit in this subsection may not be exceeded even after the benefits under this Program have been enhanced under any Special Agreements.
- (b) The gross benefit calculated under Section G.04 above (multiplied by any applicable early retirement factor) is reduced by the retirement benefits the participant is entitled to receive (including all early retirement subsidies, supplements, and other such benefits) under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified (but not contributory or defined contribution plans, programs, or arrangements).
- (c) For purposes of the offset in subsection (b):
 - (1) Offsets will be made:
 - (A) with respect to:

- (i) benefits accrued under any plan while a Participant is employed by the Affiliated Companies; and
 - (ii) benefits accrued under any plan while a Participant was employed by a company before it became an Affiliated Company;
- (B) with respect to any benefit enhancements under change-in-control Special Agreements (including enhancements for age and service) that Participants have entered into with the Company (“Special Agreements”); and
- (C) without regard to:
- (i) benefits accrued under the Supplemental Retirement Income Program for Senior Executives described in Appendix A;
 - (ii) Part II benefits under the Litton Restoration Plan and Litton Restoration Plan II; or
 - (iii) benefits accrued under the Company’s Pilot’s Transition Plan.
- (2) If a Participant’s benefit under this Program commences upon reaching age 65, the Participant’s benefits under all the plans and programs described in (b) above will be compared on the basis of a single, straight life annuity commencing at age 65 using the assumptions stated in Section G.09.
- (3) If a Participant’s benefit under this Program commences before age 65, benefits under this Program will be offset for the plans described in (b) above by converting the benefits paid or payable from those plans to an actuarially equivalent single life annuity benefit commencing upon retirement. For this purpose, the benefit will be converted to an early retirement benefit under each applicable plan’s terms and further adjusted, if necessary, for different normal forms of benefits or different commencement dates using the actuarial assumptions of Section G.09.
- (4) If a Participant previously received a distribution under one of the plans described in (b) above for a period of service that counts as Months of Benefit Service, that previously received benefit applies toward the limit under this Section.
- (e) Example: A Participant elects to receive an early retirement benefit at age 55 after completing 240 Months of Benefit Service with Final Average Salary equal to \$250,000. The Participant has accrued monthly benefits under the Northrop Grumman Electronic Systems Pension Plan (the “ES Plan”) equal to \$2,550

payable at age 55, the Northrop Grumman ERISA Supplemental Program 2 (“ERISA 2”) equal to \$600 payable at age 55, and the Northrop Grumman Electronic Systems Executive Pension Plan (the “ES EPP”) equal to \$600 payable at age 65.

The Participant’s pre-offset benefit under this Program, calculated in accordance with Section G.04, equals 35% of the Participant’s Final Average Salary (\$250,000) x 75% to account for the early retirement reduction under Section G.04(c). This results in a monthly gross benefit under this Program, before the benefit limit is applied, equal to \$5,468.75. The Participant’s total net benefit is calculated, taking into account the offset under (b) above, by reducing the gross benefit by the following:

- (1) the \$2,550 monthly benefit under the ES Plan payable at age 55, subject to that plan’s conversion factors; and
- (2) the \$600 ERISA 2 early retirement single life annuity payable at age 55.
- (3) No offset results from the ES EPP, however, because the Participant is not eligible to receive a benefit at age 55 under that plan.

This results in a monthly gross benefit under this Program equal to \$2,318.75.

G.06 Payment of Benefits.

- (a) Benefits will generally be paid in accordance with Section 2.03 of the Plan.

In addition to all other benefit forms otherwise available under this Program, effective as of January 1, 2004, a Participant may elect to have his or her benefits paid in the form of a 75% Joint and Survivor Option. Under this option, the Participant is paid a reduced monthly benefit for life and then, if the Participant’s spouse is still alive, a benefit equal to 75% of the Participant’s monthly benefit is paid to the spouse for the remainder of his or her life. If the spouse is not still alive when the Participant dies, no further payments are made. The determination of the benefit payable under this option will be made utilizing the factors for a 75% Joint and Survivor Option under the provisions of the Northrop Grumman Retirement Plan.

- (b) Except as provided in (c), benefits will commence as of the first day of the month following the Participant’s Termination of Employment or, if later, as of the date the Participant’s early retirement benefit commences under the Qualified Plans.
- (c) If a Participant has a Termination of Employment because of disability before the Participant is eligible for an early retirement benefit from a Qualified Plan, benefits may commence immediately, subject to adjustment for early commencement using the applicable factors and methodologies under Sections G.04(c) and G.05(c)(3).

- (d) If a Participant dies after commencement of benefits, any survivor benefits will be paid in accordance with the form of benefit selected by the Company. If a Participant dies prior to commencement of benefits, payment will be made under Section G.07.

The distribution rules under this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

G.07 Preretirement Death Benefits. If a Participant dies before benefits commence, preretirement surviving spouse benefits are payable under this Program on behalf of the Participant if his or her surviving spouse is eligible for a qualified preretirement survivor annuity (as required under section 401(a)(11) of the Code) from a Qualified Plan.

- (a) Amount and Form of Preretirement Death Benefit. A preretirement death benefit paid to a surviving spouse is the survivor benefit paid to a surviving spouse is the survivor benefit portion of a 100% joint and survivor annuity calculated using the survivor annuity factors under the Northrop Grumman Pension Plan in an amount determined as follows:
 - (1) First, the Participant's gross benefit under Section G.04(a) will be calculated and reduced, as necessary, for early retirement using the factors in Section G.04(c);
 - (2) Second, the target preretirement death benefit under this Program will be calculated by applying the appropriate 100% joint-and-survivor annuity factor (as provided in the Northrop Grumman Pension Plan) to the amount determined in (1); and
 - (3) Third, the target preretirement death benefit determined in (2) will be reduced by the preretirement death benefits, if any, payable under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified, that are otherwise included in the offsets described under Section G.05(b) such that the sum of the preretirement death benefit payments made to the surviving spouse under all plans, including this Program, will equal, at all times, the level of payments determined to be the target preretirement death benefit (subject to the benefit limit described in Section G.05(a)).
- (b) Timing of Preretirement Death Benefit.
 - (1) Benefits commence as of the first day of the month following the death of the Participant, subject to adjustment for early commencement using the applicable factors under G.04(c).
 - (2) If there is a dispute as to whom payment is due, the Company may delay payment until the dispute is settled.

(c) No benefit is payable under this Program with respect to a spouse after the spouse dies.

The distribution rules under this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

G.08 Individual Arrangements. This Section applies to a Participant who has an individually-negotiated arrangement with the Company for supplemental retirement pension benefits. Notwithstanding any other provision to the contrary, this Section does not apply to any individually-negotiated arrangements between a Participant and the Company concerning severance payments.

- (a) This Section is intended to coordinate the benefits under this Program with those of any individually-negotiated arrangement. Participants with such arrangements will be paid the better of the benefits under the arrangement or under Sections G.04 or G.07 (as limited by G.05).
- (b) In no case will duplicate benefits be paid under this Program and such an individual arrangement. Any payments under this Program will be counted toward the Company's obligations under an individual arrangement, and vice-versa.
- (c) If the benefit under an individually-negotiated arrangement exceeds the one payable under this Program, then the individual benefit will be substituted as the benefit payable under this Program (even if it exceeds the limit under G.05).
- (d) To determine which benefit is greater, all benefits will be compared, subject to adjustment for early retirement using the applicable factors and methodologies under Sections G.04(c) and G.05(c)(3).
- (e) For purposes of (d), the individually-negotiated benefit will be determined in accordance with all of its terms and conditions. Nothing in this Section is meant to alter any of those terms and conditions.
- (f) This Section does not apply to the Special Agreements.

G.09 Actuarial Assumptions. The following defined terms and actuarial assumptions will be used to the extent necessary under Sections G.05 and G.08 to convert benefits to straight life annuity form commencing upon the Participant reaching age 65:

Interest: Five percent (5%)

Mortality: The applicable mortality table which would be used to calculate a lump sum value for the benefit under the Qualified Plans.

Increase in Code Section 415 Limit: 2.8% per year.

Variable Unit Values: Variable Unit Values are presumed not to increase for future periods after commencement of benefit.

G.10 Grumman SRP Participants. The following special rules shall apply to Participants who are entitled to benefits under the Northrop Grumman Corporation Supplemental Retirement Plan (the "SRP"). Any additional accrued benefits resulting from these special rules shall be subject to Code Section 409A.

- (a) The offset provided for in Section G.05(b) related to an SRP benefit shall be based on the amount payable under the 15-year certain payment form in the SRP, not the actuarially equivalent single life annuity amount.
- (b) The offset for the SRP amount shall be applied after the benefit under this Program has been converted into any optional form of payment elected.
- (c) When payments cease under the SRP after 15 years, the annual benefit under this Program shall increase by the amount of the annual benefit that was being paid under the SRP.

G.11 TASC Participants. Participants who are actively employed in a TASC Entity: 254 or 255 on the date the entities are transferred to an unrelated buyer ("TASC Closing Date") will be 100% vested in their benefit under the Program on the TASC Closing Date. No pay or service after the TASC Closing Date will count for purposes of determining the amount of such a Participant's benefit under the Program. The offsets that apply to a Participant's benefit under Section G.05(b) shall be determined on the date the Participant's benefits payments commence under the Program. All benefits that become vested under this Section G.11 shall be subject to section 409A of the Code.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas
Vice President, Compensation,
Benefits & International

APPENDIX I
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

Officers Supplemental Executive Retirement Program II

(Effective as of January 1, 2010)

Appendix I is hereby added to the Northrop Grumman Supplemental Plan 2 (the "Appendix") effective as of January 1, 2010.

I.01 Purpose. The purpose of this Program is to give enhanced retirement benefits to eligible officers of the Company.

I.02 Definitions and Construction.

- (a) Capitalized terms used in this Appendix that are not defined in this Appendix or Article I of the Plan are taken from the Qualified Plans, and are intended to have the same meaning.
- (b) "Cash Balance Program" means the Northrop Grumman Corporation Cash Balance Program, or any successor thereto.
- (c) Eligible Pay. Subject to paragraphs (1) through (3) below, Eligible Pay will be based on the eligible pay a Participant would have under the Cash Balance Program if (i) the Participant was eligible to participate in the Cash Balance Program, (ii) there were no limits on eligible pay under the Cash Balance Program under applicable limitations of the Code, including section 401(a)(17), and (iii) amounts deferred under the Northrop Grumman Deferred Compensation Plan and the Northrop Grumman Savings Excess Plan counted as eligible pay under the Cash Balance Program.
 - (1) If a Participant experiences a Termination of Employment before December 31 or is hired after January 1 of any year, Eligible Pay for the year in which the Participant's Termination of Employment or date of hire occurs is determined in accordance with the Standard Annualization Procedure in Article 2 of the Cash Balance Program.
 - (2) The following shall not be considered as Eligible Pay for purposes of determining the amount of any benefit under the Program:
 - (A) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and

(B) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

(3) Eligible Pay shall include amounts earned after a Participant attains age 65.

(d) Final Average Salary for any Plan Year is the Participant's average Eligible Pay for the highest three Plan Years in which the Participant was an employee of an Affiliated Company.

(e) Months of Benefit Service.

(1) Except as provided in (2) and (3) below, a Participant shall be credited with a Month of Benefit Service for each month that would count as Credited Service under the Cash Balance Program if the Participant was eligible to participate in the Cash Balance Program.

(2) Months of Benefit Service will continue to be counted for a Participant until cessation of the Participant's status as an elected or appointed officer of the Company (except as otherwise provided in Section I.04(f)).

(3) Months of Benefit Service shall not include any time that counts as service under any portion of a plan spun out of the Company's controlled group, if the service would no longer be treated as benefit accrual service under the Cash Balance Program if the Participant was eligible to participate in the Cash Balance Program.

(4) Months of Benefit Service shall continue to be earned after a Participant has attained age 65.

(f) Benefits are calculated without regard to the limits in sections 401(a)(17) and 415 of the Code.

I.03 Eligibility. Eligibility for benefits under this Program is limited to the elected or appointed officers of the Company hired after June 2008 and on or before January 5, 2009 and designated for participation in the Program by the Vice President, Compensation, Benefits & International (as such title may be modified from time to time).

I.04 Benefit Amount.

(a) A Participant's annual Normal Retirement Benefit under this Program equals the sum of (1) through (3) below, subject to the limit described in Section I.05:

(1) $2.0\% \times \text{Final Average Salary} \times \text{Months of Benefit Service up to 120 months} \div 12$

- (2) $1.5\% \times \text{Final Average Salary} \times \text{Months of Benefit Service in excess of 120 months up to 240 months} \div 12$
- (3) $1.0\% \times \text{Final Average Salary} \times \text{Months of Benefit Service in excess of 240 months up to 540 months} \div 12$
- (b) The total benefit payable is a straight life annuity commencing at age 65, assuming an annual benefit equal to the gross benefit under (a). The form of benefit and timing of commencement will be determined under Section I.06.
- (c) If a Participant's benefit is paid under this Program before age 65, the benefit will be adjusted as follows. The Early Retirement Benefit is a monthly benefit equal to the Normal Retirement Benefit reduced by the lesser of:
 - (1) 1/12th of 2.5% for each calendar month the payment of benefits begins before age 65; or
 - (2) 2.5% for each benefit point less than 85 where the Participant's benefit points (truncated to reach a whole number) equal the sum of:
 - (A) his or her age (computed to the nearest 1/12th of a year) at the annuity starting date, and
 - (B) 1/12th of his or her Months of Benefit Service (also computed to the nearest 1/12th of a year) as of the date his or her employment terminated.
- (d) Except as provided otherwise in this Appendix I, no benefit will be paid under this Program if a Participant experiences a Termination of Employment before (1) attaining age 55 and completing 120 Months of Benefit Service, or (2) attaining age 65 and completing 60 Months of Benefit Service.
- (e) A Participant shall be entitled to benefits notwithstanding the Participant's failure to meet the requirements of Section I.04(d) if the following requirements are satisfied:
 - (1) the Participant has been involuntarily terminated or terminated due to the divestiture of his business unit;
 - (2) the Participant has reached age 53 and completed 10 years of early retirement eligibility service, or has accumulated 75 points, as of the date of termination, all as determined under the terms of the Northrop Grumman Pension Plan (assuming the Participant were eligible to participate in such plan); and
 - (3) the Participant is actively accruing benefits under the Program as of the date of termination.

If a Participant receives a notice of an involuntary termination and then transfers to another related entity instead of being involuntarily terminated, the Participant will not qualify for vesting under this subsection (e). If an involuntarily terminated Participant is rehired by the Company, vesting under this subsection (e) would not apply unless the Participant is subsequently terminated and meets the requirements described above.

All benefits payable pursuant to this subsection (e) shall be subject to reduction for early retirement as applicable under Section I.04(c).

- (f) The rules set forth in this Section I.04(f) shall apply in the event a Participant ceases to satisfy the eligibility requirements of Section I.03 (the "eligibility requirements") because the Participant is no longer an elected or appointed officer of the Company:
- (1) for purposes of calculating the Participant's benefit amount pursuant to Section I.04(a), "Eligible Pay" and "Months of Benefit Service" shall not reflect amounts paid or service on or after the date the Participant ceases to satisfy the eligibility requirements, except that in the event the Participant subsequently satisfies the eligibility requirements, "Eligible Pay" and "Months of Benefit Service" shall reflect all pay and past service to the extent consistent with the terms of this Program in effect for newly eligible employees at the time the Participant satisfies the eligibility requirements for the second time;
 - (2) for purposes of applying the 60% limitation pursuant to Section I.05, "Eligible Pay" shall include amounts paid on or after the date the Participant ceases to satisfy the eligibility requirements;
 - (3) for purposes of applying Sections I.04(d) and I.04(e), service on or after the date the Participant ceases to satisfy the eligibility requirements shall continue to count as service;
 - (4) for purposes of applying the reduction for early retirement pursuant to Section I.04(c), service on or after the date the Participant ceases to satisfy the eligibility requirements shall continue to count as service.
- (g) If a Participant experiences a Termination of Employment after earning at least three Years of Vesting Service and is not vested in benefits under the Program under subsection (d), (e), or (f) above, he shall be entitled to a benefit equal to the benefit he would have received had he participated in the Cash Balance Program from his date of hire to the date of his Termination of Employment and if there were no Code limits on compensation or benefits under the Cash Balance Program. This benefit will be payable in accordance with Section I.06. Any Participant entitled to a benefit under this subsection (g) shall not be entitled to a benefit under subsection (a).

- I.05 Benefit Limit. A Participant's total accrued benefits under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified (but not contributory or defined contribution plans, programs, or arrangements) in which he or she participates, including the benefit accrued under Section I.04, may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the Participant's benefit accrued under this Program will be reduced to the extent necessary to satisfy the limit.
- (a) The Participant's Final Average Salary will be reduced for early retirement applying the factors in Sections I.04(c) and I.09.
 - (b) The limit in this subsection may not be exceeded even after the benefits under this Program have been enhanced under any Special Agreements.
- I.06 Payment of Benefits. Benefits will be paid in accordance with Appendix 2.
- I.07 Death Benefits. Any payments to be made upon the death of a Participant shall be determined under and distributed in accordance with Appendix 2.
- I.08 Individual Arrangements. This Section applies to a Participant who has an individually-negotiated arrangement with the Company for supplemental retirement pension benefits. Notwithstanding any other provision to the contrary, this Section does not apply to any individually-negotiated arrangements between a Participant and the Company concerning severance payments.
- (a) This Section is intended to coordinate the benefits under this Program with those of any individually-negotiated arrangement. Participants with such arrangements will be paid the better of the benefits under the arrangement or under Sections I.04 or I.07 (as limited by I.05).
 - (b) In no case will duplicate benefits be paid under this Program and such an individual arrangement. Any payments under this Program will be counted toward the Company's obligations under an individual arrangement, and vice-versa.
 - (c) If the benefit under an individually-negotiated arrangement exceeds the one payable under this Program, then the individual benefit will be substituted as the benefit payable under this Program (even if it exceeds the limit under I.05).
 - (d) To determine which benefit is greater, all benefits will be compared, subject to adjustment for early retirement using the applicable factors and methodologies under Section I.04(c).
 - (e) For purposes of (d), the individually-negotiated benefit will be determined in accordance with all of its terms and conditions. Nothing in this Section is meant to alter any of those terms and conditions.
 - (f) This Section does not apply to the Special Agreements.

I.09 Actuarial Assumptions. The following defined terms and actuarial assumptions will be used to the extent necessary under Sections I.05 and I.08 to convert benefits to straight life annuity form commencing upon the Participant reaching age 65:

Interest: Five percent (5%)

Mortality: The applicable mortality table which would be used to calculate a lump sum value for the benefit under the Qualified Plans.

Increase in Code Section 415 Limit: 2.8% per year.

Variable Unit Values: Variable Unit Values are presumed not to increase for future periods after commencement of benefit.

I.10 TASC Participants. Participants who are actively employed in a TASC Entity: 254 or 255 on the date the entities are transferred to an unrelated buyer ("TASC Closing Date") will be 100% vested in their benefit determined under Section I.04(a), (b) and (c) of the Program on the TASC Closing Date. No pay or service after the TASC Closing Date will count for purposes of determining the amount of such a Participant's benefit under the Program. If the TASC Closing Date occurs before 2010, the TASC Closing Date shall be deemed to be January 1, 2010 for purposes of determining the rights of Participants.

* * *

IN WITNESS WHEREOF, this Appendix is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation,
Benefits & International

NORTHROP GRUMMAN
ERISA SUPPLEMENTAL PLAN
(Amended and Restated Effective as of January 1, 2009)

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INTRODUCTION

The Northrop Grumman ERISA Supplemental Plan (the "Plan"), formerly known as the Northrop Corporation ERISA Supplemental Plan 1, is hereby amended and restated effective as of January 1, 2009. This restatement amends the January 1, 2005 restatement of the Plan and includes changes that apply to Grandfathered Amounts.

The Plan is intended to comply with Code section 409A and official guidance issued thereunder (except for Grandfathered Amounts). Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with this intention.

ARTICLE I

Definitions

For purposes of the Plan, the following terms, when capitalized, will have the following meanings:

- 1.01 Affiliated Companies. The Company and any other entity related to the Company under the rules of section 414 of the Code. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.
- 1.02 CIC Plans. Northrop Grumman Corporation Change-In-Control Severance Plan (effective August 1, 1996, as amended) or the Northrop Grumman Corporation March 2000 Change-In-Control Severance Plan.
- 1.03 Code. The Internal Revenue Code of 1986, as amended.
- 1.04 Company. The Company as designated in the Pension Plans.
- 1.05 Grandfathered Amounts. Plan benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder.
- 1.06 Key Employee. An employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.
- 1.07 Participant. Any employee who (a) is eligible for benefits under one or both Pension Plans, (b) meets the eligibility requirements of Section 2.02 of this Plan and (c) and has not received full payment under the Plan.
- 1.08 Payment Date. The 1st of the month coincident with or following the later of (a) the date the Participant attains age 55, or (b) the date the Participant Separates from Service.
- 1.09 Plan. The Northrop Grumman ERISA Supplemental Plan, formerly known as the Northrop Corporation ERISA Supplemental Plan 1.
- 1.10 Pension Plan Benefits. This term is defined in Section 2.08 of this Plan.
- 1.11 Pension Plan and Pension Plans. Any of the following:

- (a) The Northrop Grumman Retirement Plan
- (b) The Northrop Grumman Retirement Plan—Rolling Meadows Site
- (c) The Northrop Grumman Retirement Value Plan (effective as of January 1, 2000)
- (d) The Northrop Grumman Electronics Systems — Space Division Salaried Employees’ Pension Plan (effective as of the Aerojet Closing Date)
- (e) The Northrop Grumman Electronics Systems — Space Division Union Employees’ Pension Plan (effective as of the Aerojet Closing Date)

“Aerojet Closing Date” means the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation.

1.12 Separation from Service or Separates from Service. A “separation from service” within the meaning of Code section 409A.

1.13 Termination of Employment. Complete termination of employment with the Affiliated Companies.

- (a) If a Participant leaves one Affiliated Company to go to work for another, he or she will not have a Termination of Employment.
- (b) A Participant will have a Termination of Employment if he or she leaves the Affiliated Companies because the affiliate he or she works for ceases to be an Affiliated Company because it is sold or spunoff.

ARTICLE II

Eligibility for and Amount of Benefits

2.01 Purpose. The purpose of this Plan is simply to restore to employees of the Company the benefits they lose under the Pension Plans as a result of the benefit limits in Code section 415, as amended, or any successor section ("section 415"), as the benefit limits are described in the applicable Pension Plan.

2.02 Eligibility. Each Participant is eligible to receive a benefit under this Plan if:

- (a) he or she has vested in benefits under one or more of the Pension Plans;
- (b) he or she has vested benefits reduced because of the application of section 415;
- (c) he or she is not eligible to receive a benefit under the Northrop Corporation Supplemental Retirement Income Program for Senior Executives or any other plan or program which bars an employee from participation in this Plan; and
- (d) he or she is not a "Participant" in the Charles H. Noski Executive Retirement Plan as that term is defined under that plan.

2.03 Amount of Benefit. The benefit payable from the Company under this Plan to a Participant will equal the retirement benefit, if any, which would have been payable to the Participant under the terms of a Pension Plan but for the restrictions of section 415 (as described in the applicable Pension Plan).

The benefit payable under this Plan will be reduced by the amount of Pension Plan Benefits attributable to the applicable Pension Plan.

Benefits under this Plan will only be paid to supplement benefit payments actually made from a Pension Plan. If benefits are not payable under a Pension Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Plan with respect to such Pension Plan.

In no event, however, (1) will this Plan pay any amount of a Participant's retirement benefit, if any, attributable to the "2000 Ad Hoc Increase for Retirees" Appendix added to certain of the Company's tax-qualified plans pursuant to the Board of Directors resolution adopted May 17, 2000, or (2) will a Participant be entitled to a benefit (or an increased benefit) from or as a result of participation in this Plan under the Board of Directors resolution adopted May 17, 2000.

The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Plan:

- (1) any payment authorized by the Compensation Committee that is (a) calculated pursuant to the method for determining a bonus amount under the Annual

Incentive Plan (AIP) for a given year, and (b) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and

(2) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

2.04 Preretirement Surviving Spouse Benefit. This Section only applies to Grandfathered Amounts.

Preretirement surviving spouse benefits will be payable under this Plan on behalf of a Participant if such Participant's surviving spouse is eligible for preretirement surviving spouse benefits payable from a Pension Plan. The benefit payable will be the amount which would have been payable under the Pension Plan but for the restrictions of section 415 (as described in the applicable Pension Plan).

The benefit payable under this Plan will be reduced by the amount of Pension Plan Benefits attributable to the applicable Pension Plan.

No benefit will be payable under this Plan with respect to a spouse after the death of that spouse.

See Appendix A and Appendix B for the rules that apply to other benefits earned under the Plan.

2.05 Forms and Times of Benefit Payments. This Section only applies to Grandfathered Amounts.

The Company will determine the form and timing of benefit payments in its sole discretion. However, for payments made to supplement those of a particular Pension Plan, the Company will only select among the options available under that Pension Plan, and using the same actuarial adjustments used in that Pension Plan except in cases of lump sums.

Whenever the present value of the amount payable under the Plan does not exceed \$10,000, it will be paid in the form of a single lump sum as of the first of the month following Termination of Employment. The lump sum will be calculated using the factors and methodology described in Section 3.08 below. (See Section 2.09 for the rule that applies as of January 1, 2008).

No payments will commence under this Plan until a Participant has a Termination of Employment, even in cases where benefits have commenced under a Pension Plan for Participants over age 70-1/2.

See Appendix A and Appendix B for the rules that apply to other benefits earned under the Plan.

2.06 Beneficiaries and Spouses. This Section only applies to Grandfathered Amounts.

If the Company selects a form of payment which includes a survivor benefit, the Participant may make a beneficiary designation, which may be changed at any time prior to commencement of benefits. A beneficiary designation must be in writing and will be effective only when received by the Company.

If a Participant is married on the date his or her benefits are scheduled to commence, his or her beneficiary will be his or her spouse unless some other beneficiary is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before benefits commence and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

The Participant's spouse will be the spouse as determined under the underlying Pension Plan.

See Appendix A and Appendix B for the rules that apply to other benefits earned under the Plan.

2.07 Plan Termination. No further benefits may be earned under this Plan with respect to a particular Pension Plan after the termination of such Pension Plan.

2.08 Pension Plan Benefits. The term "Pension Plan Benefits" generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Pension Plan. However, this Plan is only intended to remedy pension reductions caused by the operation of section 415 and not reductions caused for any other reason. In those instances where pension benefits are reduced for some other reason, the term "Pension Plan Benefits" shall be deemed to mean the benefits that would have been actually payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA § 4041(c) or any comparable successor provision of law) of a Pension Plan. In such a case, the Pension Plan Benefits will be deemed to refer to the payments that would have been made from the Pension Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA § 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under Code section 412(c)(8), as amended, or any comparable successor provision of law.
- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant's benefits to a third party on behalf of or with respect to a Participant.

2.09 Mandatory Cashout. Notwithstanding any other provisions in the Plan, Participants with Grandfathered Amounts who have not commenced payment of such benefits prior to January 1, 2008 will be subject to the following rules:

- (a) Post-2007 Terminations. Participants who have a Termination of Employment after 2007 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of Termination of Employment (without interest), if such present value is below the Code section 402(g) limit in effect at the Termination of Employment.
- (b) Pre-2008 Terminations. Participants who had a Termination of Employment before 2008 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of the time they commence payment of their underlying qualified pension plan benefits (without interest), if such present value is below the Code section 402(g) limit in effect at the time such payments commence.

For purposes of calculating present values under this Section, the actual assumptions and calculation procedures for lump sum distributions under the Northrop Grumman Pension Plan shall be used.

2.10 Optional Payment Forms. Participants with Grandfathered Amounts shall be permitted to elect (a) or (b) below:

- (a) To receive their Grandfathered Amounts in any form of distribution available under the Plan at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under this Plan on October 3, 2004.
- (b) To receive their Grandfathered Amounts in any life annuity form not included in (a) above but included in the underlying qualified pension plan distribution options at the time payment of the Grandfathered Amounts commences. The conversion factors will be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

2.11 Special Tax Distribution. On the date a Participant's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the Participant's portion of the FICA tax withholding will be distributed in a single lump sum payment. This

payment will be based on all benefits under the Plan, including Grandfathered Amounts. This payment will reduce the Participant's future benefit payments under the Plan on an actuarial basis.

ARTICLE III

Lump Sum Election

This Article only applies with respect to Grandfathered Amounts. See Appendix A and Appendix B for the distribution rules that apply to other benefits earned under the Plan.

3.01 In General. This Article sets forth the rules under which Participants may elect to receive their benefits in a lump sum. Except as provided in Section 3.08, this Article does not apply to active employees (as defined in Section 3.04) in cases where benefits are automatically payable in lump sum form under Article II.

3.02 Retirees Election. Participants and Participants' beneficiaries already receiving monthly benefits under the Plan at its inception will be given a one-time opportunity to elect a lump sum payout of future benefit payments.

- (a) The election must be made within a 60-day period determined by the Company. Within its discretion, the Company may delay the commencement of the 60-day period in instances where the Company is unable to timely communicate with a particular payee.
- (b) The determination as to whether a payee is already receiving monthly benefits will be made at the beginning of the 60-day period.
- (c) An election to take a lump sum must be accompanied by a waiver of the existing retiree medical benefits by those Participants (and their covered spouses or surviving spouses) entitled either to have such benefits entirely paid for by the Company or to receive such benefits as a result of their classification as an employee under Executive Class Code II.

Following the waiver, waiving Participants (and covered spouses or surviving spouses) will be entitled to the coverage offered to employees who are eligible for Senior Executive Retirement Insurance Benefits in effect as of July 1, 1993.

- (d) If the person receiving payments as of the beginning of the 60-day period dies prior to making a lump sum election, his or her beneficiary, if any, may not make the lump sum election.
- (e) Elections to receive a lump sum (and waivers under (c)) must be made in writing and must include spousal consent if the payee (whether the Participant or beneficiary) is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.
- (f) An election (with spousal consent, where required) to receive the lump sum made at any time during the 60-day period will be irrevocable. If no proper election has been made by the end of the 60-day period, payments will continue unchanged in the monthly form that had previously been applicable.

- 3.03 Retirees Lump Sum. If a retired Participant or beneficiary makes a valid election under Section 3.02 within the 60-day period, monthly payments will continue in the previously applicable form for 12 months (assuming the payees live that long).
- (a) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum to the Participant, if alive, or, if not, to the beneficiary under the previously applicable form of payment.
 - (b) No lump sum payment will be made if:
 - (1) The Participant is receiving monthly benefit payments in a form that does not provide for survivor benefits and the Participant dies before the time the lump sum payment is due.
 - (2) The Participant is receiving monthly benefit payments in a form that does provide for survivor benefits but the Participant and the beneficiary die before the time the lump sum payment is due.
 - (c) The following rules apply where payment is being made in the form of a 10-year certain and continuous life annuity option:
 - (1) If the Participant is deceased at the commencement of the 60-day election period, the surviving beneficiary may not make the election if there are less than 13 months left in the 10-year certain period.
 - (2) If the Participant elects the lump sum and dies prior to the first of the 13th month:
 - (A) if the 10-year certain period has already ended, all monthly payments will cease at the Participant's death and no lump sum payment will be made;
 - (B) if the 10-year certain period ends after the Participant's death and before the beginning of the 13th month, monthly payments will end at the end of the 10-year certain period and no lump sum payment will be made; and
 - (C) if the 10-year certain period ends after the beginning of the 13th month, monthly payments will continue through the 12th month, and a lump sum payment will be made as of the first of the 13th month, equal to the present value of the remaining benefit payments.
- 3.04 Actives Election. Active Participants may elect to have their benefits paid in the form of a single lump sum under this Section.

- (a) A Participant is considered to be “Active” under this Section if he or she is still employed by the Affiliated Companies on or after the beginning of the initial 60-day period referred to in Section 3.02.
- (b) An election to take a lump sum may be made at any time during the 60-day period prior to Termination of Employment and covers both—
 - (1) Benefits payable to the Participant during his or her lifetime, and
 - (2) Survivor benefits (if any) payable to the Participant’s beneficiary, including preretirement death benefits (if any) payable to the Participant’s spouse.
- (c) An election does not become effective until the earlier of
 - (1) the Participant’s Termination of Employment, or
 - (2) the Participant’s death.

Before the election becomes effective, it may be revoked.

If a Participant does not have a Termination of Employment within 60 days after making an election, the election will never take effect.

- (d) An election may only be made once. If it fails to become effective after 60 days or is revoked before becoming effective, it cannot be made again at a later time.
- (e) After a Participant has a Termination of Employment, no election can be made.
- (f) If a Participant dies before making a lump sum election, his or her spouse may not make a lump sum election with respect to any benefits which may be due the spouse.
- (g) Elections to receive a lump sum must be made in writing and must include spousal consent if the Participant is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.

3.05 Actives Lump Sum — Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.04 has a Termination of Employment after he or she is entitled to commence benefits under the Pension Plans, payments will be made in accordance with this Section.

- (a) Monthly benefit payments will be made for up to 12 months, commencing the first of the month following Termination of Employment. Payments will be made:

- (1) in the case of a Participant who is not married on the date benefits are scheduled to commence, based on a straight life annuity for the Participant's life and ceasing upon the Participant's death should he or she die before the 12 months elapse, or
 - (2) in the case of a Participant who is married on the date benefits are scheduled to commence, based on a joint and survivor annuity form —
 - (A) with the survivor benefit equal to 50% of the Participant's benefit;
 - (B) with the Participant's spouse as the survivor annuitant;
 - (C) determined by using the contingent annuitant option factors used to convert straight life annuities to 50% joint and survivor annuities under the Northrop Retirement Plan; and
 - (D) with all payments ceasing upon the death of both the Participant and his or her spouse should they die before the 12 months elapse.
- (b) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum. Payment of the lump sum will be made to the Participant if he or she is still alive, or, if not, to his or her surviving spouse, if any.
- (c) No lump sum payment will be made if:
- (1) The Participant is receiving monthly benefit payments in the form of a straight life annuity and the Participant dies before the time the lump sum payment is due.
 - (2) The Participant is receiving monthly benefit payments in a joint and survivor annuity form and the Participant and his or her spouse both die before the time the lump sum payment is due.
- (d) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:
- (1) the Participant dies after making a valid lump sum election but prior to commencement of any benefits under this Plan;
 - (2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and
 - (3) the spouse survives to the first of the month following the date of the Participant's death.

- 3.06 Actives Lump Sum — Not Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.04, has a Termination of Employment before he or she is entitled to commence benefits under the Pension Plans, payments will be made in accordance with this Section.
- (a) No monthly benefit payments will be made.
 - (b) Following Termination of Employment, a single lump sum payment of the benefit will be made on the first of the month following 12 months after the date of the Participant's Termination of Employment.
 - (c) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:
 - (1) the Participant dies after making a valid lump sum election but prior to commencement of any benefits under this Plan;
 - (2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and
 - (3) the spouse survives to the first of the month following the date of the Participant's death.
 - (d) No lump sum payment will be made if the Participant is unmarried at the time of death and dies before the time the lump sum payment is due.
- 3.07 Lump Sums with CIC Severance Plan Election. A Participant who elects lump sum payments of all his or her nonqualified benefits under the CIC Plans is entitled to have his or her benefits paid as a lump sum calculated under the terms of the applicable CIC Plan. Otherwise, benefit payments are governed by the general provisions of this Article, which provide different rules for calculating the amount of lump sum payments.
- 3.08 Calculation of Lump Sum. The factors to be used in calculating the lump sum are as follows:
- Interest: Whichever of the following two rates that produces the smaller lump sum:
- (1) the discount rate used by the Company for purposes of Statement of Financial Accounting Standards No. 87 of the Financial Accounting Standards Board as disclosed in the Company's annual report to shareholders for the year end immediately preceding the date of distribution, or
 - (2) the applicable interest rate that would be used to calculate a lump sum value for the benefit under the Pension Plans.

Mortality: the applicable mortality table that would be used to calculate a lump sum value for the benefit under the Northrop Grumman Retirement Plan.

Increase in Section 415 Limit: 4% per year.

Age: Age rounded to the nearest month on the date the lump sum is payable.

Variable Unit Values: Variable Unit Values are presumed not to increase for future periods after the date the lump sum is payable.

The annuity to be converted to a lump sum will be the remaining annuity currently payable to the Participant or his or her beneficiary at the time the lump sum is due.

For example, assume a Participant is receiving benefit payments in the form of a 50% joint and survivor annuity.

If the Participant and the survivor annuitant are both still alive at the time the lump sum payment is due, the present value calculation will be based on the remaining benefits that would be paid to both the Participant and the survivor in the annuity form.

If only the survivor is alive, the calculation will be based solely on the remaining 50% survivor benefits that would be paid to the survivor.

If only the Participant is alive, the calculation will be based solely on the remaining benefits that would be paid to the Participant.

In the case of a Participant who dies prior to commencement of benefits under this Plan so that only a preretirement surviving spouse benefit (if any) is payable, the lump sum will be based solely on the value of the preretirement surviving spouse benefit.

In the case of a lump-sum under Section 3.07 (related to lump sums with a CIC Severance Plan election), the lump-sum amount will be calculated as described in that section and the rules of this Section 3.08 are not used.

3.09 Spousal Consent. Spousal consent, as required for elections as described above, need not be obtained if the Company determines that there is no spouse or the spouse cannot be located.

ARTICLE IV

Miscellaneous

4.01 Amendment and Plan Termination. The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the provisions of the Plan with respect to lump sum distributions, including any lump sum calculation factors, whether or not a Participant has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's accrued benefit under the Plan as of the date of such amendment or termination.

No amendment of the Plan shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to the Grandfathered Amounts.

The Company may, in its sole discretion, seek reimbursement from the Pension Plans to the extent this Plan pays Pension Plan Benefits to which Participants were entitled to or became entitled to under the Pension Plans.

4.02 Not an Employment Agreement. Nothing contained in this Plan gives any Participant the right to be retained in the service of the Company, nor does it interfere with the right of the Company to discharge or otherwise deal with Participants without regard to the existence of this Plan.

4.03 Assignment of Benefits. A Participant, surviving spouse or beneficiary may not, either voluntarily or involuntarily, assign, anticipate, alienate, commute, sell, transfer, pledge or encumber any benefits to which he or she is or may become entitled under the Plan, nor may Plan benefits be subject to attachment or garnishment by any of their creditors or to legal process.

Notwithstanding the foregoing, all or a portion of a Participant's benefit may be paid to another person as specified in a domestic relations order that the plan administrator determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State's domestic relations law;
- (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and

(4) meets such other requirements established by the plan administrator.

The plan administrator shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the plan administrator may consider the rules applicable to “domestic relations orders” under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

4.04 Nonduplication of Benefits. This Section applies if, despite Section 4.03, with respect to any Participant (or his or her beneficiaries), the Company is required to make payments under this Plan to a person or entity other than the payees described in the Plan. In such a case, any amounts due the Participant (or his or her beneficiaries) under this Plan will be reduced by the actuarial value of the payments required to be made to such other person or entity.

Actuarial value will be determined using the factors and methodology described in Section 3.08 above (in the case of lump sums) and using the actuarial assumptions in the underlying Pension Plan in all other cases.

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 actuarial cost to the Company.

4.05 Funding. Participants have the status of general unsecured creditors of the Company and the Plan constitutes a mere promise by the Company to make benefit payments in the future. The Company may, but need not, fund benefits under the Plan through a trust. If it does so, any trust created by the Company and any assets held by the trust to assist it in meeting its obligations under the Plan will conform to the terms of the model trust, as described in Internal Revenue Service Revenue Procedure 92-64, but only to the extent required by Internal Revenue Service Revenue Procedure 92-65. It is the intention of the Company and Participants that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.

Any funding of benefits under this Plan will be in the Company’s sole discretion. The Company may set and amend the terms under which it will fund and may cease to fund at any time.

4.06 Construction. The Company shall have full discretionary authority to determine eligibility and to construe and interpret the terms of the Plan, including the power to remedy possible ambiguities, inconsistencies or omissions.

4.07 Governing Law. This Plan shall be governed by the law of the State of California, except to the extent superseded by federal law.

4.08 Actions By Company and Claims Procedures. Any powers exercisable by the Company under the Plan shall be utilized by written resolution adopted by the Board of Directors 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.

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

- 4.09 Plan Representatives. Those authorized to act as Plan representatives will be designated in writing by the Board of Directors or its delegate.
- 4.10 Number. The singular, where appearing in this Plan, will be deemed to include the plural, unless the context clearly indicates the contrary.
- 4.11 2001 Reorganization. Effective as of the 2001 Reorganization Date in (d), the corporate structure of Northrop Grumman Corporation and its affiliates was modified. Effective as of the Litton Acquisition Date in (e), Litton Industries, Inc. was acquired and became a subsidiary of the Northrop Grumman Corporation (the "Litton Acquisition").
- (a) The former Northrop Grumman Corporation was renamed Northrop Grumman Systems Corporation. It became a wholly-owned subsidiary of the new parent of the reorganized controlled group.
 - (b) The new parent corporation resulting from the restructuring is called Northrop Grumman Corporation. All references in this Plan to the former Northrop Grumman Corporation and its Board of Directors now refer to the new parent corporation bearing the same name and its Board of Directors.
 - (c) As of the 2001 Reorganization Date, the new Northrop Grumman Corporation became the sponsor of this Plan, and its Board of Directors assumed authority over this Plan.
 - (d) 2001 Reorganization Date. The date as of which the corporate restructuring described in (a) and (b) occurred.
 - (e) Litton Acquisition Date. The date as of which the conditions for the completion of the Litton Acquisition were satisfied in accordance with the "Amended and Restated Agreement and Plan of Merger Among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc., and LII Acquisition Corp.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits & International

APPENDIX A — 2005-2007 TRANSITION RULES

This Appendix A provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Participants with benefit commencement dates after January 1, 2005 and before January 1, 2008.

- A.01 Election. Participants scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Participants electing optional forms of benefits under this provision will commence payments on the Participant's selected benefit commencement date.
- A.02 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Participants commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Participant.
- (a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.
- (b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:
- (i) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, a Participant must be an elected or appointed officer of the Company and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;
 - (ii) The lump sum payment shall be made in 2005 as soon as feasible after the election; and
 - (iii) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.

A.03 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007), distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Participant's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Participant's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

**APPENDIX B — POST 2007
DISTRIBUTION OF 409A AMOUNTS**

The provisions of this Appendix B shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Articles II and III, and Appendix A addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008.

- B.01 Time of Distribution. Subject to the special rules provided in this Appendix B, distributions to a Participant of his vested retirement benefit shall commence as of the Payment Date.
- B.02 Special Rule for Key Employees. If a Participant is a Key Employee and age 55 or older at his Separation from Service, distributions to the Participant shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Participant's death). Amounts otherwise payable to the Participant during such period of delay shall be accumulated and paid on the first day of the seventh month following the Participant's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).
- B.03 Forms of Distribution. Subject to the special rules provided in this Appendix B, a Participant's vested retirement benefit shall be distributed in the form of a single life annuity. However, a Participant may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:
- (a) 50% joint and survivor annuity
 - (b) 75% joint and survivor annuity
 - (c) 100% joint and survivor annuity.

If a Participant is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

- B.04 Death. If a married Participant dies before the Payment Date, a death benefit will be payable to the Participant's spouse commencing 90 days after the Participant's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of a Participant's vested retirement benefit based on a 100% joint and survivor annuity determined on the Participant's date of death. This benefit is also payable to a

Participant's domestic partner who is properly registered with the Company in accordance with procedures established by the Company.

B.05 Actuarial Assumptions. Except as provided in Section B.06, all forms of payment under this Appendix B shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

B.06 Accelerated Lump Sum Payouts.

- (a) Post-2007 Separations. Notwithstanding the provisions of this Appendix B, for Participants who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section B.02, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Participant's Separation from Service.
- (b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix B, for Participants who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Participant attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the Participant attains age 55, but no earlier than January 1, 2008.
- (c) Conflicts of Interest. The present value of a Participant's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.
- (d) Present Value Calculation. The conversion of a Participant's retirement benefit into a lump sum payment and the present value calculations under this Section B.06 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will

be based on the Participant's immediate benefit if the Participant is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Participant will be eligible to receive at age 55.

B.07 Effect of Early Taxation. If the Participant's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Participant.

B.08 Permitted Delays. Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Company's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section B.08 shall be paid in accordance with Code section 409A.

**NORTHROP GRUMMAN SUPPLEMENTARY
RETIREMENT INCOME PLAN**

Amended and Restated

Effective January 1, 2009

1. Purpose. The purpose of the Northrop Grumman Supplementary Retirement Income Plan (SRIP) is to provide supplemental retirement and death benefits to those:

(i) employees, including officers, of Northrop Grumman Space & Mission Systems Corp. and its subsidiaries (“NGSMSC”) whose benefits under the Northrop Grumman Space & Mission Systems Corp. Salaried Pension Plan (“SPP”) have been limited by virtue of §415 of the Internal Revenue Code of 1986 (“Code”);

(ii) management and highly-compensated employees of NGSMSC whose benefits under the SPP are limited by Code §401(a)(17);

(iii) management and highly-compensated employees of NGSMSC whose compensation otherwise included as pensionable earnings received by such individual within the meaning of the SPP could not be so included because such compensation was deferred in accordance with the provisions of the Northrop Grumman Space & Mission Systems Corp. Deferred Compensation Plan or the Northrop Grumman Deferred Compensation Plan (“DC Plan” or DC Plans”); and

(iv) management and highly-compensated employees of NGSMSC whose compensation otherwise included as “Earnings” under the SPP and service otherwise included as Benefit Service under the SPP would not be so included because of a determination by NGSMSC that such inclusion could violate the regulations under Code §401(a)(4).

The SRIP is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act (“ERISA”) and is designed to provide benefits which mirror the provisions of the SPP but cannot be paid from the SPP because of certain Code limitations.

The SRIP is hereby amended and restated effective as of January 1, 2009. This restatement amends the January 1, 2005 restatement of the SRIP and includes changes that apply to Grandfathered Amounts (as defined below).

The SRIP is intended to comply with Code section 409A and official guidance issued thereunder (except for SRIP benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder (“Grandfathered Amounts”). Notwithstanding any other provision of the SRIP, the SRIP shall be interpreted, operated and administered in a manner consistent with this intention.

2. Eligibility. Employees of NGSMSC covered by the SPP and not otherwise covered by the BDM International, Inc. Defined Contribution Supplemental Executive Retirement Plan (the “BDM DC SERP”) whose base pay and bonus paid in any year (or deferred pursuant to the DC Plan) exceed the limitations of Code §401(a)(17) shall automatically be covered under the SRIP. All SPP participants not otherwise covered by the BDM DC SERP who are eligible to receive benefits from the SPP shall automatically receive a benefit from the SRIP if their benefit cannot be fully provided under the SPP because of the limits under Code §415.

The foregoing notwithstanding, effective as of February 28, 2003, individuals who qualify as “TRW Automotive Participants” under the February 28, 2003 Employee Matters Agreement between Northrop Grumman Space & Mission Systems Corp. and TRW Automotive Acquisition Corp. cease to participate in the SRIP, and the SRIP and NGSMSC cease to be liable for TRW Automotive Participants’ benefits.

3. Benefits.

a. In General. The amount of the benefit payable under the SRIP shall be equal to the amount which would be payable to or in respect of a participant under the SPP if the limitations identified in §1 above were inapplicable, less the amount of the benefit payable under the SPP, taking into account such limitations. The amount of benefit payable under the SRIP to a participant shall also be reduced to the extent that any other nonqualified plan established by NGSMSC or any other entity affiliated with NGSMSC under Code §414(b) or (c) (“Affiliate”) pays benefits to the participant that are attributable to limits imposed upon the SPP other than those identified in §1 above. The benefit payable under the SRIP for those participants who were participants in The BDM Corporation Supplemental Executive Retirement Plan which was merged into the SRIP (the “BDM SERP”) on the close of business on December 31, 1998 (the “Merger Effective Date”) will not be less than the benefit which had accrued under the BDM SERP as of the Merger Effective Date for such participants. Schedule A attached hereto sets forth the relevant provisions of the BDM SERP necessary to calculate such accrued benefits. The benefit payable under the SRIP for the sole participant who was a “Covered Executive” in the Astro Aerospace Corporation Supplemental Executive Retirement Plan (the “Astro SERP”) on the close of business on November 30, 1999 will not be less than the benefit which had accrued under the Astro SERP as of November 30, 1999 for such participant, as determined in accordance with the terms of the Astro SERP

as in effect on November 30, 1999 (a copy of which is attached hereto as Schedule B) and the benefit payable to such participant's spouse under the SRIP shall not be less than the benefit which would have been payable to such spouse under the terms of the Astro SERP had the participant died on November 30, 1999.

b. **Benefit Limit.** The amount of the SRIP benefit will be limited as provided below:

i. A participant's total accrued benefits under all defined benefit plans, programs, and arrangements maintained by Northrop Grumman Corporation and its affiliates (as determined under Code section 414) in which he or she participates, including the SRIP, may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the participant's benefit accrued under the SRIP will be reduced to the extent necessary to satisfy the limit.

(1) For this purpose, "Final Average Salary" has the meaning provided under Appendix G to the Northrop Grumman Supplemental Plan 2 (the "OSERP").

(2) The Participant's Final Average Salary will be reduced for early retirement applying the factors in the OSERP.

(3) The limit in this subsection may not be exceeded even after the benefits under the SRIP have been enhanced under any change in control agreements or Northrop Grumman Corporation Special Agreements.

c. **Compensation.** The following shall not be considered as compensation for purposes of determining the amount of any benefit under the SRIP:

i. Any payment authorized by the Compensation Committee of Northrop Grumman Corporation that is (i) calculated pursuant to the method for determining a bonus amount under the Northrop Grumman Corporation Annual Incentive Plan (AIP) for a given year, and (ii) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and

ii. Any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

4. Payment of Benefits. The distribution rules of this Section 4 only apply to Grandfathered Amounts. See Appendix A and Appendix B for the rules that apply to other benefits earned under the SRIP.

a. Except as provided below, no benefit is payable from the SRIP, even if the participant has terminated his/her employment, unless a participant has five years of vesting service as defined under the SPP and has attained age fifty-five, provided, however, a benefit will be payable from the SRIP prior to a participant's attainment of age fifty-five if the participant terminates his or her employment in connection with (i) a special voluntary early retirement program offered under the SPP, the terms of which provide for eligibility prior to age fifty-five, or (ii) a special early commencement option under the SPP, the terms of which provide for commencement of the SPP benefit before age fifty-five.

b. If a participant who has five or more years of vesting service dies before his/her benefit commencement date under the SPP, the SRIP benefit shall be paid in the same form and shall commence at the same time as a pre-retirement survivor benefit under the SPP.

c. Except as provided in paragraph g., i., j., or as provided below, any participant in the SPP and the SRIP who is entitled to a vested or deferred vested pension under the SPP shall have his SRIP benefit (i) commence at the same time as his benefit commencement date under the SPP and (ii) paid in the same form and with the same designated joint annuitant, if any, as his form of payment under the SPP unless otherwise provided under the terms of any Qualified Domestic Relations Order (as defined in Section 5) applicable to said participant or unless otherwise determined by the Administrative Committee in its sole discretion. Any such participant who is eligible for the special early commencement option under the SPP may petition the Administrative Committee at any time at least two months prior to his severance from service date under the SPP to change such form of payment into a single sum or annual installments from two to ten years, or any other payment form approved by the Administrative Committee in their or its discretion. If annual installment payments are elected, interest, if any, on such installments shall be determined by the Actuary, subject to approval by the Administrative Committee.

d. Except as provided above or in paragraph g., i., or j., payment of benefits under the SRIP shall be made commencing with the January following the date the participant becomes eligible, having terminated his employment with NGSMSC and all Affiliates, for benefits under the SPP; provided, however, that if the participant's termination of employment is the result of a divestiture of the NGSMSC or Affiliate unit or operation where the participant worked prior to termination of employment and the participant obtains employment with the entity that acquired such unit or operations, then the SRIP benefit shall not be payable until such participant is eligible for and receives (or commences to receive) his SPP benefit (even if the SRIP benefit is less than \$5,000).

e. Except as provided above and in paragraph g., i., or j., the automatic form of benefit payable under the Plan shall be, for an unmarried participant, a single life annuity, and, for a married participant, a 50% joint and survivor annuity, with the participant's eligible spouse being the survivor

annuitant. Notwithstanding the above, the participant may elect, by notice to the administrator for the SRIP, at any time at least two months prior to the severance from service date under the SPP (the "Severance from Service Date") to change such form of payment into a single sum or annual installments from two to ten years, or any other payment form approved by the Administrative Committee in its discretion. If annual installment payments are elected, interest, if any, on such installments shall be determined by the Actuary, subject to approval by the Administrative Committee.

f. If not rejected by the Administrative Committee at least 14 days prior to the Severance from Service Date, any election of a form of payment or benefit commencement date other than the automatic form and commencement date shall be irrevocable.

g. If the present value of a participant's interest in the SRIP, determined as of the later of the participant's age 55 or severance from service date under the SPP, is less than an amount which, if converted to a single sum equals \$5,000, the benefit shall be paid out in a single sum, either at the same time as his benefit commencement date under the SPP or at another date as determined by the Administrative Committee in its sole discretion. (See paragraph i for the rule that applies as of January 1, 2008.)

h. Payments to be made pursuant to the SRIP shall be made by NGSMSC, with any appropriate reimbursement being made by subsidiaries of NGSMSC. The SRIP shall be unfunded, and NGSMSC shall not be required to establish any special or separate fund nor to make any other segregation of assets in order to assure the payment of any amounts under the SRIP. Participants of the SRIP shall have the status of general unsecured creditors of NGSMSC and the SRIP constitutes a mere promise by NGSMSC to make benefit payments in the future.

i. Mandatory Cashout. Notwithstanding any other provisions in the SRIP, participants with Grandfathered Amounts who have not commenced payment of such benefits prior to January 1, 2008 will be subject to the following rules:

i. Post-2007 Terminations. Participants who have a complete termination of employment with NGSMSC and the Affiliates after 2007 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of such termination (without interest), if such present value is below the Code section 402(g) limit in effect at the termination.

ii. Pre-2008 Terminations. Participants who had a complete termination of employment with NGSMSC and the Affiliates before 2008 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of the time they commence payment of their underlying qualified pension plan benefits (without interest), if such present value

is below the Code section 402(g) limit in effect at the time such payments commence.

j. Optional Payment Forms. Participants with Grandfathered Amounts shall be permitted to elect i. or ii. below:

i. To receive their Grandfathered Amounts in any form of distribution available under the SRIP at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under the SRIP on October 3, 2004.

ii. To receive their Grandfathered Amounts in any life annuity form not included in i. above but included in the underlying qualified pension plan distribution options at the time payment of the Grandfathered Amounts commences. The conversion factors will be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

k. Special Tax Distribution. On the date a participant's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the participant's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the SRIP, including Grandfathered Amounts. This payment will reduce the participant's future benefit payments under the SRIP on an actuarial basis.

5. Non-Alienation of Benefits. Neither a participant nor any other person shall have any right to sell, assign, transfer, pledge, mortgage or otherwise encumber, in advance of actual receipt, any SRIP benefit. Any such attempted assignment or transfer shall be ineffective; NGSMSC's sole obligation under the SRIP shall be to pay benefits to the participant, his beneficiary or his estate, as appropriate. No part of any SRIP benefit shall, prior to actual payment, be subject to the payment of any debts, judgments, alimony or separate maintenance owed by a participant or any other person; nor shall any SRIP benefit be transferable by operation of law in the event of a participant's or any other person's bankruptcy or insolvency, except as required or permitted by law.

Notwithstanding the foregoing, all or a portion of a participant's benefit may be paid to another person as specified in a domestic relations order that the plan administrator determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a

judgment, decree, or order (including the approval of a settlement agreement) which is:

- a. Issued pursuant to a State's domestic relations law;
- b. Relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the participant;
- c. Creates or recognizes the right of a spouse, former spouse, child or other dependent of the participant to receive all or a portion of the participant's benefits under the SRIP; and
- d. Meets such other requirements established by the plan administrator.

The plan administrator shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the plan administrator may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

6. Committees.

a. An Administrative Committee and an Investment Committee (together, the "Committees"), each of one or more persons, shall be appointed by and serve at the pleasure of the board of directors of NGSMSC (the "Board"). The number of members comprising the Committees shall be determined by the Board, which may from time to time vary the number of members. A member of the Committees may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Committees shall be filled promptly by the Board.

b. i. Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of the Committees may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committees then in office. A member of the Committees shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

ii. The Board shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not

be a member of the Administrative Committee. The members of the Investment Committee will elect one of their members as Chairman and will appoint a Secretary and any other officers as the Investment Committee may deem necessary. The Committees shall conduct their business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Committees may deem appropriate. The Committees shall hold meetings from time to time in any convenient location.

c. The Administrative Committee shall enforce the SRIP in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

i. To construe and interpret the terms and provisions of the SRIP and make all factual determinations;

ii. To compute and certify to the amount and kind of benefits payable to participants and their beneficiaries;

iii. To maintain all records that may be necessary for the administration of the SRIP;

iv. To provide for the disclosure of all information and the filing or provision of all reports and statements to participants, beneficiaries or governmental agencies as shall be required by law;

v. To make and publish such rules for the regulation of the SRIP and procedures for the administration of the SRIP as are not inconsistent with the terms hereof;

vi. To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the SRIP as the Administrative Committee may from time to time prescribe (including the power to subdelegate);

vii. To exercise powers granted the Administrative Committee under other Sections of the SRIP; and

viii. To take all actions necessary for the administration of the SRIP, including determining whether to hold or discontinue insurance policies purchased in connection with the SRIP.

d. The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

i. To oversee the rabbi trust, if any; and

ii. To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

e. The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of the SRIP, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliates and any participant or beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the SRIP.

f. To enable the Committees to perform their functions, the Affiliates adopting the SRIP shall supply full and timely information to the Committees on all matters relating to the compensation of all participants, their death or other events that cause termination of their participation in the SRIP, and such other pertinent facts as the Committees may require.

g. i. The members of the Committees shall serve without compensation for their services hereunder.

ii. Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.

iii. To the extent permitted by ERISA and applicable state law, NGSMSC shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliates against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the SRIP, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by NGSMSC or provided by NGSMSC under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

7. Claims Procedure.

The standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under the SRIP.

8. Amendment and Termination. NGSMSC may, in its sole discretion, terminate, suspend or amend the SRIP at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the

provisions of the SRIP with respect to lump sum distributions, including any lump sum calculation factors, whether or not a participant has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the SRIP shall reduce the amount of a participant's accrued benefit under the SRIP as of the date of such amendment or termination.

No amendment of the SRIP shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a SRIP amendment from resulting in an inadvertent "material modification" to the Grandfathered Amounts.

9. Miscellaneous.

- a. As used herein, the masculine gender shall include the feminine gender. To the extent that any term is not defined under the SRIP, it shall have the same meaning as defined in the SPP.
- b. Employment rights with NGSMSC shall not be enlarged or affected by the existence of the SRIP.
- c. In case any provision of the SRIP shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions.
- d. The SRIP shall be governed by the laws of the State of Ohio to the extent not preempted by ERISA.

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation,
Benefits & International

APPENDIX A

2005-2007 TRANSITION RULES

This Appendix A provides the distribution rules that apply to the portion of benefits under the SRIP subject to Code section 409A for participants with benefit commencement dates after January 1, 2005 and before January 1, 2008.

A.1 Election. Participants scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the SRIP as of December 31, 2004. Participants electing optional forms of benefits under this provision will commence payments on the participant's selected benefit commencement date.

A.2 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, participants commencing payments in 2005 from the SRIP may elect a form of distribution from among those available under the SRIP on December 31, 2004, and benefit payments shall begin at the time elected by the participant.

a. Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with SRIP distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and SRIP distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.

For purposes of Appendix A and Appendix B, A "Key Employee" is an employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of NGSMSC or an Affiliate (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if NGSMSC's or an Affiliate's stock is publicly traded on an established securities market or otherwise. NGSMSC shall determine in accordance with a uniform NGSMSC policy which participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

For purposes of Appendix A and Appendix B, "Separation from Service" or "Separates from Service" means a "separation from service" within the meaning of Code section 409A.

b. Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:

- i. In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, a participant must be an elected or appointed officer of NGSMSC and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;
- ii. The lump sum payment shall be made in 2005 as soon as feasible after the election; and
- iii. Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the SRIP's procedures for calculating lump sums as of December 31, 2004.

A.3 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007), distribution of SRIP benefits subject to Code section 409A shall begin 12 months after the later of: (a) the participant's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the participant's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

APPENDIX B

POST 2007 DISTRIBUTION OF 409A AMOUNTS

The provisions of this Appendix B shall apply only to the portion of benefits under the SRIP that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Section 4, and Appendix A addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008.

B.1 Time of Distribution. Subject to the special rules provided in this Appendix B, distributions to a participant of his vested retirement benefit shall commence as of the 1st of the month coincident with or following the later of (a) the date the participant attains age 55, or (b) the date the participant Separates from Service ("Payment Date").

B.2 Special Rule for Key Employees. If a participant is a Key Employee and age 55 or older at his Separation from Service, distributions to the participant shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the participant's death). Amounts otherwise payable to the participant during such period of delay shall be accumulated and paid on the first day of the seventh month following the participant's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).

B.3 Forms of Distribution. Subject to the special rules provided in this Appendix B, a participant's vested retirement benefit shall be distributed in the form of a single life annuity. However, a participant may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:

- a. 50% joint and survivor annuity
- b. 75% joint and survivor annuity
- c. 100% joint and survivor annuity.

If a participant is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a SRIP representative or notary public. No spousal consent is necessary if NGSMSC determines that there is no spouse or that the spouse cannot be found.

B.4 Death. If a married participant dies before the Payment Date, a death benefit will be payable to the participant's spouse commencing 90 days after the participant's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of a participant's vested retirement benefit based on a 100% joint and survivor annuity determined on the participant's date of death. This benefit is also payable to a participant's domestic partner who is properly registered with NGSMSC in accordance with procedures established by NGSMSC.

B.5 Actuarial Assumptions. Except as provided in Section B.6, all forms of payment under this Appendix B shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

B.6 Accelerated Lump Sum Payouts.

a. Post-2007 Separations. Notwithstanding the provisions of this Appendix B, for participants who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of a participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the participant (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section B.2, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the participant's Separation from Service.

b. Pre-2008 Separations. Notwithstanding the provisions of this Appendix B, for participants who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of a participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the participant attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the participant (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the participant attains age 55, but no earlier than January 1, 2008.

c. Conflicts of Interest. The present value of a participant's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.

d. Present Value Calculation. The conversion of a participant's retirement benefit into a lump sum payment and the present value calculations under this Section B.6 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the participant's immediate benefit if the participant is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the participant will be eligible to receive at age 55.

B.7 Effect of Early Taxation. If the participant's benefits under the SRIP are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the participant.

B.8 Permitted Delays. Notwithstanding the foregoing, any payment to a participant under the SRIP shall be delayed upon NGSMSC's reasonable anticipation of one or more of the following events:

- a. NGSMSC's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- b. The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section B.8 shall be paid in accordance with Code section 409A.

Article 2**BENEFITS****2.1 Computation of Benefits.**

a. **Total Benefit Objective.** Total retirement benefits from the Company, coupled with expected Social Security benefits, are designed to provide a level of income during retirement based on the Member's service and income while with the Company. The Benefit Objective (as determined on or prior to Normal Retirement Date) for a Member who retires on or after his/her Normal Retirement Date with 20 or more years of Benefit Service (Benefit Service accrues to age 65), is 45% of the Member's Average Annual Compensation for the five highest consecutive plan years of his/her employment with the Company. For Members who retire with less than 20 years of Benefit Service, the Benefit Objective is the amount calculated above reduced by multiplying that amount by a fraction the numerator of which is the number of years of Benefit Service and the denominator of which is 20. The Benefit Objective, as defined above, is intended to be met by unreduced retirement income (without any reductions associated with any payment option) from both the Company's Retirement Plan and Supplemental Executive Retirement Plan plus the unreduced Social Security Benefit (commencing as late as age 67).

b. **Calculation of Benefits Under This Plan.** The benefit payable under this Plan shall be equal to the Benefit Objective as stated in paragraph a. above, reduced, as applicable, by the factors and in accordance with the provisions set forth for such purposes in the Retirement Plan, (i) for commencement prior to Normal Retirement Date, (ii) for election of a form of payment other than life only to the Member, and (iii) upon death, less the Retirement Plan Benefit and the unreduced Social Security Benefit as stated in paragraph a. above. If the benefit payable under this plan according to the preceding sentence plus the Retirement Plan Benefit is less than the Target Benefit Amount, as hereinafter defined, the benefit payable under this Plan shall be equal to the Target Benefit Amount less the Retirement Plan Benefit. The Target Benefit Amount shall mean \$90,000, reduced, as applicable, by the factors and in accordance with the provisions set forth for such purposes in the Retirement Plan, (i) for commencement prior to Normal Retirement Date, (ii) for election of a form of payment other than life only to the Member, and (iii) upon death.

2.2 Form of Benefit Payments.

The benefit payable to or on behalf of a Member as determined under Section 2.1 shall be paid in the same form, and to the same beneficiary, if any, as the Member's benefit under the Retirement Plan.

2.3 Time of Benefit Payments.

Benefits due under this Plan shall be paid coincident with the payment date of benefits under the Retirement Plan.

APPENDIX A
ASTRO AEROSPACE CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ASTRO AEROSPACE CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
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ASTRO AEROSPACE CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

INTRODUCTION

The purpose of this Supplemental Executive Retirement Plan (the “Plan”) is to provide a further means whereby Astro Aerospace Corporation (the “Corporation”) may afford financial security to a select group of Covered Executives of the Corporation, who render valuable services to the Corporation, constituting an important contribution toward its continued growth and success, by providing for additional future compensation so that such employees may be retained and their productive efforts encouraged, all as provided herein. Retirement Allowances under this Supplemental Executive Retirement Plan are in addition to benefits payable under the Astro Aerospace Corporation Employees’ Pension Plan and any other qualified retirement plan maintained by the Corporation.

ARTICLE I

DEFINITIONS

(a) "Administrator" means the Corporation which shall be responsible for the administration of this Plan.

(b) "Astro Pension Plan" means the Astro Aerospace Corporation Employees' Pension Plan, as amended from time to time.

(c) "Affiliate" means a member of a controlled group of corporations, within the meaning of section 414(b) of the Internal Revenue Code ("Code"), which includes the Corporation; a trade or business (whether or not incorporated) which is in common control with the Corporation as determined in accordance with section 414(c) of the Code; or any organization which is a member of an affiliated service group, within the meaning of section 414(m) of the Code, which includes the Corporation, and any other organization required to be aggregated with the Corporation pursuant to section 414(o) of the Code.

(d) "Corporation" means Astro Aerospace Corporation.

(e) "Covered Executive" means a person who is a member of the Astro Pension Plan and who is designated by the board of directors of the Corporation as being eligible to receive a Retirement Allowance.

(f) "Covered Service" means, with respect to a Covered Executive, a number of years and completed months equal to his period of "Service" for purposes of the Astro Pension Plan. For purposes of this Plan, "Service", as defined under the Astro Pension Plan, shall include Service with the Corporation and its Affiliates. Covered Service shall not exceed 35 years.

(g) "Early Retirement Date" means retirement from employment with Corporation and all Affiliates after attaining age 55 with 10 years of Covered Service.

(h) "Effective Date" means September 1, 1993.

(i) "Final Average Earnings" shall have the meaning ascribed under the terms of the Spar Pension Plan except that it will not be subject to the compensation limitation imposed by Internal Revenue Code Section 401(a)(17).

(j) "Former Covered Executive" means a Covered Executive who is no longer an active Covered Executive of the Plan but who remains entitled to benefits under the Plan and is not yet receiving a Retirement Allowance.

(k) "Normal Retirement Date" means retirement from employment with Corporation and all Affiliates after attaining age 65.

(l) "Postponed Retirement Date" means the actual retirement date of a Covered Executive who continues employment with the Corporation or any Affiliate beyond Normal Retirement Date.

(m) "Plan" means the plan to provide Retirement Allowances set forth herein and as amended from time to time, which shall be known as the Astro Aerospace Corporation Supplemental Executive Retirement Plan.

(n) "Plan Year" means the period January 1 to December 31.

(o) "Retired Executive" means a Covered Executive or Former Covered Executive who has retired and is receiving a Retirement Allowance under the Plan.

(p) "Retirement Allowance" means an amount payable to a Covered Executive, a Former Covered Executive or a Spouse under the terms of the Plan.

(q) "Spar Pension Plan" or "Registered Plan" means the Spar Aerospace Limited Pension Plan for Executive Employees, as amended from time to time.

(r) "Spar SERP" means the Spar Aerospace Limited Supplemental Executive Retirement Plan.

(s) "Spouse" means, with respect to a (Former) Covered Executive, that person to whom the (Former) Covered Executive is lawfully married at the relevant time.

(t) "Total and Permanent Disability" means a physical or mental condition which results in a Covered Executive being eligible to receive disability benefits under the federal Social Security program, or under any formal program of long-term disability insurance provided by the Corporation or its Affiliates.

ARTICLE II

DESIGNATION OF COVERED EXECUTIVES

The Board of Directors of the Corporation ("Board") shall, from time to time, in its discretion, designate as Covered Executives, for the purposes of the Plan, individuals who are members of the Astro Pension Plan. Once an individual is designated as a Covered Executive, the Board shall notify such Covered Executive in writing of his designation and shall provide him with a copy of the Plan.

ARTICLE III

RETIREMENT BENEFITS

3.01 Retirement Allowance on Normal or Postponed Retirement Date. A Covered Executive retiring on his Normal Retirement Date or on his Postponed Retirement Date shall be entitled to receive a monthly Retirement Allowance equal to the excess of:

(a) $1/12 \times 2\% \times$ the Covered Executive's Final Average Earnings multiplied by his Covered Service; over

(b) The sum of the monthly benefits payable to the Covered Executive under the Astro Pension Plan and any other qualified retirement plan to the extent such benefits are attributable to contributions of the Corporation or its Affiliates on the Covered Executive's behalf, excluding employee deferrals and employer matching contributions under the Astro Aerospace Corporation 401(k) Savings Plan ("401(k) Plan").

The benefits payable or benefits that would be payable under (a) and (b) above shall be determined as follows:

(i) under the Astro Pension Plan (or any other defined benefit plan of the Corporation or its Affiliates in which the Covered Executive participates or participated) assuming a straight life annuity form of benefit; and

(ii) under any defined contribution plan of the Corporation or its Affiliates in which the Covered Executive participates or participated assuming the Covered Executive's account balance(s) attributable to contributions by the Corporation or its Affiliates (other than elective salary deferrals, other employee contributions, employer matching contributions and earnings thereon) is paid in the form of a single life annuity beginning on the date the payment of the Retirement Allowance commences.

When determining the amount of the Covered Executive's benefits in any plan, any such benefits paid out prior to the date on which the Retirement Allowance is determined (e.g., hardship withdrawals, payments pursuant to a qualified domestic relations order or other in-service withdrawal) shall be treated as if no such payment was made and shall be included in the calculation of (a) and (b) above in accordance with Section 3.05 herein.

3.02 Retirement Allowance on Early Retirement Date. A Covered Executive who retires on an Early Retirement Date shall be entitled to receive a Retirement Allowance commencing on his Early Retirement Date calculated in accordance with Section 3.01 provided that:

(a) The amounts in Subsection 3.01(a) and 3.01(b) will be reduced to take into account the early receipt of the Retirement Allowance. The reduction will be calculated consistent with the actuarial reduction applied to the benefit under the Astro Pension Plan; and

(b) The benefits under the Astro Pension Plan and any other qualified retirement plan of the Corporation or its Affiliates will be determined according to the applicable terms of such plan(s) at the Early Retirement Date.

3.03 Payment of Retirement Allowance. Retirement Allowances shall be paid on the first day of each month commencing after the Covered Executive's Normal Retirement Date, Early Retirement Date or Postponed Retirement Date, as the case may be, and, subject to Section 3.04, ceasing with the 360th monthly payment or, if earlier, the payment made coincident with or immediately preceding the death of the Covered Executive.

3.04 Retirement Allowance Payable to Surviving Spouse of a Covered Executive. If a Covered Executive who has a Spouse at the date payment of his Retirement Allowance commences, dies after retirement but before receiving 360 monthly payments of his Retirement Allowance under the Plan, such Spouse is entitled to receive a monthly amount equal to 66 2/3% of the monthly amount paid to the Covered Executive in the month immediately preceding his date of death from the Plan.

This monthly amount is payable to the Spouse for the balance of the 360 payments or until the death of the Spouse, whichever occurs first.

3.05 Deeming Rule. If the benefits payable to a Covered Executive or his Spouse under the Astro Pension Plan or any other qualified plan of the Corporation or its Affiliates are (were):

(i) commuted at the election of the Covered Executive or his Spouse, or;

(ii) divided pursuant to a decree, order or judgment of a competent tribunal, or a written separation agreement, relating to a division of property between the Covered Executive and his Spouse or former Spouse in settlement of rights arising out of their marriage or other conjugal relationship, on or after the breakdown of the marriage or other relationship; for the purposes of calculating the amount of the Covered Executive's or the surviving Spouse's Retirement Allowance, the benefits payable under such plans shall be deemed to be equal to the amount of the benefit that would have been payable if such election to commute or such division of the benefits under the plans had not been made and payment of such benefits commenced at the same time as the Retirement Allowance.

ARTICLE IV

TERMINATION OF SERVICE

4.01 Termination Benefits. A Covered Executive, who has been a member of the Astro Pension Plan for 24 continuous months and whose employment with the Corporation and its Affiliates is terminated for any reason other than retirement or death prior to his Normal Retirement Date, shall be entitled to a Retirement Allowance commencing, subject to Section 4.02, on his Normal Retirement Date. The Retirement Allowance shall be determined in accordance with section 3.01.

4.02 Early Commencement of Deferred Retirement Allowance. A Former Covered Executive who is entitled to a Retirement Allowance payable under the terms of Section 4.01 who has elected to receive Early Retirement benefits under the Astro Pension Plan will commence receipt of his Retirement Allowance prior to his Normal Retirement Date coincident with the commencement of benefit payments from the Astro Pension Plan provided that he attained the age of 55 and had ten (10) years of Covered Service on his date of termination. The Retirement Allowance payable from such date shall be reduced to take into account the early receipt of the Retirement Allowance. The reduction will be calculated consistent with the actuarial reduction which would be applied under the Astro Pension Plan for an Early Retirement.

4.03 Applicable Provisions. The provisions of Section 3.03 and 3.04 apply to Retirement Allowances paid under Article IV, with such wording changes as may be necessary. However, the provisions of Article V shall apply when a Former Covered Executive dies prior to commencement of his Retirement Allowance.

ARTICLE V
DEATH BENEFITS

5.01 Benefits on Covered Executive's Death Prior to Retirement. If a Covered Executive dies prior to commencement of a Retirement Allowance, the person who is his Spouse at the date of his death shall be entitled to a monthly amount equal to the excess of:

(a) 66 2/3% of the amount in Subsection 3.01(a) of the Plan calculated at the date of the Covered Executive's death, less

(b) an amount, if any, equal to the sum of the monthly survivor benefits from the Astro Pension Plan and any other qualified plan of the Corporation or Affiliate payable to the Spouse in the same month.

The actual benefits under the Astro Pension Plan and any other qualified plan of the Corporation or Affiliate will be determined according to the applicable terms of such plan(s) at the date of the Covered Executive's death and shall not include benefits attributable to the Covered Executive's salary deferrals or matching contributions and earnings thereon under the 401(k) Plan.

Payment of the Spouse's benefit will commence on the first day of the month following the Covered Executive's date of death.

This monthly amount is payable to the Spouse for 360 monthly payments or until the death of the Spouse, whichever occurs first.

5.02 Benefits on a Former Covered Executive's Death Prior to Retirement. If a Former Covered Executive dies prior to commencement of a Retirement Allowance, his Spouse at the date of death shall be entitled to receive a Retirement Allowance equal to the Retirement Allowance calculated in accordance with Section 5.01 provided that:

(a) The amounts in subsection 3.01 will be reduced to take into account the early receipt of the Retirement Allowance. The reduction will be calculated consistent with the actuarial reduction applied to the benefit under the Astro Pension Plan; and

(b) The actual benefits under the Astro Pension Plan and any other qualified plan of the Corporation or Affiliate will be determined according to the applicable terms of such plan(s) at the Former Covered Executive's date of termination of employment with the Corporation and its Affiliates.

Payment of the Spouse's benefit will commence on the later of (1) first day of the month following the Former Covered Executive's date of death, (2) the Annuity Starting Date (as defined under the Astro Pension) elected by the surviving Spouse, or (3) the first date the surviving Spouse receives payment of the death benefit under the Astro Pension Plan.

This monthly amount is payable to the Spouse for 360 monthly payments or until the death of the Spouse, whichever occurs first.

ARTICLE VI

DISABILITY BENEFITS

6.01 Disabled Covered Executives. A Covered Executive who is receiving benefits under a long-term disability benefit plan designated by the Corporation shall continue to be a Covered Executive. Such Covered Executive's Covered Service shall continue to accrue during the covered disability. The Covered Executive's Final Average Earnings while on disability shall be deemed to be equal to the Final Average Earnings in effect immediately preceding the commencement of the disability.

If the disabled Covered Executive does not return to active employment with the Corporation or any Affiliate, he will be entitled to receive a Retirement Allowance commencing, subject to Section 6.02, on his Normal Retirement Date calculated in accordance with Section 3.01, based on his Final Average Earnings on his date of disability and his Covered Service at his Normal Retirement Date.

6.02 Disability Retirement. A Covered Executive who, while in the employ of the Corporation or any Affiliate and, prior to his Normal Retirement Date:

(1) incurs a Total and Permanent Disability;

(2) does not qualify or ceases to qualify for benefits under any salary continuance or long-term disability benefits plan designated by the Corporation, or any applicable Worker's Compensation legislation; and

(3) retires under the Astro Pension Plan;

will be entitled to receive a Retirement Allowance coincident with the commencement of the payment of his benefit under the Astro Pension Plan. Such Retirement Allowance shall be equal to the amount calculated in accordance with Section 3.02 based on his Final Average Earnings on his date of disability and his Covered Service at his date of retirement.

6.03 Applicable Provisions. The provisions of Sections 3.03 and 3.04 apply to Retirement Allowances paid under Article VI, with such wording changes as may be necessary. However, the provisions of Article V shall apply when a disabled Covered Executive dies prior to commencement of his Retirement Allowance.

ARTICLE VII
ADMINISTRATION

The Corporation is the Administrator of the Plan. The Administrator shall be responsible for the general administration of the Plan and shall perform all administrative functions and shall interpret, construe and apply the Plan provisions in accordance with its terms. The Corporation as Administrator may establish, adopt or revise rules and regulations as it deems necessary or advisable for the administration of the Plan. The Corporation may consult with and rely upon the advice of such counsel, actuaries and other advisors as it shall see fit.

ARTICLE VIII

AMENDMENT OR TERMINATION OF THE PLAN

It is the intention of the Corporation in establishing the Plan that it should operate to the indefinite future. The Corporation does however, reserve the sole right to terminate the Plan at any time. The Corporation further reserves the right in its sole discretion to amend the Plan in any respect; provided, however, that no such amendment that reduces the value of the benefits therefore accrued by the Covered Executive shall be effective unless the Covered Executive consents to such amendment in writing.

In the event of termination of the Plan, the value of the benefits accrued by the Covered Executive at the time of termination will be determined assuming the Astro Pension Plan and all other qualified retirement plans of the Corporation and its Affiliates are terminated at the same time. Any amendment or termination shall be made pursuant to a resolution of the Board of Directors of the Corporation and shall be effective as of the date specified in such resolution.

ARTICLE IX

CLAIMS REVIEW PROCEDURE

9.01 Denial of Benefits. If a Retirement Allowance under the Plan is wholly or partially denied, notice of the decision shall be furnished to the Covered or Former Covered Executive or Spouse (claimant) as the case may be by the Administrator within a reasonable period of time after such decision is reached.

9.02 Notice. Any claimant who is denied a claim for Benefits shall be furnished written notice setting forth:

- (a) the specific reason or reasons for the denial;
- (b) specific reference to the pertinent provision of the Plan upon which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim; and
- (d) an explanation of the claim review procedure under the Plan.

9.03 Appeals Procedure. In order that a claimant may appeal a denial of a claim, the claimant or the claimant's duly authorized representative may:

(a) request a review by written application to the Administrator, or its designate, no later than 60 days after receipt by the claimant of written notification of denial of a claim;

(b) review pertinent documents; and

(c) submit issues and comments in writing.

9.04 Review. A decision on review of a denied claim shall be made not later than 60 days after receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered within a reasonable period of time, but not later than 120 days after receipt of a request for review. The decision on review shall be in writing and shall include the specific reason(s) for the decision and the specific reference(s) to the pertinent provisions of the Plan on which the decision is based.

ARTICLE X

GENERAL

10.01 No Employment Rights. Nothing herein shall constitute a contract of continuing employment or in any manner obligate the Corporation to continue the service of a Covered Executive, or obligate a Covered Executive to continue in the service of the Corporation, and nothing herein shall be construed as fixing or regulating the compensation paid to Covered Executive.

10.02 No Claim Against the Company. Neither a Covered Executive nor any other person shall acquire by reason of the Plan any right in or title to any assets, funds or property of the Corporation whatsoever including, without limiting the generality of the foregoing, any specific funds or assets which the Corporation, in its sole discretion, may set aside in anticipation of a liability hereunder. Any trust which is created in connection with this Plan or any agreement shall provide that the assets of the trust are subject to the claims of the Corporation's general creditors. A Covered Executive shall have only a Contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Corporation.

10.03 Incompetence. If the Administrator determines that any person entitled to any payment hereunder is incompetent by reason of any physical or mental disability, and consequently unable to give a valid receipt, the Administrator may cause any payment due to such person to be made to another person for his benefit, without responsibility on the part of the Administrator to follow the application of such funds. Payment made pursuant to this section 10.03 shall operate as a complete discharge of the responsibility of the Administrator.

10.04 Nonassignability. Neither a Covered Executive nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Covered Executive or any other person, nor be transferable by operation of law in the event of a Covered Executive's or any other person's bankruptcy or insolvency.

10.05 Continuance of Payments. The payment of a Retirement Allowance to a Covered Executive or Former Covered Executive, or to his surviving Spouse, is subject to satisfactory proof of the existence of a Covered Executive or Former Covered Executive, or his surviving Spouse, as the case may be, as may be required from time to time by the Administrator.

10.06 Notice. Any notice required or permitted to be given to the Administrator of the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Corporation, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification.

10.07 Gender and Number. Wherever appropriate herein, the masculine may mean the feminine and the singular may mean the plural or vice versa.

10.08 Corporate Successors. The Plan shall not be automatically terminated by a transfer or sale of assets of the Corporation or the merger or consolidation of the Corporation into or with any other corporation or other entity, but the Plan shall be continued after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event that the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate subject to the provisions of Article VIII.

10.09 Unclaimed Benefits. Each Covered Executive shall keep the Corporation informed of his current address and the current address of his Spouse. The Corporation shall not be obligated to search for the whereabouts of any person. If the location of a Covered Executive is not made known to the Corporation within three (3) years after the date on which payment of the Covered Executive's Retirement Allowance may first be made, payment may be made as though the Covered Executive had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Covered Executive, the Corporation is able to locate any surviving Spouse of the Covered Executive, then the Corporation shall have no further obligation to pay any benefit hereunder to such Covered Executive or surviving Spouse or any other person and such benefit shall be irrevocably forfeited.

10.10 Withholding; Employment Taxes. To the extent required by the law in effect at the time payments are made, the Corporation shall withhold from payments made hereunder any taxes required to be withheld by the Federal or any state or local government.

10.11 Validity. In the event any provision of this Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

10.12 Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of California.

NORTHROP GRUMMAN
ELECTRONIC SYSTEMS EXECUTIVE PENSION PLAN
(Amended and Restated Effective as of January 1, 2009)

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NORTHROP GRUMMAN
ELECTRONIC SYSTEMS EXECUTIVE PENSION PLAN
(Amended and Restated Effective as of January 1, 2009)

The Northrop Grumman Electronic Systems Executive Pension Plan (the "Plan") is hereby amended and restated effective as of January 1, 2009. This restatement of the Plan amends the January 1, 2005 restatement and includes changes that apply to Grandfathered Amounts.

The Plan is intended to comply with Code section 409A and official guidance issued thereunder (except for Grandfathered Amounts). Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with this intention.

ARTICLE 1

Introduction

Section 1.01. Introduction. The Northrop Grumman Electronic Systems Executive Pension Plan is a supplemental pension plan that provides nonqualified deferred compensation for a select group of management or highly compensated employees.

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

Section 1.03. Sponsor. The Plan sponsor is Northrop Grumman Corporation.

Section 1.04. Predecessor Plan. The Plan was established as a successor to the Westinghouse Executive Pension Plan, maintained by Westinghouse Electric Corporation ("Westinghouse") for the benefit of certain executive employees of the Westinghouse Electronic Systems Group as of February 29, 1996 who became employees of the Northrop Grumman Electronic Sensors & Systems Division as of March 1, 1996 as a result of the Westinghouse Acquisition, and certain other executive employees who may become employed by the Northrop Grumman Electronic Sensors & Systems Division on or after March 1, 1996. The Northrop Grumman Electronic Sensors & Systems Division became the Northrop Grumman Electronic Sensors & Systems Sector effective August 24, 1998.

Section 1.05. 2001 Reorganization. Effective as of the 2001 Reorganization Date in (d), the corporate structure of Northrop Grumman Corporation and its affiliates was modified. Effective as of the Litton Acquisition Date in (e), Litton Industries, Inc. was acquired and became a subsidiary of the Northrop Grumman Corporation (the "Litton Acquisition").

(a) The former Northrop Grumman Corporation was renamed Northrop Grumman Systems Corporation. It became a wholly-owned subsidiary of the new parent of the reorganized controlled group.

(b) The new parent corporation resulting from the restructuring is called Northrop Grumman Corporation. All references in this Plan to the former Northrop Grumman Corporation and its Board of Directors now refer to the new parent corporation bearing the same name and its Board of Directors.

(c) As of the 2001 Reorganization Date, the new Northrop Grumman Corporation became the sponsor of this Plan, and its Board of Directors assumed authority over this Plan.

(d) 2001 Reorganization Date. The date as of which the corporate restructuring described in (a) and (b) occurred.

(e) Litton Acquisition Date. The date as of which the conditions for the completion of the Litton Acquisition were satisfied in accordance with the Amended and Restated Agreement and Plan of Merger Among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc., and LII Acquisition Corp.

ARTICLE 2

Definitions

Capitalized terms which are defined in the ES Pension Plan will have the same meanings in this Plan unless otherwise expressly stated. In addition, the following terms when used and capitalized will have the following meanings:

Section 2.01. Affiliated Companies. The Company and any other entity related to the Company under the rules of section 414 of the Code. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.

Section 2.02. Annual Incentive Programs. See Article 6.

Section 2.03. Average Annual Compensation. See Article 6.

Section 2.04. Board. Board means the Board of Directors of Northrop Grumman Corporation, or its delegate.

Section 2.05. Code. The Internal Revenue Code of 1986, as amended, and as it may be amended.

Section 2.06. Committee. A committee of not less than three members appointed by the Board with responsibility for the general administration of the Plan. The Committee is the "plan administrator" under ERISA.

Section 2.07. Company. Northrop Grumman Corporation.

Section 2.08. Defined Contribution Plan. A defined contribution plan within the meaning of ERISA § 3(34), but not including:

(a) the Northrop Grumman Electronic Systems Savings Program or any similar program of a Participating Company or a Designated Entity or

(b) any amount received pursuant to a cash or deferred arrangement (as that term is defined in the Code) maintained by a Participating Company or a Designated Entity.

Section 2.09. Designated Entity. Designated Entity means an Affiliated Company or other entity that has been and is still designated by the Committee as participating in the Plan.

Section 2.10. ERISA. The Employee Retirement Income Security Act of 1974, as amended, and as it may be amended.

Section 2.11. ES Pension Plan. The Northrop Grumman Electronic Systems Pension Plan, formerly known as the ESSD Pension Plan.

Section 2.12. Executive. Executive means an individual who satisfies (a) and (b) and is not excluded by (c) or (d):

(a) An Employee who is employed by ES (or by a Participating Company, Designated Entity, or other Affiliated Company) in a position that is determined by the Company's Chief Executive Officer or Vice President and Chief Human Resources and Administrative Officer to be eligible as an Executive position under this Plan based on the duties and responsibilities of the position.

(b) The Employee has been notified by the Committee in writing that he or she is eligible for benefits under the Plan.

(c) No Employee may receive benefits under this Plan if he or she is currently accruing supplemental benefits under any other nonqualified deferred compensation plan, contract, or arrangement maintained by the Affiliated Companies or to which the Affiliated Companies contribute with the exception of the Officers Supplemental Executive Retirement Program under the Northrop Grumman Supplemental Plan 2.

(d) Notwithstanding any provision of the Plan to the contrary, effective as of July 1, 2003, no Employee will first become eligible to participate in the Plan or otherwise receive credit for service or compensation for purposes of calculating a benefit under the Plan unless the Employee was classified as an Executive eligible to participate in the Plan before that date. Executives that terminate employment and are later rehired into positions that are determined to be eligible as Executive positions under the Plan will be eligible to resume participation in the Plan and will be subject to Appendix B.

Section 2.13. Executive Benefit Service. See Article 6.

Section 2.14. Executive Pension Base. See Article 6.

Section 2.15. Executive Pension Supplement. The pension calculated pursuant to Articles 4 and 5 of this Plan. There will be no Executive Pension Supplement payable if the Executive's Qualified Plan Benefit equals or exceeds his or her Executive Pension Base.

Section 2.16. Grandfathered Amounts. Plan benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder.

Section 2.17. Key Employee. An employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Executives are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

Section 2.18. Maximum Contribution. An Employee will be deemed to have made the Maximum Contribution if he or she has made the contributions under (a) and (b), as interpreted under (c):

(a) During such time as the Employee was eligible to participate in the ES Pension Plan and the Westinghouse Pension Plan, he or she contributed the maximum amount the Employee was permitted to contribute under those plans, and

(b) During such time as the Employee was employed by a Designated Entity (which includes for this purpose a “Designated Entity” under the Westinghouse Plan during periods before the Westinghouse Acquisition),

(1) The Employee contributed the maximum amount he or she was permitted to contribute, if any, to that Designated Entity’s defined benefit pension or Defined Contribution Plan, if any, and

(2) The Employee paid to the Company (or to Westinghouse, before the Westinghouse Acquisition) an amount of each of his or her annual incentive compensation awards based on the maximum ES Pension Plan contribution formula (or Westinghouse Pension Plan contribution formula, as appropriate) applied to 50% of his or her awards. This payment is pre-tax and is made by a deferral election entered into prior to the year in which the annual incentive compensation award is determined and paid.

(c) This Plan is intended as essentially a continuation of the Westinghouse Plan (see Appendix C). Accordingly, this Section is to be interpreted as requiring an Executive to have made the Maximum Contribution not only under this Plan but also under the Westinghouse Plan.

Section 2.19. Participating Company. Any of the “Participating Companies” under the ES Pension Plan.

Section 2.20. Payment Date. The 1st of the month coincident with or following the later of (a) the date the Executive attains age 55, or (b) the date the Executive Separates from Service.

Section 2.21. Pension Plan and Pension Plans. Any of the following:

- (a) The Northrop Grumman Retirement Plan
- (b) The Northrop Grumman Retirement Plan—Rolling Meadows Site
- (c) The Northrop Grumman Retirement Value Plan (effective as of January 1, 2000)
- (d) The Northrop Grumman Electronics Systems — Space Division Salaried Employees’ Pension Plan (effective as of the Aerojet Closing Date)
- (e) The Northrop Grumman Electronics Systems — Space Division Union Employees’ Pension Plan (effective as of the Aerojet Closing Date)

“Aerojet Closing Date” means the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation.

Section 2.22. Plan. The Northrop Grumman Electronic Systems Executive Pension Plan.

Section 2.23. Qualified Plan Benefit.

(a) The Qualified Plan Benefit is equal to the sum of:

- (1) the annual amount of pension the Executive has accrued under the ES Pension Plan and any applicable defined benefit pension plan of a Designated Entity based on Benefit Service accumulated up to the earlier of the Executive’s actual retirement date or death;
- (2) the amount the Executive is entitled to receive on a life annuity basis for retirement under any applicable Defined Contribution Plan of a Designated Entity;
- (3) in any case where service included in the Executive’s Vesting Service also entitles that Executive to benefits under one or more retirement plans (whether a defined benefit or Defined Contribution Plan or both) of another company, the amount the Executive is entitled to receive on a life annuity basis for retirement from those plans; and
- (4) the amount of any “Qualified Plan Benefits” taken into account under the Westinghouse Plan (or which would have been taken into account, but for the Westinghouse Acquisition) with respect to plans that were not acquired by the Affiliated Companies as part of the Westinghouse Acquisition;

provided, the method of benefit measurement, in the case of (2), (3) and (4) above, will be on the basis of procedures determined by the Committee on a plan-by-plan basis.

(b) The Qualified Plan Benefit does not include any early pension retirement supplement.

(c) The term Qualified Plan Benefit will also include amounts accrued under an excess benefit plan or other similar arrangement in which the Executive is a participant.

Section 2.24. Retirement Eligible. An Executive is Retirement Eligible if he or she is accruing Vesting Service and:

- (a) has attained age 65 and completed five or more years of Vesting Service;
- (b) has attained age 60 and completed 10 or more years of Vesting Service;

(c) has attained age 58 and completed 30 or more years of Vesting Service; or

(d) has satisfied the requirements for an immediate pension under the Special Retirement Benefit provisions of the ES Pension Plan.

Section 2.25. Separation from Service or Separates from Service. A “separation from service” within the meaning of Code section 409A.

Section 2.26. Westinghouse. Westinghouse Electric Corporation.

Section 2.27. Westinghouse Acquisition. The acquisition by Northrop Grumman Corporation of the Electronic Systems Group of Westinghouse effective March 1, 1996.

Section 2.28. Westinghouse Plan. The Westinghouse Executive Pension Plan, as it existed from time to time.

ARTICLE 3

Qualification for Benefits; Mandatory Retirement

Section 3.01. Qualification for Benefits. Subject to Article 8 and other applicable provisions of the Plan, if any, each Executive will be entitled to the benefits of this Plan on separation from service from a Participating Company, a Designated Entity, or any other Affiliated Company, provided that such Executive meets the following four conditions:

(a) He or she has been employed in a position that meets the definition of Executive for five or more continuous years immediately preceding the earlier of the Executive's actual retirement date or the Executive's Normal Retirement Date. For purposes of this five-year requirement (but not for purposes of determining Executive Benefit Service under Section 6.05), the General Manager of ES and the Vice President of Human Resources for ES may determine that one or more years of an Employee's service with an Affiliated Company prior to the Employee's transfer to ES shall be counted as having been in an Executive position.

(b) He or she has made the Maximum Contribution during each year of Vesting Service from the date he or she first became an Executive until the earliest of his or her date of death, actual retirement date or Normal Retirement Date;

(c) He or she is a participant in the ES Pension Plan or in the defined benefit plan or Defined Contribution Plan of a Designated Entity, if any;

(d) He or she is Retirement Eligible on the date of voluntary or involuntary separation from service from a Participating Company or a Designated Entity or, in the case of a Surviving Spouse benefit, satisfies the requirements for benefits under Article 5 of the Plan.

Section 3.02. Mandatory Retirement. Pursuant to this Plan, the Company will be entitled, at its option, to retire any Executive who has attained age 65 and who, for the two-year period immediately before his or her retirement, has participated in this Plan, if such Executive is entitled to an immediate nonforfeitable annual retirement benefit from a pension, profit-sharing, savings or deferred compensation plan, or any combination of such plans, of a Participating Company or any Affiliated Company, which equals, in the aggregate, at least \$44,000. The calculation of the \$44,000 (or greater) amount will be performed in a manner consistent with 29 U.S.C. § 631(c)(2).

Section 3.03. Certain Transfers. Except as otherwise provided in (e) below, if an Executive transfers to a position with an Affiliated Company that is not covered by a Participating Company or Designated Entity:

(a) He or she will immediately cease to accrue Executive Benefit Service.

(b) He or she will continue to earn Vesting Service (for purposes of the Plan other than Executive Benefit Service) for periods of employment with the Affiliated Company.

(c) His or her Average Annual Compensation will include earnings as an employee from the Affiliated Company for periods after the transfer until his or her termination of employment with all Affiliated Companies.

(d) He or she may receive benefits under the Plan if he or she subsequently retires from the Company and satisfies the Plan's eligibility requirements.

(e) Effective as of July 1, 2003, if an Executive transfers to a position with an Affiliated Company that has been determined by the Company's Chief Executive Officer or Vice President and Chief Human Resources and Administrative Officer to be an eligible position under the Plan, (a)-(d) above will not apply and the Executive will continue to be classified as an active participant for all purposes under the Plan until the Executive's separation from service from all Affiliated Companies.

ARTICLE 4

Calculation of Executive Pension Supplement

Section 4.01. In General. The Executive Pension Supplement for an Executive who meets the qualifications of Article 3 of the Plan retiring on an Early, Normal or Special Retirement Date will be calculated as described in Section 4.02(a) or (b).

Section 4.02. Amount.

(a) If the Executive

(1) has attained age 60 and completed 10 or more years of Vesting Service,

(2) has attained age 65, or

(3) has satisfied the eligibility requirements for an immediate pension under the "Special Retirement Benefit" provisions of the ES Pension Plan,

the Executive Pension Supplement is determined by subtracting the Executive's Qualified Plan Benefit that would be payable if he or she elected a Life Annuity Option (after any reduction for early retirement, if applicable) from his or her Executive Pension Base.

(b) If the Executive has not met the requirements of paragraph (a) above but has attained age 58 and completed 30 or more years of Vesting Service, the Executive Pension Supplement is determined by subtracting the Executive's Qualified Plan Benefit that would be payable if he or she elected a Life Annuity Option (before any reduction for retirement prior to age 60) from his or her Executive Pension Base.

ARTICLE 5

Death in Active Service

Section 5.01. Eligibility For an Immediate Benefit. If an Executive dies in active service and, on his or her date of death, satisfies the requirements of the “Special Surviving Spouse Benefit” under the ES Pension Plan and satisfied the requirements of Section 3.01(b) and (c) of this Plan at the time of death, a Surviving Spouse benefit will also be payable under this Plan if his or her Executive Pension Base exceeds his or her Qualified Plan Benefit. The requirement of Section 3.01(a) is waived.

Section 5.02. Calculation of Immediate Benefit. The amount of the immediate Surviving Spouse benefit under Section 5.01 will be the Executive Pension Supplement reduced in the same manner as though the benefit were a “Special Surviving Spouse Benefit” under the ES Pension Plan. For purposes of this Section, the Executive Pension Supplement will be calculated as follows:

(a) If the Executive had attained age 60 or if the Executive had completed 30 years of Vesting Service, the Executive Pension Supplement would be calculated as described in Section 4.02(a);

(b) Otherwise, the Executive Pension Supplement would be 80% of the difference between the Executive Pension Base and the unreduced Qualified Plan Benefit.

Section 5.03. Eligibility For a Deferred Benefit. If an Executive dies in active service who does not satisfy the requirements of Section 5.01 but who satisfies the requirements of the “Surviving Spouse Benefit” under the ES Pension Plan and satisfied the requirements of Section 3.01(b) and (c) of this Plan at the time of death, a Surviving Spouse benefit will also be payable under this Plan if his or her Executive Pension Base exceeds his or her Qualified Plan Benefit. The requirement of Section 3.01(a) is waived.

Section 5.04. Calculation of Deferred Benefit. The amount of the deferred Surviving Spouse benefit under Section 5.03 will be the Executive Pension Supplement reduced in the same manner as though the benefit were payable under the ES Pension Plan. For purposes of this paragraph, the Executive Pension Supplement will be calculated by subtracting the Executive’s Qualified Plan Benefit (before any reductions) from his or her Executive Pension Base.

ARTICLE 6

Executive Pension Base

Section 6.01. In General. This Article sets forth the rules for determining a Participant's Executive Pension Base.

Section 6.02. Executive Pension Base. The Executive Pension Base = (a) x (b) x (c) as follows:

- (a) 1.47%;
- (b) Average Annual Compensation;
- (c) the number of years of Executive Benefit Service accrued to the earliest of:
 - (1) the Executive's actual retirement date,
 - (2) the date of the Executive's death, or
 - (3) the Executive's Normal Retirement Date.

Section 6.03. Average Annual Compensation. Average Annual Compensation = (a) + (b) as follows:

- (a) 12 times the average of the five highest of the Executive's December 1 monthly base salaries during the 10-year period immediately preceding the earliest of:
 - (1) the Executive's date of death,
 - (2) the Executive's actual retirement date, or
 - (3) the Executive's Normal Retirement Date;
- (b) the average of the Executive's five highest annual incentive compensation awards paid under the Annual Incentive Programs or equivalent annual program or programs during the 10-year period ending with the earliest of:
 - (1) the year of the Executive's death,
 - (2) the year of the Executive's actual retirement date, or
 - (3) the year of the Executive's Normal Retirement Date.
- (c) No earnings before March 1, 1996 are taken into account under this Article.
- (d) Notwithstanding the foregoing, for Executives terminating employment with the Affiliated Companies after 2004, the averages in subsection (a) and (b) above shall be based on

salaries and annual incentive compensation awards paid in 1995 or later and shall not be limited to the 10-year periods described in subsections (a) and (b). All amounts accrued as a result of this change shall be subject to Code section 409A.

(e) Average Annual Compensation normally includes only pay earned while an Executive. But see Section 3.03.

(f) The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Plan:

(1) any payment authorized by the Company's Compensation Committee that is (a) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Programs (AIP) for a given year, and (b) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and

(2) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

Section 6.04. Annual Incentive Programs. The Annual Incentive Programs are the Timely Awards Program, Management Achievement Plan, the Incentive Compensation Plan, the Incentive Management Achievement Plan and the Performance Achievement Plan of the Company.

Section 6.05. Executive Benefit Service. An Executive's Executive Benefit Service is determined under (a) or (b) as appropriate, and subject to (c) and (d):

(a) Executive Benefit Service is an Executive's total years of Vesting Service under the ES Pension Plan if:

(1) the Executive was making the Maximum Contribution during each of those years; or

(2) the use of the Executive Buy Back process has been authorized by the Committee and the Executive:

(A) was making the Maximum Contribution during each of those years after the date he or she first became an Executive and

(B) has complied with the provisions of the Executive Buy Back process (as set forth in Appendix A) as to those years prior to his or her first becoming an Executive.

(b) Otherwise, Executive Benefit Service is the Executive's period of Vesting Service during which he or she made the Maximum Contribution.

(c) No service before March 1, 1996 is taken into account under this Article.

(d) Notwithstanding the foregoing, for an Executive terminating employment with the Affiliated Companies after 2004, Executive Benefit Service accruals after 2004 equal (1) minus (2) below:

(1) Elapsed time while the Executive was making the Maximum Contributions, including time purchased under the Executive Buy Back process (as set forth in Appendix A);

(2) Executive Benefit Service accrued as of December 31, 2004.

All amounts accrued as a result of this change shall be subject to Code section 409A.

ARTICLE 7

Payment of Benefits

Section 7.01. Limitation on Benefits. No benefits will be payable under this Plan to any Executive whose employment terminates for any reason other than death prior to becoming Retirement Eligible.

Section 7.02. Normal Form and Commencement of Benefits. This Section only applies to Grandfathered Amounts. The Executive Pension Supplement will be paid for life in monthly installments, each equal to 1/12th of the annual amount determined in Article 4 or 5, whichever is applicable.

(a) The Committee will determine the form and commencement of benefit payments in its sole discretion.

(b) The Committee will choose among the various forms of payment, other than the lump sum, then available under the ES Pension Plan, subject to the same reductions or other provisions that apply to the elected form of payment under the ES Pension Plan.

(c) No payments may commence under this Plan until payments to the Executive or Surviving Spouse have commenced under the ES Pension Plan or other tax-qualified defined benefit plan or Defined Contribution Plan maintained by a Participating Company or Designated Entity.

See Appendix D and Appendix E for the rules that apply to other benefits earned under the Plan.

Section 7.03. Guaranteed Benefit. This Section only applies to Grandfathered Amounts. Regardless of the form of payment elected by the Committee, after the Executive retires and begins receiving an Executive Pension Supplement, a minimum of 60 times the monthly payment he or she would have received on a life annuity basis is guaranteed.

See Appendix D and Appendix E for the rules that apply to other benefits earned under the Plan.

Section 7.04. Guaranteed Surviving Spouse Benefit. This Section only applies to Grandfathered Amounts. Once a Surviving Spouse Benefit determined under Sections 5.01 and 5.02 has commenced, a minimum of 60 times the monthly benefit payable to the Surviving Spouse is guaranteed. See Appendix D and Appendix E for distribution rules that apply to death benefits that are not Grandfathered Amounts

Section 7.05. Lump Sum Payments. This Section only applies to Grandfathered Amounts. An Executive who elects lump sum payments of all his or her nonqualified benefits under the Northrop Grumman Corporation Change-In-Control Severance Plan (effective August 1, 1996, as amended) or the Northrop Grumman Corporation March 2000 Change-In-Control Severance Plan (collectively, the "CIC Plans") is entitled to have his or her Executive Pension Supplement paid as a lump sum calculated under the terms of the applicable CIC Plan.

Otherwise, Executive Pension Supplement payments are governed by the general provisions of this Article, which do not provide for lump sum payments.

Northrop Grumman Corporation may, in its sole discretion, amend or eliminate any provision of the Plan with respect to lump sum distributions at any time. This applies whether or not a Participant has already made a lump sum election.

See Appendix D and Appendix E for the rules that apply to other benefits earned under the Plan

Section 7.06. Mandatory Cashout. Notwithstanding any other provisions in the Plan, Executives with Grandfathered Amounts who have not commenced payment of such benefits prior to January 1, 2008 will be subject to the following rules:

(a) Post-2007 Terminations. Executives who have a complete termination of employment with the Affiliated Companies after 2007 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of such termination (without interest), if such present value is below the Code section 402(g) limit in effect at the termination.

(b) Pre-2008 Terminations. Executives who had a complete termination of employment with the Affiliated Companies before 2008 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of the time they commence payment of their underlying qualified pension plan benefits (without interest), if such present value is below the Code section 402(g) limit in effect at the time such payments commence.

For purposes of calculating present values under this Section, the actual assumptions and calculation procedures for lump sum distributions under the Northrop Grumman Pension Plan shall be used.

Section 7.07. Optional Payment Forms. Executives with Grandfathered Amounts shall be permitted to elect (a) or (b) below:

(a) To receive their Grandfathered Amounts in any form of distribution available under the Plan at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under this Plan on October 3, 2004.

(b) To receive their Grandfathered Amounts in any life annuity form not included in (a) above but included in the underlying qualified pension plan distribution options at the time payment of the Grandfathered Amounts commences. The conversion factors will be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

Section 7.08. Rehires. In the event that an Executive retires or otherwise ceases to be an Employee of a Participating Company or a Designated Entity and is later rehired by one of those entities, the provisions of Appendix B will apply.

Section 7.09. Special Tax Distribution. On the date an Executive's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the Executive's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the Plan, including Grandfathered Amounts. This payment will reduce the Executive's future benefit payments under the Plan on an actuarial basis.

ARTICLE 8

Conditions to Receipt of Executive Pension Supplement

Section 8.01. Non-Competition Condition. Payments of benefits under this Plan to Executives are subject to the condition that the recipient will not compete with the Company.

(a) Competition for this purpose means engaging directly or indirectly in any business which is at the time competitive with any business, part of a business, or activity then conducted by the Company, any of its subsidiaries or any other corporation, partnership, joint venture or other entity of which the Company directly or indirectly holds a 10% or greater interest (together, the "Affiliated Group") in the area in which such business, part of a business, or activity is then being conducted by the Affiliated Group.

(b) The condition of this Section may be waived with respect to a recipient but only in writing and only by the Compensation Committee of the Board.

Section 8.02. Breach of Condition. Breach of the condition contained in Section 8.01 will be deemed to occur immediately upon an Executive's engaging in competitive activity.

(a) Payments suspended for breach of the condition will not be resumed whether or not the Executive terminates the competitive activity.

(b) A recipient will be deemed to be engaged in such a business indirectly if he or she is an employee, officer, director, trustee, agent or partner of, or a consultant or advisor to or for, a person, firm, corporation, association, trust or other entity which is engaged in such a business or if he or she owns, directly or indirectly, in excess of 5% of any such firm, corporation, association, trust or other entity.

Section 8.03. Waiver After 65. The ongoing condition of this Article will not apply to an Executive age 65 or older.

ARTICLE 9

Administration

Section 9.01. Committee. This Plan will be administered by the Committee. The Committee will have the right to make reasonable rules from time to time regarding the Plan. All such rules will be consistent with the policy provided by this Plan document. The Committee will have full discretion to interpret the Plan, and to resolve ambiguities and inconsistencies. The Committee's interpretations will in all cases be final and not be subject to appeal.

Section 9.02. Claims Procedures. The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

Section 9.03. Trust. The Board may authorize the establishment of one or more trusts and the appointment of a trustee or trustees ("Trustee") to hold any and all assets of the Plan in trust. The Board may delegate this power to the Committee.

ARTICLE 10

Modification or Termination

Section 10.01. Amendment and Plan Termination. The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the provisions of the Plan with respect to lump sum distributions, including any lump sum calculation factors, whether or not an Executive has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of an Executive's accrued benefit under the Plan as of the date of such amendment or termination.

No amendment of the Plan shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to the Grandfathered Amounts.

ARTICLE 11

Miscellaneous

Section 11.01. Benefits Not Assignable.

(a) No Executive, former Executive or Surviving Spouse shall have the right to anticipate, alienate, sell, transfer, assign, pledge, encumber, or otherwise subject to lien any of the benefits provided under this Plan. Such rights may not be subject to the debts, contracts, liabilities, engagements or torts of the Executive, former Executive or Surviving Spouse of an Executive.

(b) Notwithstanding the foregoing, all or a portion of an Executive's Plan benefits may be paid to another person as specified in a domestic relations order that the Committee determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

(1) issued pursuant to a State's domestic relations law;

(2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Executive;

(3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Executive to receive all or a portion of the Executive's benefits under the Plan; and

(4) meets such other requirements established by the Committee.

The Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

Section 11.02. Facility of Payment. If the Committee deems any person entitled to receive any payment under the Plan incapable of receiving it by reason of age, illness, infirmity, mental incompetency or incapacity of any kind, the Committee may, in its discretion, direct that payment be made in any one or more of the following manners:

(a) Applying the amount directly for the comfort, support and maintenance of the payee;

(b) Reimbursing any person for any such support supplied by any other person to the payee;

(c) Paying the amount to a legal representative or guardian or any other person selected by the Committee on behalf of the payee; or

(d) Depositing the amount in a bank account to the credit of the payee.

Section 11.03. Committee Rules. Payment of benefits will be made in accordance with the rules and procedures of the Committee.

Section 11.04. Limitation on Rights. The Company, in adopting this Plan, will not be held to create or vest in any Executive or any other person any interest, pension or benefits other than the benefits specifically provided herein, or to confer upon any Executive the right to remain in the service of the Company.

Section 11.05. Benefits Unsecured. Any assets purchased by the Company to provide benefits under this Plan will at all times remain subject to the claims of general creditors of the Company and any Executive, former Executive or Surviving Spouse of an Executive participating in the Plan has only an unsecured promise to pay benefits from the Company.

Section 11.06. Governing Law. To the extent not preempted by federal law, the law of the State of Maryland will govern the construction and administration of the Plan.

Section 11.07. Severability. If any provision of this Plan or its application to any circumstance or person is held to be invalid by a court of competent jurisdiction, the remainder of the Plan and the application of such provision to other circumstances or persons will not be affected thereby.

Section 11.08. Expanded Benefits. The Board or the Compensation Committee of the Board may, from time to time and without notice, by resolution of the Board or of the Compensation Committee of the Board, authorize the payment of benefits or expand the benefits otherwise payable or to be payable to any one or more individuals. Notwithstanding the foregoing, this Section 11.08 shall not apply to any benefits under the Plan that are not Grandfathered Amounts.

Section 11.09. Plan Costs. Benefits payable under the Plan and any expenses in connection therewith will be paid by the Company to the extent they are not available to be paid from any trust fund established by the Company to help defray the costs of providing Plan benefits.

Section 11.10. Termination of Participation. Participation in the Plan will terminate:

- (a) in the case of a nonvested Executive, upon separation from service with a Participating Company or Designated Entity;
- (b) in the case of a vested Executive, when payment of all amounts due with respect to the Executive are paid, or purported to be paid, by the Plan.

ARTICLE 12

Change in Control

Section 12.01. Definition. The term “Change in Control” means the occurrence of one or more of the following events:

(a) There will be consummated:

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

(2) Any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or

(b) The stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

(c) (1) Any person (as such term is defined in section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), corporation or other entity will purchase any common stock of the Company (or securities convertible into Company common stock) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, unless, prior to the making of such purchase of Company common stock (or securities convertible into Company common stock), the Board will determine that the making of such purchase will not constitute a Change in Control; or

(2) Any person (as such term is defined in section 13(d) of the Exchange Act), corporation or other entity (other than the Company or any benefit plan sponsored by the Affiliated Companies) will become the “beneficial owner” (as such term is defined in Rule 13d-3 under the Exchange Act:), directly or indirectly, of securities of the Company representing twenty percent or more of the combined voting power of the Company’s then outstanding securities ordinarily (and apart from any rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities), unless, prior to such person so becoming such beneficial owner, the Board will determine that such person so becoming such beneficial owner will not constitute a Change in Control; or

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

Section 12.02. Vesting and Funding Rules. Notwithstanding any other provision of the Plan, upon a Change in Control, as defined above, all Executives will be deemed fully vested under this Plan, but only such vesting as to the otherwise applicable five-year service requirement. In addition, upon a Change in Control, but only under circumstances where the successor, surviving or parent company of Northrop Grumman Corporation or the successor plan sponsor or any successor thereto, if any, does not agree to assume the obligation to provide benefits under this Plan as they become due and payable, then an amount sufficient to fund all unpaid benefits and any Surviving Spouse benefits payable under this Plan will be paid immediately by the Company to a Trustee pursuant to a Trust Agreement for the payment of such benefits at the earliest date available in accordance with the provisions of the Plan and on such terms as the committee composed of the Company's Chief Executive Officer, Chief Financial Officer and General Counsel, will deem appropriate (including a direction to the Trustee to pay immediately all benefits that are Grandfathered Amounts on a present value basis and/or such other terms as they may deem appropriate). Notwithstanding this funding, the Company will be obligated to pay benefits to Executives and to Surviving Spouses of Executives to the extent such funding proves to be insufficient. To the extent such funding proves to be more than sufficient, any excess will revert to the Company.

Section 12.03. Special Retirement Provisions. Upon a Change in Control, for any Executive in the Plan who is involuntarily separated and who is not then eligible for a Normal or Special Retirement Pension under the ES Pension Plan, such separation will be deemed to be a separation due to a "Permanent Job Separation", and the Special Retirement Pension provisions under the ES Pension Plan will be used for purposes of determining eligibility and payment of benefits to such Executive under the Plan, provided that distribution of amounts that are not Grandfathered Amounts will still be controlled by Appendix D and Appendix E.

Section 12.04. Calculation of Present Value. The present value of benefits payable by the Trustee will be calculated for specific groups of Executives at the time of the Change in Control as follows:

(a) The present value of the benefits payable from this Plan to Executives who have retired at the time of the Change in Control (as well as benefits payable from this Plan to any Surviving Spouse of an Executive) will be calculated by using the PBGC immediate discount rate established and in effect for the beginning of the calendar year in which the Change in Control occurs.

(b) The present value of the benefits payable from this Plan to Executives who are eligible to retire under the terms of this Plan at the time of the Change in Control will be calculated by using the PBGC immediate discount rates established and in effect at the beginning of the calendar year in which the Change in Control occurs, assuming a pension which is immediately payable at the time of the Change in Control.

(c) The present value of the benefits payable from this Plan to Executives who have completed at least 30 years of service with a Participating Company or a Designated Entity but have not yet attained age 58 at the time of the Change in Control will be calculated by using the

PBGC deferred discount rates established and in effect for the beginning of the calendar year in which the Change in Control occurs, assuming a pension which is payable at age 58.

(d) The present value of benefits payable from this Plan to Executives who have completed at least 10 years of service with a Participating Company or a Designated Entity but less than 30 years of service at the time of the Change in Control, but have not yet attained age 60 at the time of the Change in Control, will be calculated by using the PBGC deferred discount rates established and in effect for the beginning of the calendar year in which the Change in Control occurs, assuming a pension which is payable at age 60.

(e) The present value of benefits payable from this Plan to Executives who have completed less than 10 years of service with a Participating Company or a Designated Entity at the time of the Change in Control will be calculated by using the PBGC deferred discount rates established and in effect for the beginning of the calendar year in which the Change in Control occurs, assuming a pension which is payable at age 65.

Section 12.05. Calculation of Offset. In calculating the benefit payable to each Executive, any offset for the ES Pension Plan or other plan in which the Executive participates, will be based upon the last official pension file data available, adjusted to the date of any Change in Control by assuming that the most recent salary reflected in the pension file remains constant.

Section 12.06. Limitation on Amendment, Suspension and Termination. Notwithstanding any provision of this Plan, this Plan may not be:

- (a) Amended such that future benefits would be reduced;
- (b) Suspended; or
- (c) Terminated;

as to the further accrual of benefits, for a period of 24 months following a Change in Control; and as to the payment of benefits, at any time prior to the last payment, determined in accordance with the provisions of this Plan, to each Executive, former Executive receiving benefits under the Plan, or eligible spouse.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas
Vice President, Compensation,
Benefits & International

APPENDIX A

Executive Buyback

Section A.01. Introduction. The Executive Buy Back process permits newly eligible Executives to “buy back” past years of Executive Benefit Service under the Plan for periods of time during which they did not make the Maximum Contribution.

Section A.02. Buy Back Offer. If an Employee did not make the Maximum Contribution during each of the years of his or her Vesting Service prior to the time he or she first became an Executive, the Employee will be permitted to pay make-up payments of Maximum Contributions in order to “buy back” his or her non-contributory years of service.

(a) The make-up payments required are the Maximum Contributions that would have been payable during the 10 years prior to the date he or she first became an Executive (or such lesser period from the date the Employee was employed by a Participating Company or a Designated Entity) plus compounded interest on those amounts.

(b) This Plan is intended as essentially a continuation of the Westinghouse Plan (see Appendix C). Accordingly, this Section is to be interpreted as requiring an Executive to make up Maximum Contributions not only for his or her periods of participation under this Plan but also Maximum Contributions that would have been due under the Westinghouse Plan. The terms of (a) will be interpreted to include the corresponding terms under the Westinghouse Plan and the 10-year period will include periods before the Westinghouse Acquisition.

Section A.03. One-Time Opportunity. Upon qualifying as an Executive, an Executive will be offered an Executive Buy Back opportunity at the time he or she first becomes an Executive (or when this Appendix first becomes effective, if later). The actual terms of the Executive Buy Back will be determined from time to time by the Committee. This election will be offered one time to the Executive and his or her decision whether or not to “buy back” will be irrevocable.

Section A.04. Payment. Executive Buy Back payments are pre-tax and are made from compensation by deferral elections entered into prior to the year in which the compensation is determined and paid. Executive Buy Back payments will not be deposited into the ES Pension Plan trust and will not increase the Executive’s Qualified Plan Benefit.

Section A.05. Refund of Buy Back Payment. If, at some point, an Employee is no longer an Executive or otherwise becomes ineligible to receive an Executive Pension Supplement, any Executive Buy Back payments the Employee has made (including any interest the Employee paid) plus any other amount as defined in Section 2.16(b)(2) in the definition of Maximum Contribution paid by the Employee to the Company will be refunded, with interest at such time as the Employee meets one of the following criteria:

(a) Termination or retirement from a Participating Company or a Designated Entity; or

(b) Death;

provided, however, no refund will be made if the Employee is an eligible Executive, whether or not the amount of his or her Executive Pension Supplement exceeds zero. All interest rates will be determined at the discretion of the Committee.

Any amounts that are refundable under this Section A.05 that are not Grandfathered Amounts will be paid in a lump sum upon the Executive's Separation from Service, subject to the six-month delay rule in Section E.02.

Section A.06. Effective Date. The provisions of this Appendix permitting Buy Backs will become effective on a date specified by resolution of the Committee specifically citing this Section.

APPENDIX B

Rehired Executives

Section B.01, Retired Executives Rehired as Executives. If an Executive who retired from a Participating Company or a Designated Entity and who received or is receiving an Executive Pension Supplement as a lump sum or on a monthly basis is rehired in an Executive position by a Participating Company, Designated Entity, or any other Affiliated Company, the following provisions apply:

(a) Monthly Payments: For an Executive with a monthly Executive Pension Supplement:

(1) The Plan will suspend all Executive Pension Supplement payments that are Grandfathered Amounts;

(2) If, but only if, the Executive is Retirement Eligible at the time of subsequent actual retirement:

(A) Previous years of Vesting Service and Executive Benefit Service accrued prior to the Executive's retirement will be restored; and

(B) The Executive's Executive Pension Supplement will be recalculated in accordance with the Plan at his or her subsequent actual retirement date as long as the Executive then meets all Plan benefit qualification requirements;

(3) The Executive, having previously met the requirement of five years of continuous service as an Executive prior to his or her first retirement, need not again meet that requirement;

(4) The Executive's Average Annual Compensation will be computed without regard to the break in service, using zero for any periods during which the Executive was a retiree;

(5) If the Executive elected to take a lump sum Qualified Plan Benefit with respect to his or her initial retirement, then in any subsequent calculation of the Executive's Executive Pension Supplement, the Executive's Executive Pension Base will be reduced by both the Executive's Qualified Plan Benefit received at the time of the initial retirement and the Executive's Qualified Plan Benefit accrued from the date of rehire through the date of his or her subsequent retirement.

(6) If the Executive continued to receive payments that were not Grandfathered Amounts during the period of rehire, an actuarial reduction will apply at his subsequent termination.

(b) Lump Sums: For an Executive who received a lump sum Executive Pension Supplement and who is Retirement Eligible at the time of subsequent actual retirement:

(1) Previous years of Vesting Service will be restored but not previous years of Executive Benefit Service;

(2) The Plan will calculate the Executive's additional Executive Pension Supplement at his or her subsequent actual retirement date on the basis of years of service after the rehire in accordance with the Plan as the Executive then meets all Plan benefit qualification requirements;

(3) The Executive, having previously met the requirement of five years of continuous service as an Executive prior to his or her first retirement, need not again meet that requirement;

(4) The Executive's Average Annual Compensation will be computed without regard to the break in service, using zero for any periods during which the Executive was a retiree;

(5) If the Executive elected a monthly Qualified Plan Benefit with respect to his or her initial retirement, then the Executive's Qualified Plan Benefit accrued from the date of rehire through the subsequent date of actual retirement will be subtracted from the Executive's Executive Pension Base in calculating the Executive's additional Executive Pension Supplement at his or her subsequent retirement.

Section B.02. Former Executives with Vested Pensions Rehired as Executives. If the employment of an Executive of a Participating Company or a Designated Entity who was eligible only for a vested pension under the relevant qualified defined benefit or Defined Contribution Plan, if any, was terminated and the Executive is rehired by a Participating Company, Designated Entity, or any other Affiliated Company, the following provisions apply:

(a) Previous years of Vesting Service and Executive Benefit Service accrued prior to the Executive's termination of employment will be restored;

(b) The Executive must meet the requirement of five years of continuous service as an Executive prior to a subsequent actual retirement, counting only years of service after the rehire;

(c) Only base salary and incentive awards earned after the rehire will be used in computing Average Annual Compensation;

(d) If the Executive elected to take his or her vested pension as a lump sum, in any calculation of an Executive Pension Supplement at actual retirement, the Executive's Executive Pension Base will be reduced by both the Executive's Qualified Plan Benefit at the time of the initial termination of employment and the Executive's Qualified Plan Benefit accrued from the date of rehire through the date of actual retirement.

Section B.03. Retired Executives Rehired in Non-Executive Positions. If an Executive who retired from a Participating Company or a Designated Entity and who received or is receiving an Executive Pension Supplement as a lump sum or on a monthly basis is rehired by a

Participating Company, Designated Entity, or any other Affiliated Company in a non-Executive position, the following provisions apply:

(a) For a former Executive who was receiving a monthly Executive Pension Supplement:

(1) The Plan will suspend all Executive Pension Supplement payments that are Grandfathered Amounts;

(2) If, but only if, the former Executive is still Retirement Eligible at the time of subsequent actual retirement, the Plan will recommence Executive Pension Supplement payments that were suspended at the time of the Executive's subsequent actual retirement without recalculation of amount;

(3) At subsequent actual retirement, the former Executive may receive any form of payment of his or her Executive Pension Supplement then permitted under the Plan, as selected by the Committee.

(b) For a former Executive who received his or her Executive Pension Supplement as a lump sum, no further benefits will be paid by the Plan.

Section B.04. Events That Span Westinghouse Acquisition. This Plan is intended as essentially a continuation of the Westinghouse Plan (see Appendix C) and this Appendix is to be interpreted accordingly.

(a) Reductions for payments of Qualified Plan Benefits will be interpreted to include reductions for payments of similar benefits under Westinghouse plans.

(b) Determination of the form of Qualified Plan Benefits will take into account the form of payments under Westinghouse plans.

(c) The terms of this Appendix will be interpreted, where appropriate, to include the corresponding terms under the Westinghouse Plan and to take into account events both before and after the Westinghouse Acquisition.

Section B.05. Breaks Spanning March 1, 1996. There may be Executives who participated in the Westinghouse Plan but because of a break in their service did not become employees of the Affiliated Companies on March 1, 1996 as a result of the Westinghouse Acquisition.

(a) Those Executives might be hired later by the Electronic Sensors & Systems Division.

(b) They will in no case be entitled to service or compensation credits or benefits under this Plan with respect to any service or compensation prior to their first hire by the Electronic Sensors & Systems Division after March 1, 1996. The Executives will not be

considered to have previously met the requirement of five years of continuous service as an Executive.

APPENDIX C

Coordination With Westinghouse Plan

Section C.01. In General. As part of the Westinghouse Acquisition, this Plan was established by Northrop Grumman Corporation.

(a) This Plan is intended to be a continuation of the Westinghouse Plan with only minor changes.

(b) This Plan assumes remaining liabilities of the Westinghouse Plan with regard to those participants of the Westinghouse Plan who became Employees of the Northrop Grumman controlled group on March 1, 1996 as a result of the Westinghouse Acquisition. Accordingly, benefits earned by Participants of this Plan under the Westinghouse Plan before March 1, 1996 are payable under this Appendix.

(c) Employees first hired after the Westinghouse Acquisition will therefore not be affected by this Appendix and will have their pension benefits governed entirely by the other Articles and Appendices of this Plan.

Section C.02. Pre-Acquisition Benefits.

(a) Except as provided in Sections C.03 and C.04, benefits earned under the Westinghouse Executive Pension Plan are in addition to the benefits which may be earned under Articles 4 and 5.

(b) The Westinghouse Plan benefits will be calculated taking into account all pertinent facts for determining benefits under the Westinghouse Plan's provisions (including benefits and contributions under Westinghouse plans) as they have existed from time to time.

Section C.03. Coordination of Pre and Post-Acquisition Benefits. The Plan will be interpreted in light of events before and after the Westinghouse Acquisition to coordinate the calculation of benefits (including service and compensation components, benefits and contributions under Westinghouse plans and rehire provisions) under this Appendix and benefits based on Articles 4 and 5 so that the Plan will function as if it were essentially a continuation of the Westinghouse Plan.

Section C.04. No Duplication of Benefits. Because this Plan is intended as a continuation of the Westinghouse Plan, this Plan will not pay any benefits already paid or payable by the Westinghouse Plan itself.

APPENDIX D

2005-2007 Transition Rules

This Appendix D provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Executives with benefit commencement dates after January 1, 2005 and before January 1, 2008.

Section D.01. Election. Executives scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Executives electing optional forms of benefits under this provision will commence payments on the Executive's selected benefit commencement date.

Section D.02. 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Executives commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Executive.

(a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.

(b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:

(1) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, an Executive must be an elected or appointed officer of the Company and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;

(2) The lump sum payment shall be made in 2005 as soon as feasible after the election; and

(3) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.

Section D.03. 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007), distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Executive's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Executive's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

APPENDIX E

Post 2007 Distribution of 409A Amounts

The provisions of this Appendix E shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Article VII, and Appendix D addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008

Section E.01. Time of Distribution. Subject to the special rules provided in this Appendix E, distributions to an Executive of his vested retirement benefit shall commence as of the Payment Date.

Section E.02. Special Rule for Key Employees. If an Executive is a Key Employee and age 55 or older at his Separation from Service, distributions to the Executive shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Executive's death). Amounts otherwise payable to the Executive during such period of delay shall be accumulated and paid on the first day of the seventh month following the Executive's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).

Section E.03. Forms of Distribution. Subject to the special rules provided in this Appendix E, an Executive's vested retirement benefit shall be distributed in the form of a single life annuity. However, an Executive may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:

- (a) 50% joint and survivor annuity
- (b) 75% joint and survivor annuity
- (c) 100% joint and survivor annuity.

If an Executive is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found

Section E.04. Death. If a married Executive dies before the Payment Date, a death benefit will be payable to the Executive's spouse commencing 90 days after the Executive's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of an Executive's vested retirement benefit based on a 100% joint and survivor annuity determined on the Executive's date of death. This benefit is also payable to an Executive's

domestic partner who is properly registered with the Company in accordance with procedures established by the Company.

Section E.05. Actuarial Assumptions. Except as provided in Section E.06, all forms of payment under this Appendix E shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

Section E.06. Accelerated Lump Sum Payouts.

(a) Post-2007 Separations. Notwithstanding the provisions of this Appendix E, for Executives who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of an Executive's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Executive (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section E.02, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Executive's Separation from Service.

(b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix E, for Executives who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of an Executive's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Executive attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Executive (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the Executive attains age 55, but no earlier than January 1, 2008.

(c) Conflicts of Interest. The present value of an Executive's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.

(d) Present Value Calculation. The conversion of an Executive's retirement benefit into a lump sum payment and the present value calculations under this Section E.06 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the Executive's immediate benefit if the Executive is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Executive will be eligible to receive at age 55.

Section E.07. Effect of Early Taxation. If the Executive's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Executive.

Section E.08. Permitted Delays. Notwithstanding the foregoing, any payment to an Executive under the Plan shall be delayed upon the Company's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section E.08 shall be paid in accordance with Code section 409A.

**NORTHROP GRUMMAN CORPORATION
JANUARY 2010 CHANGE IN CONTROL SEVERANCE PLAN**

NORTHROP GRUMMAN CORPORATION
JANUARY 2010 CHANGE IN CONTROL SEVERANCE PLAN

Article 1. Establishment, Term, and Purpose

1.1 Establishment of the Plan. Northrop Grumman Corporation (hereinafter referred to as the “Company”) established a change in control severance plan known as the “Northrop Grumman Corporation January 2010 Change in Control Severance Plan” (the “Plan”). The Plan is effective January 1, 2010 (the “Effective Date”). The Plan supersedes the Northrop Grumman Corporation January 2009 Change-in-Control Severance Plan in its entirety.

1.2 Term of the Plan. This Plan will commence on the Effective Date and shall continue in effect through December 31, 2010. However, at the end of such initial term and, if extended, at the end of each additional year thereafter, the term of this Plan shall be extended automatically for one (1) additional year, unless the Committee delivers written notice at least six (6) months prior to the end of such term, or extended term, to each Participant that this Plan will not be extended (a “Non-Renewal Notice”), and if such notice is timely given this Plan will terminate at the end of the term then in progress; provided, however, that (i) this provision for automatic extension shall have no application following a Change in Control of the Company and (ii) a Non-Renewal Notice shall not be effective if delivered during the Protected Period corresponding to a Change in Control. Delivery of a Non-Renewal Notice shall not constitute a repudiation or breach of this Plan and shall not trigger any Participant’s right to benefits hereunder.

However, in the event a Change in Control occurs during the initial or any extended term, this Plan will remain in effect for the longer of: twenty-four (24) months beyond the month in which such Change in Control occurred; or (ii) until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to Participants. Any subsequent Change in Control (“Subsequent Change in Control”) that occurs during the original or any extended term shall also continue the term of this Plan until the later of: (i) twenty-four (24) months beyond the month in which such Subsequent Change in Control occurred; or (ii) until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to Participants; provided, however, that if a Subsequent Change in Control occurs, it shall only be considered a Change in Control under this Plan if it occurs no later than twenty-four (24) months after the immediately preceding Change in Control or Subsequent Change in Control.

1.3 Purpose of the Plan. The purpose of this Plan is to provide for continuity in the management of the Company by offering certain key employees of the Company employment protection and financial security in the event of a Change in Control of the Company.

1.4 ERISA. This Plan is intended as (i) a pension plan within the meaning of Section 3(2) of ERISA, and (ii) an unfunded pension plan maintained by the Company for a select group of management or highly compensated employees within the meaning of

Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

- (a) “Base Salary” means the salary of record paid to a Participant by the Company as annual salary (whether or not deferred), but excludes amounts received under incentive or other bonus plans.
- (b) “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
- (c) “Beneficiary” in the event of a Participant’s death means the Participant’s devisee, legatee, or other designee, or if there is no such designee, the Participant’s estate.
- (d) “Board” means the Board of Directors of the Company.
- (e) “Cause” means the occurrence of either or both of the following:
 - (i) The Participant’s conviction for committing an act of fraud, embezzlement, theft, or other act constituting a felony (other than traffic related offenses or as a result of vicarious liability); or
 - (ii) The willful engaging by the Participant in misconduct that is significantly injurious to the Company. However, no act, or failure to act, on the Participant’s part shall be considered “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company.
- (f) “Change in Control” of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
 - (i) Any Person (other than those Persons in control of the Company as of the Effective Date, or other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any affiliate of the Company or a successor) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of either (1) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (2) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this clause (i): (A) “Person” or “group” shall not include

underwriters acquiring newly issued voting securities (or securities convertible into voting securities) directly from the Company with a view towards distribution, (B) creditors of the Company who become stockholders of the Company in connection with any bankruptcy of the Company under the laws of the United States shall not, by virtue of such bankruptcy, be deemed a “group” or a single Person for the purposes of this clause (i) (provided that any one of such creditors may trigger a Change in Control pursuant to this clause (i) if such creditor’s ownership of Company securities equals or exceeds the foregoing threshold), and (C) an acquisition shall not constitute a Change in Control if made by an entity pursuant to a transaction that is covered by and does not otherwise constitute a Change in Control under clause (iii) below;

(ii) On any day after the Effective Date (the “Measurement Date”), Continuing Directors cease for any reason to constitute either: (1) if the Company does not have a Parent, a majority of the Board; or (2) if the Company has a Parent, a majority of the Board of Directors of the Controlling Parent. A director is a “Continuing Director” if he or she either:

(1) was a member of the Board on the applicable Initial Date (an “Initial Director”); or

(2) was elected to the Board (or the Board of Directors of the Controlling Parent, as applicable), or was nominated for election by the Company’s or the Controlling Parent’s stockholders, by a vote of at least two-thirds (2/3) of the Initial Directors then in office.

A member of the Board (or Board of Directors of the Controlling Parent, as applicable) who was not a director on the applicable Initial Date shall be deemed to be an Initial Director for purposes of clause (2) above if his or her election, or nomination for election by the Company’s or the Controlling Parent’s stockholders, was approved by a vote of at least two-thirds (2/3) of the Initial Directors (including directors elected after the applicable Initial Date who are deemed to be Initial Directors by application of this provision) then in office.

“Initial Date” means the later of (1) the Effective Date or (2) the date that is two (2) years before the Measurement Date.

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business

Combination, (1) all or substantially all of the individuals and entities that were the Beneficial Owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination Beneficially Own, directly or indirectly, more than sixty percent (60%) of the then- outstanding shares of common stock and the combined voting power of the then- outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, is a Parent of the Company or the successor of the Company) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any entity resulting from such Business Combination or a Parent of the Company or any successor of the Company or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination or a Parent of the Company or the successor entity) Beneficially Owns, directly or indirectly, twenty-five percent (25%) or more of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that the ownership in excess of twenty-five percent (25%) existed prior to the Business Combination, and (3) a Change in Control is not triggered pursuant to clause (ii) above with respect to the Company (including any successor entity) or any Parent of the Company (or the successor entity).

- (iv) A complete liquidation or dissolution of the Company other than in the context of a transaction that does not constitute a Change in Control of the Company under clause (iii) above.

Notwithstanding the foregoing, in no event shall a transaction or other event that occurred prior to the Effective Date constitute a Change in Control. Notwithstanding anything in clause (iii) above to the contrary, a change in ownership of the Company resulting from creditors of the Company becoming stockholders of the Company in connection with any bankruptcy of the Company under the laws of the United States shall not trigger a Change in Control pursuant to clause (iii) above.

- (g) "Code" means the United States Internal Revenue Code of 1986, as amended.
- (h) "Committee" means the Compensation Committee of the Board, or any other committee appointed by the Board to perform the functions of the Compensation Committee.
- (i) "Company" means Northrop Grumman Corporation, a Delaware corporation (including, for purposes of determining whether a Participant is employed by the

Company, any and all subsidiaries specified by the Committee), or any successor thereto as provided in Article 10. Notwithstanding any other provision of this Plan to the contrary, the term "Company" shall mean, for the following purposes, the Company and any entity with respect to which the Company, directly or indirectly, has majority voting control (the "NGC Group"): (i) with respect to determining a Participant's total Base Salary, bonus and other compensation; (ii) the Participant shall not have a termination of employment, including a Qualifying Termination, unless he or she is no longer employed by any member of the NGC Group (any transfer of a Participant from one member of the NGC Group to another member of the NGC Group shall not cause the Participant to cease being covered by this Plan); and (iii) with respect to any reference to a benefit or compensation plan or program maintained by the Company.

- (j) "Controlling Parent" means the Company's Parent so long as a majority of the voting stock or voting power of that Parent is not Beneficially Owned, directly or indirectly through one or more subsidiaries, by any other Person. In the event that the Company has more than one "Parent," then "Controlling Parent" shall mean the Parent of the Company the majority of the voting stock or voting power of which is not Beneficially Owned, directly or indirectly through one or more subsidiaries, by any other Person.
- (k) "Disability" with respect to a particular Participant means disability as defined in the Company's long-term disability plan in which the Participant participates at the relevant time or, if the Participant does not participate in a Company long-term disability plan at the relevant time, as such term is defined in the Company's principal long-term disability plan that generally covers the Company's senior-level executives at that time.
- (l) "Effective Date" means January 1, 2010.
- (m) "Effective Date of Termination" means the date on which a Qualifying Termination occurs.
- (n) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
- (o) "Exchange Act" means the United States Securities Exchange Act of 1934, as amended.
- (p) "Good Reason" means, without the Participant's express written consent, the occurrence of any one or more of the following:
 - (i) A material and substantial reduction in the nature or status of the Participant's authorities or responsibilities (when such authorities and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period, other than (A) an inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Participant, and/or (B) changes in the

nature or status of the Participant's authorities or responsibilities that, in the aggregate, would generally be viewed by a nationally-recognized executive placement firm resulting in the participant having not materially and substantially fewer authorities and responsibilities (taking into consideration the Company's industry) when compared to the authorities and responsibilities applicable to the position held by the Participant immediately prior to the start of the Protected Period. For the purpose of the preceding test, the Participant and the Company shall mutually agree on a nationally-recognized consulting firm; provided that, if agreement cannot timely be reached, the Company and the Participant shall each timely choose a nationally recognized firm and representatives of these two firms shall promptly choose a third firm, which third firm will make the determination referred to in the preceding sentence. The written opinion of the firm thus selected may be admitted in any arbitration pursuant to Section 9.4 and shall be conclusive as to this issue.

In addition, if the Participant is a vice president, the Participant's loss of vice-president status will constitute "Good Reason"; provided that the loss of the title of "vice president" will not, in and of itself, constitute Good Reason if the Participant's lack of a vice president title is generally consistent with the manner in which the title of vice president is used within the Participant's business unit or if the loss of the title is the result of a promotion to a higher level office. For the purposes of the preceding sentence, the Participant's lack of a vice-president title will only be considered generally consistent with the manner in which such title is used if most persons in the business unit with authorities, duties, and responsibilities comparable to those of the Participant immediately prior to the commencement of the Protected Period do not have the title of vice-president.

- (ii) A reduction by the Company in the Participant's Base Salary as in effect on the Effective Date or as the same shall be increased from time to time.
- (iii) A material reduction in the aggregate value of the Participant's level of participation in any of the Company's short and/or long-term incentive compensation plans (excluding stock-based incentive compensation plans), employee benefit or retirement plans, or policies, practices, or arrangements in which the Participant participates immediately prior to the start of the Protected Period provided; however, that a reduction in the aggregate value shall not be deemed to be "Good Reason" if the reduced value remains substantially consistent with the average level of other employees who have positions commensurate with the position held by the Participant immediately prior to the start of the Protected Period.
- (iv) A material reduction in the Participant's aggregate level of participation in the Company's stock-based incentive compensation plans from the level in effect immediately prior to the start of the Protected Period; provided,

however, that a reduction in the aggregate level of participation shall not be deemed to be “Good Reason” if the reduced level of participation remains substantially consistent with the average level of participation of other employees who have positions commensurate with the position held by the Participant immediately prior to the start of the Protected Period.

- (v) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform this Plan, as required in Article 10.
- (vi) Any purported termination by the Company of the Participant’s employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.8 and for purposes of this Plan, no such purported termination shall be effective.
- (vii) The Participant is informed by the Company that his or her principal place of employment for the Company will be relocated to a location that is greater than fifty (50) miles away from the Participant’s principal place of employment for the Company at the start of the corresponding Protected Period; provided that, if the Company communicates an intended effective date for such relocation, in no event shall Good Reason exist pursuant to this clause (vii) more than ninety (90) days before such intended effective date.
- (viii) The Company or any successor company repudiates or breaches any of the provisions of this Plan.

The Participant’s right to terminate employment for Good Reason shall not be affected by the Participant’s incapacity due to physical or mental illness. The Participant’s continued employment shall not constitute a consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason herein.

- (q) “Key Employee” means an employee treated as a “specified employee” as of his or her Separation from Service under Code section 409A(a)(2)(B)(i) of the Company or its affiliate (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company’s stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which individuals are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.
- (r) “Parent” means an entity that Beneficially Owns a majority of the voting stock or voting power of the Company, or all or substantially all of the Company’s assets, directly or indirectly through one or more subsidiaries.

- (s) "Participant" means an employee of the Company who fulfills the eligibility and participation requirements, as provided in Article 3.
- (t) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.
- (u) "Plan" means this Northrop Grumman Corporation January 2010 Change In Control Severance Plan.
- (v) "Qualifying Termination" has the meaning given to such term in Section 4.3(a).
- (w) "Separation from Service" or "Separate from Service" means a "separation from service" within the meaning of Section 409A of the Code.
- (x) "Severance Benefits" means the payments and/or benefits provided in Section 4.4.

Article 3. Participation

3.1 Eligible Employees. Individuals eligible to participate in this Plan shall include such employees of the Company as may be determined by the Committee in its sole discretion.

3.2 Participation. Subject to the terms of this Plan, the Committee or its delegate may, from time to time select from all eligible employees those who shall participate in this Plan. The Committee or its delegate also may, from time to time and by written notice to the affected Participant(s), remove any previously selected Participant(s) from continued participation in this Plan; provided that any removal of a Participant shall not be effective if it occurs after the commencement of the Protected Period (as such term is defined in Section 4.3(b)).

Article 4. Severance Benefits

4.1 Right to Severance Benefits. A Participant shall be entitled to receive from the Company Severance Benefits, as described in Section 4.4, if the Participant has incurred a Qualifying Termination.

A Participant shall not be entitled to receive Severance Benefits if his or her employment terminates (regardless of the reason) before the Protected Period (as such term is defined in Section 4.3(b)) corresponding to a Change in Control of the Company or more than twenty-four (24) months after the date of a Change in Control of the Company.

4.2 Services During Certain Events. In the event a Person begins a tender or exchange offer, circulates a proxy to stockholders of the Company, or takes other steps seeking to effect a Change in Control, the Participant shall not voluntarily leave the employ of the Company and shall continue to render services until the later of (i) the date such Person has abandoned or terminated his or her or its efforts to effect a Change in Control, and (ii) the date that is six (6) months after a Change in Control has occurred. Notwithstanding the foregoing, the Company may terminate the Participant's employment for Cause at any time, and the Participant may terminate his or her employment at any time after the Change in Control for Good Reason.

4.3 Qualifying Termination.

- (a) Subject to Sections 4.3(c), 4.3(d), 4.5, 4.6 and 4.7, the occurrence of any one or more of the following events within the Protected Period corresponding to a Change in Control of the Company, or within twenty-four (24) calendar months following the date of a Change in Control of the Company shall constitute a “Qualifying Termination”:
- (i) An involuntary termination of the Participant’s employment by the Company for reasons other than Cause; or
 - (ii) A voluntary termination of employment by the Participant for Good Reason.
- If more than one of the events set forth in this Section 4.3(a) occurs, such events shall constitute but a single Qualifying Termination and the Participant shall be entitled to but a single payment of the Severance Benefits.
- (b) The “Protected Period” corresponding to a Change in Control of the Company shall be a period of time determined in accordance with the following:
- (i) If the Change in Control is triggered by a tender offer for shares of the Company’s stock or by the offeror’s acquisition of shares pursuant to such a tender offer, the Protected Period shall commence on the date of the initial tender offer and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.
 - (ii) If the Change in Control is triggered by a merger, consolidation, or reorganization of the Company with or involving any other corporation, the Protected Period shall commence on the date that serious and substantial discussions first take place to effect the merger, consolidation, or reorganization and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.
 - (iii) In the case of any Change in Control not described in clause (i) or (ii) above, the Protected Period shall commence on the date that is six (6) months prior to the Change in Control and shall continue through and including the date of the Change in Control.
- (c) Notwithstanding anything else contained herein to the contrary, a Participant’s termination of employment on account of reaching mandatory retirement age, as such age may be defined from time to time in policies adopted by the Company prior to the commencement of the Protected Period, and consistent with applicable law, shall not be a Qualifying Termination.

- (d) Notwithstanding anything else contained herein to the contrary, the termination of a Participant's employment (or other events giving rise to Good Reason) shall not constitute a Qualifying Termination if there is objective evidence that, as of the commencement of the Protected Period, the Participant had specifically been identified by the Company as an employee whose employment would be terminated as part of a corporate restructuring or downsizing program that commenced prior to the Protected Period and such termination of employment was expected at that time to occur within six (6) months.
- (e) Notwithstanding anything else contained herein to the contrary (other than those provisions that contain an express exception to this Section 4.3(e)), a Participant's Severance Benefits under this Plan shall be reduced by the severance benefits (including, without limitation, any other change in control severance benefits and any other severance benefits generally) that the Participant may be entitled to under any other plan, program, agreement or other arrangement with the Company (including, without limitation, any such benefits provided for by an employment agreement, a current or any prior Northrop Grumman Corporation Special Agreement, a current or any prior Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation, or under any predecessor Northrop Grumman Corporation Change-In-Control Severance Plan); provided that (i) if the Participant is otherwise entitled to receive Severance Benefits under this Plan and under a Northrop Grumman Corporation Special Agreement (version January 2010 or later), benefits shall be paid under the Northrop Grumman Corporation Special Agreement rather than under this Plan and (ii) if the Participant is otherwise entitled to receive Severance Benefits under this Plan and severance benefits under the Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation (version October 2009 or later), benefits shall be paid under this Plan rather than under such plan. For purposes of the foregoing, any cash severance benefits payable to the Participant under any other plan, program, agreement or other arrangement with the Company shall offset the cash severance benefits otherwise payable to the Participant under this Plan on a dollar-for-dollar basis. For purposes of the foregoing, non-cash severance benefits to be provided to the Participant under any other plan, program, agreement or other arrangement with the Company shall offset any corresponding benefits otherwise to be provided to the Participant under this Plan or, if there are no corresponding benefits otherwise to be provided to the Participant under this Plan, the value of such benefits shall offset the cash severance benefits otherwise payable to the Participant under this Plan on a dollar-for-dollar basis. If the amount of other benefits to be offset against the cash severance benefits otherwise payable to the Participant under this Plan in accordance with the preceding two sentences exceeds the amount of cash severance benefits otherwise payable to the Participant under this Plan, then the excess may be used to offset other non-cash severance benefits otherwise to be provided to the Participant under this Plan on a dollar-for-dollar basis. For purposes of this Section 4.3(e), the Company shall reasonably determine the value of any non-cash benefits.

4.4 Description of Severance Benefits. In the event that a Participant becomes entitled to receive Severance Benefits, as provided in Sections 4.1 and 4.3, the Company shall pay to the Participant and provide him or her with the following:

- (a) An amount equal to two (2) times the highest rate of the Participant's annualized Base Salary in effect at any time in the two (2) year period ending on the Effective Date of Termination.
- (b) An amount equal to two (2) times the Participant's target annual bonus established under the Company's Annual Incentive Plan (or any successor bonus program) for the fiscal year in which the Change in Control of the Company occurs (the "Bonus Amount"). Special bonuses or bonus enhancements that would otherwise be included for purposes of the calculation pursuant to the first sentence of this Section 4.4(b), but that are related to a merger, acquisition, consolidation, reorganization, spin-off or similar event and that are not part of the Company's customary on-going program of Annual Incentive Plan (or any successor bonus program) bonuses shall be excluded for purposes of such calculation.
- (c) An amount in settlement of the Participant's bonus opportunity under the Company's Annual Incentive Plan (or a successor bonus program) for the fiscal year in which the Effective Date of Termination occurs, such amount determined as follows:
 - (i) Subject to clause (iii) below, if the Effective Date of Termination occurs in the fiscal year in which the Change in Control of the Company occurs, then such amount shall equal the sum of:
 - (A) the greater of (X) or (Y) multiplied by a fraction, the numerator of which is the number of days completed in the fiscal year through the date of the Change in Control of the Company and the denominator of which is three hundred sixty-five (365), where (X) is the Participant's target annual bonus established under the Company's Annual Incentive Plan (or any successor bonus program) for that fiscal year and (Y) is the amount of bonus that the Participant would be entitled to under the Company's Annual Incentive Plan (or any successor bonus program) for that fiscal year assuming that the Participant's employment had not terminated and based on performance through the date of the Change in Control of the Company relative to the pre-approved performance goals for that year; plus
 - (B) the Participant's Bonus Amount multiplied by a fraction, the numerator of which is the number of days completed in the fiscal year following the date of the Change in Control of the Company through the Effective Date of Termination and the denominator of which is three hundred sixty-five (365).

- (ii) Subject to clause (iii) below, if the Effective Date of Termination occurs in a fiscal year following the fiscal year in which the Change in Control of the Company occurs, then such amount shall equal the Participant's Bonus Amount multiplied by a fraction, the numerator of which is the number of days completed in the fiscal year in which the Effective Date of Termination occurs through the Effective Date of Termination and the denominator of which is three hundred sixty-five (365).
 - (iii) If the Participant's bonus opportunity for the fiscal year in which the Effective Date of Termination occurs is covered by the Company's Incentive Compensation Plan (or similar successor bonus program designed to comply with the performance-based compensation exception under Section 162(m) of the Code), then the Participant's amount determined pursuant to clause (i) or (ii) above, as applicable, shall not exceed the maximum bonus the Participant would have been entitled to receive under the Company's Incentive Compensation Plan for that fiscal year, assuming the Participant had been employed through the date bonuses are paid under such plan for that year, and otherwise calculated under the terms of such plan based on actual performance for that fiscal year (but without giving effect to any discretion of the plan administrator to reduce the bonus amount from the maximum otherwise determined in accordance with such plan).
- (d) A continuation of the Participant's medical coverage, dental coverage, and group term life insurance (the "Welfare Benefits") for the Participant, his or her spouse, and his or her eligible dependents for the two (2) years following the Participant's Effective Date of Termination; provided that such continuation of coverage shall run concurrently with COBRA continuation or similar state law continuation periods; and provided further that the continuation of such coverage shall be discontinued prior to the end of the two (2) year period in the event the Participant has available substantially similar benefits from a subsequent employer, as reasonably determined by the Committee. Except as provided in the next sentence, such benefits shall be provided to the Participant at the same premium cost, and at the same coverage level, as in effect as of the Participant's Effective Date of Termination. However, in the event the premium cost and/or level of coverage shall change for all employees of the Company, the cost and/or coverage level, likewise, shall change for each Participant in a corresponding manner. The continuation of coverage for the period contemplated by this Section 4.4(d) shall be coordinated with and paid secondary to any benefits that the Participant, his or her spouse, or his or her dependent receives from another employer or from Medicare (following the Participant's, his or her spouse's, and/or his or her dependent's entitlement to Medicare benefits) to the maximum extent permissible under relevant law. Notwithstanding the foregoing provisions of this Section 4.4(d), if the Participant is eligible to commence benefits under the Company's Special Officer Retiree Medical Plan ("SORMP") as of the Effective Date of Termination, then the Participant shall receive medical and dental continuation coverage pursuant to the SORMP instead of the continuation

coverage contemplated by the foregoing provisions of this Section 4.4(d). Any other continuation of medical, dental, or group term life insurance that the Participant may otherwise be entitled to upon or following his or her Effective Date of Termination in accordance with the express terms of a Company welfare benefit plan shall not give rise to an offset pursuant to Section 4.3(e) and shall not be deemed to duplicate the benefits of the continuation coverage contemplated by this Section 4.4(d).

The Welfare Benefits provided pursuant to this Section 4.4(d) shall, to the maximum extent possible, be provided in such a manner that results in such Welfare Benefits (and any costs and premiums thereof) being excluded from the Participant's income for federal and state income tax purposes.

However, to the extent the Welfare Benefits provided pursuant to this Section 4.4(d) are, or ever become, taxable to the Participant and to the extent the Welfare Benefits continue beyond the period in which the Participant would be entitled (or would, but for this Plan, be entitled) to COBRA continuation coverage if the Participant elected such coverage and paid the applicable premiums, the Company shall administer such provision of Welfare Benefits consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv): (A) the Participant's eligibility for Welfare Benefits in one year will not affect the Participant's eligibility for Welfare Benefits in any other year, (B) any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred, and (C) the Participant's right to Welfare Benefits is not subject to liquidation or exchange for another benefit.

(e) A lump-sum cash amount equal to (i) minus (ii), with (i) and (ii) determined as follows:

(i) equals the actuarial present value equivalent of the aggregate benefits accrued by the Participant as of his or her Effective Date of Termination under the qualified defined benefit pension plan or plans in which the Participant participates (the "qualified plan"), and under any and all supplemental defined benefit retirement plans in which the Participant participates, calculated as if the Participant's employment continued for two (2) full years following the Participant's Effective Date of Termination (*i.e.*, the Participant receives two (2) additional years of vesting and benefit accruals, including, in the case of a Participant in a cash balance plan, two years of projected post-termination interest credits based on the interest rate in effect at termination, and his or her age is also increased two (2) years from his or her age as of his or her Effective Date of Termination); provided, however, that for purposes of determining "Final Average Pay" under such plans, the Participant's actual pay history as of the Effective Date of Termination shall be used; and

- (ii) equals the actuarial present value equivalent of the aggregate benefits payable to the Participant as of his or her Effective Date of Termination under the qualified plan and under any and all supplemental defined benefit retirement plans in which the Participant participates, calculated assuming that the Participant retired and went into pay status under the terms of such plans on or as soon as possible after his or her Effective Date of Termination.

The intent of this Section 4.4(e) is that the qualified plan and any supplemental defined benefit retirement plan benefits will be paid in the normal course under the terms of those plans, with the additional benefits payable as a result of the imputation of age and service under this provision being paid from this Plan. The Participant shall also be entitled to an additional two (2) years of age and service to count towards eligibility under one or more of the Company retiree medical programs for which the Participant would have been eligible absent any such termination.

- (f) Reimbursement by the Company for the costs of all reasonable outplacement services obtained by the Participant within the one (1) year period after the Effective Date of Termination; provided, however, that the total reimbursement shall be limited to an amount equal to fifteen percent (15%) of the Participant's Base Salary as of the Effective Date of Termination. All such expenses shall be reimbursed as soon as practicable, but in no event later than the end of the year following the year the Participant Separates from Service.

4.5 Termination for Total and Permanent Disability. Termination of a Participant's employment due to Disability is not a Qualifying Termination. However, if immediately prior to the condition or event leading to, or the commencement of, the Disability of the Participant, the Participant would have experienced a Qualifying Termination if he or she had terminated at that time, then upon termination of his or her employment for Disability he or she shall be entitled to the benefits provided by this Plan for a Qualifying Termination.

4.6 Termination for Retirement or Death. Termination of a Participant's employment due to retirement or death is not a Qualifying Termination. However, if immediately prior to the Participant's retirement (but not death), the Participant would have experienced a Qualifying Termination if he or she had terminated at that time, then upon his or her retirement he or she shall (subject to Section 4.3(c)) be entitled to the benefits provided by this Plan for a Qualifying Termination.

4.7 Termination for Cause or by a Participant Other Than for Good Reason. Termination of a Participant's employment by the Company for Cause or by the Participant other than for Good Reason does not constitute a Qualifying Termination.

4.8 Notice of Termination. Any termination by the Company for Cause or by a Participant for Good Reason shall be communicated by a Notice of Termination. For purposes of this Plan, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Plan relied upon, and shall set forth in reasonable detail the facts

and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated.

Article 5. Form and Timing of Severance Benefits; Tax Withholding; Funding of Rabbi Trust

5.1 Form and Timing of Severance Benefits. The Severance Benefits described in Section 4.4(a), 4.4(b), and 4.4(e) shall be paid in cash to the Participant in a single lump sum as soon as practicable following the Participant's Separation from Service, but in no event beyond thirty (30) days from such date. Notwithstanding the foregoing, if the Participant is a Key Employee, the lump sum payment shall be made on or within thirty (30) days after the first day of the seventh month following the Participant's Separation from Service (or, if earlier, the first day of the month after the Participant's death). The Severance Benefit described in Section 4.4(c) shall be paid in a single lump sum in the year following the year in which the Participant's Separation from Service occurs; provided that if the Participant is a Key Employee, such payment shall be made no earlier than six months after the Participant's Separation from Service (or, if earlier, the date of the Participant's death).

5.2 Withholding of Taxes. The Company shall be entitled to withhold from any amounts payable under or pursuant to this Plan all taxes as legally shall be required (including, without limitation, any United States Federal taxes, and any other state, city, or local taxes).

5.3 Funding of Rabbi Trust. To the extent the Company is obligated to make a contribution to any rabbi trust, pursuant to the express terms of such trust, upon or with respect to a Protected Period or the occurrence of a Change in Control, the Company shall make such required contribution in accordance with the terms of such trust.

Article 6. Excise Tax Limitation

Notwithstanding anything contained in this Plan to the contrary, if upon or following a Change in Control, the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies, solely because of the Change in Control, to any payments, benefits and/or amounts received by the Participant as Severance Benefits or otherwise, including, without limitation, any fees, costs and expenses paid under Article 9 of this Plan and/or any amounts received or deemed received, within the meaning of any provision of the Code, by the Participant as a result of (and not by way of limitation) any automatic vesting, lapse of restrictions and/or accelerated target or performance achievement provisions, or otherwise, applicable to outstanding grants or awards to the Participant under any of the Company's incentive plans, including without limitation, the 2001 Long-Term Incentive Stock Plan and the 1993 Long Term Incentive Stock Plan (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Participant is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash severance benefits, then by reducing or eliminating any accelerated vesting of stock options,

then by reducing or eliminating any accelerated vesting of other equity awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the Change in Control. The preceding provisions of this Article 6 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Participant's rights and entitlements to any benefits or compensation.

Article 7. The Company's Payment Obligation

7.1 Payment of Obligations Absolute. Except as provided in Sections 4.3(e) and 5.2 and in Article 6, the Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Participant or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Participant or from whomsoever may be entitled thereto, for any reasons whatsoever, except as otherwise provided in Article 6 or Article 9; provided that this Section does not preclude the Company from pursuing causes of action that it otherwise might have against the Participant.

Participants shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Plan, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Plan, except to the extent provided in Section 4.4(d).

7.2 Contractual Right to Benefits. This Plan establishes and vests in each Participant a contractual right to the benefits to which he or she is entitled hereunder. The Company expressly waives any ability, if possible, to deny liability for any breach of its contractual commitment hereunder upon the grounds of lack of consideration, accord and satisfaction or any other defense. In any dispute arising after a Change in Control as to whether the Participant is entitled to benefits under this Plan, there shall be a presumption that the Participant is entitled to such benefits and the burden of proving otherwise shall be on the Company. However, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder.

7.3 Pension Plans; Duplicate Benefits. All payments, benefits and amounts provided under this Plan shall be in addition to and not in substitution for any pension rights under the Company's tax-qualified pension plan, supplemental retirement plans, nonqualified deferred compensation plans, and any disability, workers' compensation or other Company benefit plan distribution that a Participant is entitled to at his or her Effective Date of Termination. Notwithstanding the foregoing, this Plan shall not create an inference that any duplicate payments shall be required. No payments made pursuant to this Plan shall be considered compensation for purposes of any such benefit plan; provided that any amount paid pursuant to Section 4.4(c) shall not be subject to such limitation. Payment of a Participant's

accrued and unpaid Base Salary and accrued vacation pay through the Participant's Effective Date of Termination shall be deemed to not duplicate any benefit contemplated by this Plan and shall not result in an offset pursuant to Section 4.3(e). Any acceleration of vesting, lapse of restrictions and/or payout occasioned by a Change in Control pursuant to the provisions of any long-term incentive plan and/or individual award agreement under such a long-term incentive plan shall be deemed to not duplicate any benefit contemplated by this Plan and shall not result in an offset pursuant to Section 4.3(e).

Article 8. Trade Secrets; Non-Solicitation and Non-Disparagement

By accepting participation in this Plan and again by receiving any benefits provided for by this Plan, each Participant shall be deemed to, and does, agree as follows:

- (a) In the course of performing his or her duties for the Company, the Participant will receive, and acknowledges that he or she has received, confidential information, including without limitation, information not available to competitors relating to the Company's existing and contemplated financial plans, products, business plans, operating plans, research and development information, and customer information, all of which is hereinafter referred to as "Trade Secrets." The Participant agrees that he or she will not, either during his or her employment or subsequent to the termination of his or her employment with the Company, directly or indirectly disclose, publish or otherwise divulge any Trade Secret of the Company or any of its affiliates to anyone outside the Company, or use such information in any manner which would adversely affect the business or business prospects of the Company, without prior written authorization from the Company to do so. The Participant further agrees that if, at the time of the termination of his or her employment with the Company, he or she is in possession of any documents or other written or electronic materials constituting, containing or reflecting Trade Secrets, the Participant will return and surrender all such documents and materials to the Company upon leaving its employ. The restrictions and protection provided for in this Section 8(a) shall be in addition to any protection afforded to Trade Secrets by law or equity and in addition to any protection afforded to Trade Secrets by any other agreement between the Participant and the Company.
- (b) For a period of one year following the termination of the Participant's employment with the Company, the Participant shall not, directly or indirectly through aid, assistance or counsel, on the Participant's own behalf or on behalf of another person or entity (i) contact, solicit or offer to hire any person who was, within a period of six months prior to the termination of the Participant's employment with the Company, employed by the Company or one of its subsidiaries, or (ii) by any means issue or communicate any private or public statement that may be critical or disparaging of the Company or any of its affiliates, or any of their respective products, services, officers, directors or employees.

Article 9. Claims Procedures

9.1 Committee Review. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from this Plan. Such claim shall be delivered to the Committee in care of the Company in accordance with the notice provisions of Section 11.5. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within sixty (60) days after such notice was received by the Claimant. All other claims must be made within two hundred and seventy (270) days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

9.2 Notification of Decision. The Committee shall consider a Claimant's claim pursuant to Section 9.1 within a reasonable time, but no later than ninety (90) days after receiving the claim. If the Committee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90) day period. In no event shall such extension exceed a period of ninety (90) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. The Committee shall notify the Claimant in writing:

- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or
- (b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:
 - (i) the specific reason(s) for the denial of the claim, or any part of it;
 - (ii) specific reference(s) to pertinent provisions of this Plan upon which such denial was based;
 - (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;
 - (iv) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and
 - (v) a statement of the Claimant's right to seek arbitration pursuant to Section 9.4.

9.3 Pre and Post-Change in Control Procedures. With respect to claims made prior to the occurrence of a Change in Control, a Claimant's compliance with the foregoing

provisions of this Article 9 is a mandatory prerequisite to a Claimant's right to commence arbitration pursuant to Section 9.4 with respect to any claim for benefits under this Plan. With respect to claims made upon and after the occurrence of a Change in Control, the Claimant may proceed directly to arbitration in accordance with Section 9.4 and need not first satisfy the foregoing provisions of this Article 9.

9.4 Arbitration of Claims. All claims or controversies arising out of or in connection with this Plan, that the Company may have against any Claimant, or that any Claimant may have against the Company or against its officers, directors, employees or agents acting in their capacity as such, shall, subject to the initial review provided for in the foregoing provisions of this Article 9 that are effective with respect to claims brought prior to the occurrence of a Change in Control, be resolved through arbitration as provided in this Section 9.4. The decision of an arbitrator on any issue, dispute, claim or controversy submitted for arbitration, shall be final and binding upon the Company and the Claimant and that judgment may be entered on the award of the arbitrator in any court having proper jurisdiction. The arbitrator shall review *de novo* any claim previously considered by the Committee pursuant to Section 9.1.

All expenses of such arbitration, including the fees and expenses of the counsel for the Participant, shall be advanced and borne by the Company; provided, however, that if it is finally determined that the Claimant did not commence the arbitration in good faith and had no reasonable basis therefore, the Claimant shall repay all advanced fees and expenses and shall reimburse the Company for its reasonable legal fees and expenses in connection therewith.

Except as otherwise provided in this procedure or by mutual agreement of the parties, any arbitration shall be administered: (1) in accordance with the then-current Model Employment Arbitration Procedures of the American Arbitration Association ("AAA") before an arbitrator who is licensed to practice law in the state in which the arbitration is convened; or (2) if locally available, the Judicial Arbitration & Mediation Services, Inc. ("JAMS"), in accordance with the JAMS procedures then in effect. The party who did not initiate the claim can designate between JAMS or AAA (the "Tribunal"). The arbitration shall be held in the city in which the Claimant is or was last employed by the Company in the nearest Tribunal office or at a mutually agreeable location. Pre-hearing and post-hearing procedures may be held by telephone or in person as the arbitrator deems necessary.

The arbitrator shall be selected as follows: if the parties cannot agree on an arbitrator, the Tribunal (JAMS or AAA) shall then provide the names of nine (9) available arbitrators experienced in business employment matters along with their resumes and fee schedules. Each party may strike all names on the list it deems unacceptable. If more than one common name remains on the list of all parties, the parties shall strike names alternately until only one remains. The party who did not initiate the claim shall strike first. If no common name remains on the lists of the parties, the Tribunal shall furnish an additional list or lists until an arbitrator is selected.

The arbitrator shall interpret this Plan, any applicable Company policy or rules and regulations, any applicable substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or applicable federal law. In reaching his or her decision, the arbitrator shall have no authority to change or modify any lawful Company policy, rule or regulation, or

this Plan. The arbitrator, and not any federal, state or local court or agency, shall have exclusive and broad authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Plan, including but not limited to, any claim that all or any part of this Plan is voidable.

The arbitrator shall have authority to entertain a motion to dismiss and/or motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

Each party shall have the right to take the deposition of one individual and any expert witness(es) designated by another party. Each party shall also have the opportunity to obtain documents from another party through one request for production of documents. Additional discovery may be had only when the arbitrator so orders upon a showing of substantial need. Any disputes regarding depositions, requests for production of documents or other discovery shall be submitted to the arbitrator for determination.

Each party shall have the right to subpoena witnesses and documents for the arbitration hearing by requesting a subpoena from the arbitrator. Any such request shall be served on all other parties, who shall advise the arbitrator in writing of any objections that the party may have to issuance of the subpoena within ten (10) calendar days of receipt of the request.

At least thirty (30) calendar days before the arbitration, the parties must exchange lists of witnesses, including any expert(s), and copies of all exhibits intended to be used at the arbitration.

Article 10. Successors and Assignment

10.1 Successors to the Company. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof (the business and/or assets of which constitute at least fifty percent (50%) of the total business and/or assets of the Company) to expressly assume and agree to perform the Company's obligations under this Plan in the same manner and to the same extent that the Company would be required to perform them if such succession had not taken place.

10.2 Assignment by the Participant. This Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If a Participant dies while any amount would still be payable to him or her hereunder had he or she continued to live, all such amounts, unless otherwise provided herein, shall be paid to the Participant's Beneficiary in accordance with the terms of this Plan.

Article 11. Miscellaneous

11.1 Employment Status. Except as may be provided under any other written agreement between a Participant and the Company, the employment of the Participant by the Company is "at will," and, prior to the effective date of a Change in Control, may be terminated by either the Participant or the Company at any time, subject to applicable law.

11.2 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

11.3 Severability. In the event that any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Plan are not part of the provisions hereof and shall have no force and effect.

11.4 Modification. No provision of this Plan may be modified, waived, or discharged unless as to a Participant such modification, waiver, or discharge is agreed to in writing and signed by each affected Participant and by an authorized member of the Committee or its designee, or by the respective parties' legal representatives and successors.

11.5 Notice. For purposes of this Plan, notices, including a Notice of Termination, and all other communications provided for in this Plan shall be in writing and shall be deemed to have been duly given when delivered or on the date stamped as received by the U.S. Postal Service for delivery by certified or registered mail, postage prepaid and addressed: (i) if to the Participant, to his or her latest address as reflected on the records of the Company, and (ii) if to the Company: Northrop Grumman Corporation, 1840 Century Park East, Los Angeles, California 90067, Attn: Chief Human Resources Officer, or to such other address as the Company may furnish to the Participant in writing with specific reference to this Plan and the importance of the notice, except that notice of change of address shall be effective only upon receipt.

11.6 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of California shall be the controlling law in all matters relating to this Plan. Any statutory reference in this Plan shall also be deemed to refer to all applicable final rules and final regulations promulgated under or with respect to the referenced statutory provision.

NORTHROP GRUMMAN
DEFERRED COMPENSATION PLAN
(Amended and Restated Effective as of January 1, 2009)

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NORTHROP GRUMMAN
DEFERRED COMPENSATION PLAN
(Amended and Restated Effective as of January 1, 2009)

The Northrop Grumman Deferred Compensation Plan (the "Plan") is hereby amended and restated effective as of January 1, 2009, and includes changes that apply to amounts earned and vested under the Plan prior to 2005.

This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder (except with respect to amounts covered by Appendix B), and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I
DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

(a) "Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.

(b) "Administrative Committee" means the committee in charge of Plan administration, as described in Article VII.

(c) "Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).

(d) "Base Salary" shall mean a Participant's annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Affiliated Companies and prior to reduction for any salary contributions to a plan established pursuant to section 125 of the Code or qualified pursuant to section 401(k) of the Code.

(e) "Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(1) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(2) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

(3) No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed

180 days after the Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Effective January 1, 2007, a Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(4) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person's living parent(s) to act as custodian, (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

(5) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

(f) "Board" shall mean the Board of Directors of the Company.

(g) "Bonuses" shall mean the bonuses earned under the Company's formal incentive plans, as defined by the Administrative Committee, and payable while a Participant is an Employee.

(h) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(i) "Committees" shall mean the Committees appointed by the Board to administer the Plan and investments in accordance with Article VII.

(j) "Company" shall mean Northrop Grumman Corporation and any successor.

(k) "Compensation" shall be Base Salary plus Bonuses. However, any payment authorized by the Compensation and Management Development Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, shall not be treated as Compensation. Further, any award payment under the Northrop Grumman Long-Term Incentive Cash Plan shall not be treated as Compensation.

(l) "Disability" or "Disabled" shall mean the Participant's inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

(m) "Early Distribution" shall mean an election by a Participant in accordance with Appendix Section B.2 to receive a withdrawal of amounts from his or her Account prior to the time at which such Participant would otherwise be entitled to such amounts.

(n) "Eligible Employee" shall mean any Employee who meets the following conditions:

(1) he or she is initially treated by the Affiliated Companies as an Employee and not as an independent contractor; and

(2) he or she meets the eligibility criteria established by the Administrative Committee.

The eligibility criteria established by the Administrative Committee will include, but not be limited to, classifications of Employees who are eligible to participate and the date as of which various groups of Employees will be eligible to participate. This includes, for example, Administrative Committee authority to delay eligibility for employees of newly acquired companies who become Employees.

(o) "Employee" shall mean any common law employee of the Affiliated Companies.

(p) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

(q) "Hardship Distribution" shall mean a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of his or her dependent (as defined in Section 152(a) of the Code), loss of a Participant's property due to casualty, or other similar or extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that would constitute an unforeseeable emergency will depend upon the facts of each case, but, in any case, a Hardship Distribution may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship, or (iii) by cessation of deferrals under this Plan.

(r) "Initial Election Period" shall mean:

(1) in the case of a newly hired Employee who is entitled to participate under Article II, the 30-day period following the date on which the Employee first becomes an Eligible Employee; and

(2) in the case of any other Employee who becomes an Eligible Employee and is entitled to participate under Article II, the next Open Enrollment Period.

(s) "Investment Committee" means the committee in charge of investment aspects of the Plan, as described in Article VII.

(t) "Key Employee" means an employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

(u) "Open Enrollment Period" means the period each Plan Year designated by the Administrative Committee for electing deferrals for the following Plan Year.

(v) "Participant" shall mean any Eligible Employee who participates in this Plan in accordance with Article II.

(w) "Payment Date" shall mean:

(1) for distributions upon early termination under Section B.1(a), a date after the end of the month in which termination of employment occurs;

(2) for distributions after Retirement, Disability or death under Section B.1(b), a date after the end of the month in which occurs Retirement, the determination of Disability by the Administrative Committee, or the notification of the Administrative Committee of the Participant's death (or later qualification of the Beneficiary or Beneficiaries), as applicable; and

(3) for distributions with a scheduled withdrawal date under Section B.1(c), a date after the December 31 prior to the elected payment year, the exact date in each case to be determined by the Administrative Committee to allow time for administrative processing.

(x) "Plan" shall be the Northrop Grumman Deferred Compensation Plan.

(y) "Plan Year" shall be the calendar year.

(z) "Retirement" shall mean termination of employment with the Affiliated Companies after reaching age 55.

(aa) "Scheduled Withdrawal Date" shall mean the distribution date elected by the Participant for an in-service withdrawal of amounts deferred in a given Plan Year, and earnings and losses attributable thereto, as set forth on the election form for such Plan Year.

(bb) "Separation from Service" or "Separates from Service" or "Separating from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II
PARTICIPATION

2.1 In General

(a) An Eligible Employee may become a Participant by complying with the procedures established by the Administrative Committee for enrolling in the Plan.

(b) Anyone who becomes an Eligible Employee will be entitled to become a Participant during his or her Initial Election Period or any subsequent Open Enrollment Period.

(c) An individual will cease to be a Participant when he or she no longer has a positive balance to his or her Account under the Plan.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan and enrollment forms or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees.

2.3 Cessation of Eligibility

If the Administrative Committee determines or reasonably believes that a Participant has ceased to be a management or highly compensated employee within the meaning of ERISA Title I, the Participant will no longer be able to make elections to defer compensation under the Plan.

If an Eligible Employee receives a distribution under Appendix Section B.2, the Employee will not be permitted to defer amounts under the Plan for the two Plan Years following the year of distribution.

ARTICLE III
DEFERRAL ELECTIONS

3.1 Elections to Defer Compensation

(a) **Initial Elections.** Each Participant may elect to defer an amount of Compensation by filing an election with the Administrative Committee no later than the last day of his or her Initial Election Period. If the election is made pursuant to Section 1.1(r)(1), it will apply for the remainder of the Plan Year. Otherwise, the election will apply for the following Plan Year.

(b) **Subsequent Elections.** A Participant may elect to defer Compensation earned in subsequent Plan Years by filing a new election in the Open Enrollment Period for each subsequent Plan Year. An election to participate for a Plan Year is irrevocable.

(c) **General Rules for all Elections.** The Administrative Committee may establish procedures for elections and set limits and other requirements on the amount of Compensation that may be deferred. The Administrative Committee may change these rules from time to time.

(d) **Committee Rules.** All elections must be made in accordance with rules, procedures and forms provided by the Administrative Committee. The Administrative Committee may change the rules, procedures and forms from time to time and without prior notice to Participants.

(e) **Cancellation of Election.** If a Participant becomes disabled (as defined under Code Section 409A) or obtains a distribution on account of an Unforeseeable Emergency under Section 6.3 during a Plan Year, his deferral election for such Plan Year shall be cancelled.

3.2 Crediting of Deferrals.

Amounts deferred by a Participant under the Plan shall be credited to the Participant's Account as soon as practicable after the amounts would have otherwise been paid to the Participant.

3.3 Investment Elections

(a) The Investment Committee will establish a number of different types of investments for the Plan. The Investment Committee may change the investments from time to time, without prior notice to Participants.

(b) Participants may elect how their future contributions and existing Account balances will be deemed invested in the various types of investment and may change their elections from time to time.

(c) Although the Participants may designate the deemed investment of their Accounts, the Investment Committee is not bound to invest any actual amounts in any particular investment. The Investment Committee will select from time to time, in its sole and absolute discretion, commercially available investments of each of the types offered. Any investments actually made remain the property of the Affiliated Companies (or the rabbi trust under Section 4.2) and are not Plan assets.

(d) Selections of the types of investments, changes and transfers must be made according to the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may prescribe rules which may include, among other matters, limitations on the amounts which may be transferred and procedures for electing transfers.

(2) The Administrative Committee may prescribe rules for valuing Accounts for purposes of transfers. Such rules may, in the Administrative Committee's discretion, use averaging methods to determine values and accrue estimated expenses.

(3) The Administrative Committee may prescribe the periods and frequency with which Participants may change deemed investment elections and make transfers.

(4) The Administrative Committee may change its rules from time to time and without prior notice to Participants.

3.4 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of their contributions due to poor investment performance.

ARTICLE IV

ACCOUNTS AND TRUST FUNDING

4.1 Accounts

The Administrative Committee shall establish and maintain an Account for each Participant under the Plan. Each Participant's Account shall be further divided into separate subaccounts ("investment subaccounts"), each of which corresponds to an investment type elected by the Participant pursuant to Section 3.3. A Participant's Account shall be credited as follows:

(a) The Administrative Committee shall credit the investment subaccounts of the Participant's Account with an amount equal to Compensation deferred by the Participant in accordance with the Participant's election under Section 3.3; that is, the portion of the Participant's deferred Compensation that the Participant has elected to be deemed invested in a certain type of investment shall be credited to the investment subaccount corresponding to that investment type.

(b) The investment subaccounts of Participants' Accounts will be credited with earnings or losses based on the earnings or losses of the corresponding investments selected by the Participant and valued in accordance with the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(2) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(3) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

4.2 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

ARTICLE V

VESTING

5.1 In General

A Participant's interest in his or her Account will be nonforfeitable.

5.2 Exceptions

The following exceptions apply to the vesting rule:

- (a) Forfeitures on account of a lost payee. See Section 6.5.
 - (b) Forfeitures under an escheat law.
 - (c) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.
 - (d) Expenses charged to a Participant's Account.
 - (e) Investment losses.
 - (f) Forfeitures resulting from early withdrawals. See Section B.2.
-

ARTICLE VI
DISTRIBUTIONS

6.1 Distribution of Deferred Compensation Contributions

(a) **Separate Distribution Election**. A Participant must make a separate distribution election for each year beginning with the 2005 deferral election. A Participant generally makes a distribution election at the same time the Participant makes the deferral election, i.e., during the Open Enrollment Period. The Participant will specify in the distribution election whether the amounts deferred for the year (and earnings thereon) will be paid upon a Separation from Service or upon a specified date, and the method of distribution for such amounts. Even if a Participant elects to have a year's deferrals payable upon a specified date, he shall also specify a method of distribution for payments upon a Separation from Service.

(b) **Distribution Upon Separation from Service**. A Participant may elect on a deferral form to have the portion of his Account related to amounts deferred under the deferral form (and earnings thereon) distributed in a lump sum or in quarterly installments over a period of 5, 10, or 15 years. If a Participant does not elect a method for distribution for a deferred amount, the amount will be distributed in quarterly installments over 10 years. Notwithstanding the foregoing, if a Participant's Account balance is \$50,000 or less at the time the Participant Separates from Service or if the Separation from Service occurs before age 55 for reasons other than death or disability (as defined under Code section 409A), the deferred amount will be distributed in a lump sum payment.

A lump sum payment shall be made in the second month following the month of Separation from Service. Installment payments shall commence as of the January, April, July, or October that next follows the month of Separation from Service and that is not the month immediately following the month of Separation from Service. For example, if a Separation from Service occurs in January, payments begin in April. If a Separation from Service occurs in March, payments begin in July.

Notwithstanding the foregoing, distributions may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any lump sum payment that would otherwise be made during this period of delay shall be paid on the first day of the seventh month following the Participant's Separation from Service (or, if earlier, the first day of the month after the Participant's death). Any series of installment payments impacted by this delay shall begin as of the January, April, July, or October coincident with or next following the Participant's Separation from Service. The initial payment of such an installment series shall include any installment payments that would have otherwise been made during the period of delay.

(c) Distribution as of Specified Date. A Participant may elect on a deferral form to have the portion of his Account related to amounts deferred under the deferral form (and earnings thereon) paid to the Participant as of a January that is at least two years after the year of deferral. The Participant may elect to receive such amount as a lump sum or in quarterly installments over 2 to 5 years. If the amount is \$25,000 or less at the specified date for distribution, the Participant will receive a lump sum distribution of the amount regardless of his elected distribution form. If the Participant Separates from Service before the specified date or while receiving a distribution of an amount under this Section 6.1(c), such portion of the Account will be distributed in accordance with the Participant's distribution election for a Separation from Service made at the time of the Participant's deferral election.

(d) Changes in Time or Form of Distribution. A Participant may make up to two subsequent elections to change the time or form of a distribution for any year's deferral. Such an election, however, shall be effective only if the following conditions are satisfied:

(1) The election may not take effect until at least twelve (12) months after the date on which the election is made;

(2) In the case of an election to change the time or form of the distribution under Sections 6.1(b) or (c), a distribution may not be made earlier than at least five (5) years from the date the distribution would have otherwise been made; and

(3) In the case of an election to change the time or form of a distribution under Section 6.1(c), the election must be made at least twelve (12) months before the date the distribution is scheduled to be paid.

(e) Effect of Taxation. If Plan benefits are includible in the income of a Participant under Code section 409A prior to actual receipt of the benefits, the Administrative Committee shall immediately distribute the benefits found to be so includible to the Participant.

(f) Permitted Delays. Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Committee's reasonable anticipation of one or more of the following events:

(1) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or

(2) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section 6.1(f) shall be paid in accordance with Code section 409A.

6.2 Pre-2005 Deferrals

Notwithstanding the foregoing, Appendix B governs the distribution of amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) and are exempt from the requirements of Code section 409A. Thus, Section 6.1 does not apply to pre-2005 deferrals.

6.3 Withdrawals for Unforeseeable Emergency

A Participant may withdraw all or any portion of his Account balance for an Unforeseeable Emergency. The amounts distributed with respect to an Unforeseeable Emergency may not exceed the amounts necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Plan. "Unforeseeable Emergency" means for this purpose a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

6.4 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check which has been issued by the Plan. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

6.5 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period.

6.6 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VII
ADMINISTRATION

7.1 Committees

(a) An Administrative Committee of one or more persons, shall be appointed by, and serve at the pleasure of, the Chairman and Chief Executive Officer. The number of members comprising the Administrative Committee shall be determined by the Chairman, President, and Chief Executive Officer, who may from time to time vary the number of members. A member of the Administrative Committee may resign by delivering a written notice of resignation to the Chairman, President, and Chief Executive Officer. The Chairman, President, and Chief Executive Officer may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Administrative Committee shall be filled promptly by the Chairman, President, and Chief Executive Officer.

(b) An Investment Committee of one or more persons, shall be appointed by, and serve at the pleasure of, the Board. The number of members comprising the Investment Committee shall be determined by the Board, who may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

7.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by all members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The chairman of a Committee, or any other member or members of each Committee designated by the chairman of the Committee, may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

7.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan;

(b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;

(c) To maintain all records that may be necessary for the administration of the Plan;

(d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;

(e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;

(f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);

(g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and

(h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

7.4 Powers and Duties of the Investment Committee

The Investment Committee, shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

(a) To select types of investment and the actual investments against which earnings and losses will be measured;

(b) To oversee any rabbi trust; and

(c) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

7.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a

uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

7.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the Compensation of all Participants, their death or other events which cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

7.7 Committee Compensation, Expenses and Indemnity

(a) The members of the Committees shall serve without compensation for their services hereunder.

(b) The Committees are authorized to employ such legal counsel as they may deem advisable to assist in the performance of their duties hereunder.

(c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

7.8 Disputes

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under the Plan.

ARTICLE VIII
MISCELLANEOUS

8.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

8.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 5.2 will not be treated as violations of this Section.

(c) Notwithstanding the foregoing, all or a portion of a Participant's Account balance may be paid to another person as specified in a domestic relations order that the Administrative Committee determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State's domestic relations law;

(2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;

(3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and

(4) meets such other requirements established by the Administrative Committee.

The Administrative Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Administrative Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

8.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite the previous Section, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

8.4 Withholding

There shall be deducted from each payment made under the Plan or any other Compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

8.5 Amendment, Modification, Suspension or Termination

The Administrative Committee may amend, modify, suspend or terminate the Plan in whole or in part, except that no amendment, modification, suspension or termination may reduce a Participant's Account balance below its dollar value immediately prior to the amendment. The preceding sentence is not intended to protect Participants against investment losses. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and as the time described in Article VI, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

Notwithstanding the foregoing, no amendment of the Plan shall apply to amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to amounts that are "grandfathered" and exempt from the requirements of Code section 409A.

8.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

8.7 Receipt or Release

Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committees and the Affiliated Companies. The Administrative Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

8.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any Trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

8.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

8.11 2001 Reorganization

Effective as of the 2001 Reorganization Date in (d), the corporate structure of Northrop Grumman Corporation and its affiliates was modified. Effective as of the Litton Acquisition Date in (e), Litton Industries, Inc. was acquired and became a subsidiary of the Northrop Grumman Corporation (the "Litton Acquisition").

(a) The former Northrop Grumman Corporation was renamed Northrop Grumman Systems Corporation. It became a wholly-owned subsidiary of the new parent of the reorganized controlled group.

(b) The new parent corporation resulting from the restructuring is called Northrop Grumman Corporation. All references in this Plan to the former Northrop Grumman Corporation and its Board of Directors now refer to the new parent corporation bearing the same name and its Board of Directors.

(c) As of the 2001 Reorganization Date, the new Northrop Grumman Corporation became the sponsor of this Plan, and its Board of Directors assumed authority over this Plan.

(d) 2001 Reorganization Date. The date as of which the corporate restructuring described in (a) and (b) occurred.

(e) Litton Acquisition Date. The date as of which the conditions for the completion of the Litton Acquisition were satisfied in accordance with the "Amended and Restated Agreement and Plan of Merger Among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc., and LII Acquisition Corp.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits &
International

APPENDIX A

2005 TRANSITION RELIEF

The following provisions apply only during 2005, pursuant to transition relief granted in IRS Notice 2005-1:

A.1 Cash-Out

Participants Separating from Service during 2005 for any reason before age 55 will receive an immediate lump sum distribution of their Account balances. Other Participants Separating from Service in 2005 will receive payments in accordance with their prior elections.

A.2 Elections

During the Plan's open enrollment period in June 2005 Participants may fully or partially cancel 2005 deferral elections and receive in 2005 a refund of amounts previously deferred in 2005.

In addition, individuals working in Company facilities impacted by Hurricane Katrina may stop or reduce 2005 elective contributions to the Plan at any time during 2005. All payments under this Section A.2 will be made before the end of calendar year 2005.

A.3 Key Employees

Key Employees Separating from Service on or after July 1, 2005, with distributions subject to Code section 409A and scheduled for payment in 2006 within six months of Separation from Service, may choose I or II below, subject to III:

- I. Delay the distributions described above for six months from the date of Separation from Service. The delayed payments will be paid as a single sum with interest at the end of the six month period, with the remaining payments resuming as scheduled.
- II. Accelerate the distributions described above into a payment in 2005 without interest adjustments.
- III. Key Employees must elect I or II during 2005.

APPENDIX B

DISTRIBUTION RULES FOR PRE-2005 AMOUNTS

Distribution of amounts earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) are exempt from the requirements of Code section 409A and shall be made in accordance with the Plan terms as in effect on December 31, 2004 and as summarized in the following provisions.

B.1 Distribution of Contributions

(a) Distributions Upon Early Termination

(1) Voluntary Termination. If a Participant voluntarily terminates employment with the Affiliated Companies before age 55 or Disability, distribution of his or her Account will be made in a lump sum on the Participant's Payment Date.

(2) Involuntary Termination. If a Participant involuntarily terminates employment with the Affiliated Companies before age 55, distribution of his or her Account will generally be made in quarterly installments over a 5, 10 or 15-year period, commencing on the Participant's Payment Date, in accordance with the Participant's original election on his or her deferral election form. Payment will be made in a lump sum if the Participant had originally elected a lump sum, if the Account balance is \$50,000 or less, or if the Administrative Committee so requires.

(b) Distribution After Retirement, Disability or Death. In the case of a Participant who separates from service with the Affiliated Companies on account of Retirement, Disability or death and has an Account balance of more than \$50,000, the Account shall be paid to the Participant (and after his or her death to his or her Beneficiary) in substantially equal quarterly installments over 10 years commencing on the Participant's Payment Date.

(1) An optional form of benefit may be elected by the Participant, on the form provided by Administrative Committee, during his or her initial election period from among those listed below:

- (A) A lump sum distribution on the Participant's Payment Date.
- (B) Quarterly installments over 5 years beginning on the Participant's Payment Date.
- (C) Quarterly installments over 10 years beginning on the Participant's Payment Date.
- (D) Quarterly installments over 15 years beginning on the Participant's Payment Date.

(2) A Participant from time to time may modify the form of benefit that he or she has previously elected. Upon his or her separation from service, the most recently elected form of distribution submitted at least 12 months prior to separation will govern. If no such election exists, distributions will be paid under the 10-year installment method.

(3) In the case of a Participant who terminates employment with the Affiliated Companies on account of Retirement, Disability or death with an Account balance of \$50,000 or less, the Account shall be paid to the Participant in a lump sum distribution on the Participant's Payment Date.

(4) In general, upon the Participant's death, payment of any remaining Account balance will be made to the Beneficiary in a lump sum on the Payment Date. But the Beneficiary will receive any remaining installments (starting on the Payment Date) if the Participant was receiving installments, or if the Participant died on or after age 55 with an Account balance over \$50,000 and with an effective installment payout election in place. In such cases, the Beneficiary may still elect a lump sum payment of the remaining Account balance, but only with the Administrative Committee's consent.

(c) Distribution With Scheduled Withdrawal Date. A Participant who has elected a Scheduled Withdrawal Date for a distribution while still in the employ of the Affiliated Companies, will receive the designated portion of his or her Account as follows:

(1) A Participant's Scheduled Withdrawal Date can be no earlier than two years from the last day of the Plan Year for which the deferrals of Compensation are made.

(2) A Participant may extend the Scheduled Withdrawal Date for any Plan Year, provided such extension occurs at least one year before the Scheduled Withdrawal Date and is for a period of not less than two years from the Scheduled Withdrawal Date. The Participant shall have the right to twice modify any Scheduled Withdrawal Date.

(3) Payments under this subsection may be in the form of a lump sum, or 2, 3, 4 or 5-year quarterly installments. The default form will be a lump sum. If the Account balance to be distributed is \$25,000 or less, payment will automatically be made in a lump sum. Payments will commence on the Scheduled Withdrawal Date.

(4) In the event a Participant terminates employment with the Affiliated Companies prior to the commencement or completion of a distribution under this subsection, the portion of the Participant's Account associated with a Scheduled Withdrawal Date which has not been distributed prior to such termination shall be distributed in accordance with Section B.1(a) and (b) along with the remainder of the Account.

B.2 Early Non-Scheduled Distributions

A Participant shall be permitted to elect an Early Distribution from his or her Account prior to a Payment Date under Section B.1, subject to the following restrictions:

(a) The election to take an Early Distribution shall be made by filing a form provided by and filed with the Administrative Committee prior to the end of any calendar month.

(b) The amount of the Early Distribution shall equal up to 90% of his or her Account balance.

(c) The amount described in subsection (b) above shall be paid in a lump sum as of a date after the receipt by the Administrative Committee of the request for a withdrawal under this Section. The exact date will be determined by the Administrative Committee to allow time for administrative processing.

(d) A Participant shall forfeit 10% of the amount of the requested distribution. The Affiliated Companies shall have no obligation to the Participant or his or her Beneficiary with respect to such forfeited amount.

(1) Example 1: A Participant requests a distribution of 100% of the Account. The Participant receives 90%. The amount forfeited is 10% of the Account.

(2) Example 2: A Participant requests a distribution of 50% of the Account. The Participant receives 45%. The amount forfeited is 5% of the Account.

(e) All distributions shall be made on a pro rata basis from among a Participant's investment subaccounts.

B.3 Hardship Distribution

A Participant shall be permitted to elect a Hardship Distribution from his or her Account prior to a Payment Date under Section B.1, subject to the following restrictions:

(a) The election to take a Hardship Distribution shall be made by filing a form provided by and filed with the Administrative Committee prior to the end of any calendar month.

(b) The Administrative Committee shall have made a determination that the requested distribution constitutes a Hardship Distribution.

(c) The amount determined by the Administrative Committee as a Hardship Distribution shall be paid in a lump sum as of a date after the approval by the Administrative Committee of the request for a withdrawal under this Section. The exact date will be determined by the Administrative Committee to allow time for administrative processing.

B.4 Plan Termination

In the event that this Plan is terminated, the amounts allocated to a Participant's Account shall be distributed to the Participant or, in the event of his or her death, to his or her Beneficiary in a lump sum.

APPENDIX C
TRANSFER OF LIABILITIES —
NORTHROP GRUMMAN EXECUTIVE DEFERRED COMPENSATION PLAN

C.1 Background

Effective March 1, 2001, all liabilities under the Northrop Grumman Executive Deferred Compensation Plan other than the Estate Enhancement Program Account, were transferred to this Plan. This Appendix describes the treatment of those liabilities (plus earnings) (“Transferred Liabilities”) and the Participant to whom those liabilities are owed (“Transferred Participant”).

C.2 Treatment of Transferred Liabilities

The Transferred Liabilities will generally be treated under the Plan like Compensation deferred in accordance with Article III.

C.3 Investments

The Transferred Participant may make investment elections for the Transferred Liabilities in accordance with Section 3.3. Section 3.4 will also apply.

C.4 Distributions

Distributions of amounts corresponding to the Transferred Liabilities will generally be made in accordance with the provisions of Appendix B. The following exceptions and special rules apply:

(a) Section B.1

(1) For purposes of Sections B.1(a)(2) and B.1(b)(1), the Transferred Participant will be deemed to have made an election of 5 or 10-year installments corresponding to his elections of 5 or 10-year installments under Section 6.9(b)(2) of the Northrop Grumman Executive Deferred Compensation Plan.

(2) The Transferred Participant may utilize Section B.1(b)(2) to vary the form of his distribution.

(3) Distributions under Section B.1(c) are not available.

(b) Section B.2. The Early Non-Scheduled Distribution election is available. The Transferred Liabilities will be aggregated with any other amounts in the Transferred Participant’s Account for purposes of distributions under Section B.2.

(c) Sections 6.3-6.6. These Sections are fully applicable.

C.5 Other Provisions

The Transferred Liabilities and the Transferred Participant will be fully subject to the provisions of Articles IV, V, VII and VIII.

APPENDIX D

TRANSFER OF LIABILITIES —
AEROJET-GENERAL LIABILITIES

D.1 Background

(a) Effective as of the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation (the “APA”), certain liabilities (“Transferred Liabilities”) under the Benefits Restoration Plan for Salaried Employees of GenCorp Inc. and Certain Subsidiary Companies and the GenCorp Inc. and Participating Subsidiaries Deferred Bonus Plan were transferred to this Plan.

(b) The transfer took place pursuant to section 10.6 of the APA, under which Northrop Grumman acquired the Azusa and Colorado Operations units from Aerojet-General Corporation. That section reads:

* * * * *

10.6 Unfunded Deferred Compensation

(a) Subject to legal requirements for employee acquiescence, as of the effective time of the Closing, the Purchaser shall assume any and all obligations of the Seller to pay any and all unfunded deferred compensation as set forth on Schedule 10.6 for all Transferring Employees, provided such benefits are adequately reflected on the Balance Sheet.

(b) The Seller shall retain any and all legal obligation to pay any and all unfunded deferred compensation for all Aerojet Employees that are not Transferring Employees.

* * * * *

(c) This Appendix is intended to effectuate the assumption of certain of the liabilities contemplated by section 10.6 of the APA. It describes the treatment of those liabilities (plus earnings) and the Participants to whom those liabilities are owed (“Transferred Participants”).

(d) The only liabilities assumed by this Plan are:

- (1) those from the GenCorp Inc. and Participating Subsidiaries Deferred Bonus Plan, and

(2) those liabilities under the Benefits Restoration Plan for Salaried Employees of GenCorp Inc. and Certain Subsidiary Companies which represent supplements with respect to an Aerojet defined contribution plan.

No liabilities are assumed which represent supplements with respect to an Aerojet defined benefit plan.

(e) The assumed liabilities will be represented by starting Account balances for the Transferred Participants, determined in the discretion of the Administrative Committee.

D.2 Treatment of Transferred Liabilities

The Transferred Liabilities will generally be treated under the Plan like Compensation deferred in accordance with Article III.

D.3 Investments

The Transferred Participants may make investment elections for the Transferred Liabilities in accordance with Section 3.3. Section 3.4 will also apply.

D.4 Distributions

Distributions of amounts corresponding to the Transferred Liabilities will generally be made in accordance with the provisions of Appendix B. The following exceptions and special rules apply:

(a) Section B.1

(1) For purposes of Sections B.1(a)(2) and B.1(b)(1), the Transferred Participants will be deemed to have made an election of 10-year installments.

(2) The Transferred Participants may utilize Section B.1(b)(2) to vary the form of their distributions.

(3) Distributions under Section B.1(c) are not available.

(b) Section B.2. The Early Non-Scheduled Distribution election is available. The Transferred Liabilities will be aggregated with any other amounts in the Transferred Participants' Accounts for purposes of distributions under Section B.2.

(c) Sections 6.3-6.6. These Sections are fully applicable.

D.5 Other Provisions

The Transferred Liabilities and the Transferred Participants will be fully subject to the provisions of Articles IV, V, VII and VIII.

APPENDIX E

TRANSFER OF LIABILITIES — TASC, INC. SUPPLEMENTAL RETIREMENT PLAN

E.1 Background

(a) Effective as of the TASC Merger Date, all liabilities under the TASC, Inc. Supplemental Retirement Plan were transferred to this Plan. This Appendix describes the treatment of those liabilities (plus earnings) (“Transferred Liabilities”) and the Participant to whom those liabilities are owed (“Transferred Participant”).

(b) The “TASC Merger Date” is March 28, 2003 or such other date that the Northrop Grumman Director of Benefits Administration and Services determines is feasible. If the Northrop Grumman Director of Benefits Administration and Services determines that March 28, 2003 is not feasible, he shall identify in writing, before March 28, 2003, a date that is feasible.

E.2 Treatment of Transferred Liabilities

The Transferred Liabilities will generally be treated under the Plan like Compensation deferred in accordance with Article III.

E.3 Investments

The Transferred Participant may make investment elections for the Transferred Liabilities in accordance with Section 3.3. Section 3.4 will also apply.

E.4 Distributions

Distributions of amounts corresponding to the Transferred Liabilities will generally be made in accordance with the provisions of Appendix B.

E.5 Other Provisions

The Transferred Liabilities and the Transferred Participant will be fully subject to the provisions of Articles IV, V, VII and VIII.

APPENDIX F

2008 TRANSITION RELIEF

Pursuant to transition rules under Code section 409A, during a specified period in 2008, Participants who had previously elected in 2008 to defer amounts that would otherwise be payable in 2009 may make a new election with respect to such amounts. Such an election must provide for a lower deferral percentage for each compensation category than the originally elected percentage. And if a Participant makes such an election, the Participant may also make a new distribution election (in accordance with the Plan's distribution rules in Section 6.1) for such amounts.

NORTHROP GRUMMAN

SAVINGS EXCESS PLAN

(Amended and Restated Effective as of January 1, 2009)

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INTRODUCTION

The Northrop Grumman Savings Excess Plan (the "Plan") is hereby amended and restated effective as of January 1, 2009, except as otherwise provided, and includes changes that apply to amounts earned and vested under the Plan prior to 2005.

Northrop Grumman Corporation (the "Company") established this Plan for participants in the Northrop Grumman Savings Plan who exceed the limits under sections 401(a)(17) or 415(c) of the Internal Revenue Code. This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder (except with respect to amounts covered by Appendix B), and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I

DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

- (a) "Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.
- (b) "Administrative Committee" means the committee in charge of Plan administration, as described in Article VII.
- (c) "Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).
- (d) "Base Salary" shall mean a Participant's annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Affiliated Companies and prior to reduction for any salary contributions to a plan established pursuant to section 125 of the Code or qualified pursuant to section 401(k) of the Code.
- (e) "Basic Contributions" shall have the same meaning as that term is defined in the NGSP.
- (f) "Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.
 - (1) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.
 - (2) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the

Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company. Effective January 1, 2007, a Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(3) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person's living parent(s) to act as custodian, (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company.

(4) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

(g) "Board" shall mean the Board of Directors of the Company.

(h) "Bonuses" shall mean the bonuses earned under the Company's formal incentive plans as defined by the Administrative Committee.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(j) "Committees" shall mean the Committees appointed as provided in Article VII.

(k) "Company" shall mean Northrop Grumman Corporation and any successor.

(l) "Company Contributions" shall mean contributions by the Company to a Participant's Account.

(m) "Compensation" shall be Compensation as defined by Section 5.01 of the NGSP.

(n) "Disability" or "Disabled" shall mean the Participant's inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

(o) "Eligible Compensation" shall mean (1) Compensation prior to January 1, 2009, and (2) after 2008, Base Salary and Bonuses, reduced by the amount of any deferrals made from such amounts under the Northrop Grumman Deferred Compensation Plan.

(p) "Eligible Employee" shall mean any Employee who meets the following conditions:

- (1) he or she is eligible to participate in the NGSP;
- (2) he or she is classified by the Affiliated Companies as an Employee and not as an independent contractor; and
- (3) he or she meets any additional eligibility criteria set by the Administrative Committee.

Additional eligibility criteria established by the Administrative Committee may include specifying classifications of Employees who are eligible to participate and the date as of which various groups of Employees will be eligible to participate. This includes, for example, Administrative Committee authority to delay eligibility for employees of newly acquired companies who become Employees.

(q) "Employee" shall mean any common law employee of the Affiliated Companies who is classified as an employee by the Affiliated Companies.

(r) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

(s) "Investment Committee" means the committee in charge of investment aspects of the Plan, as described in Article VII.

(t) "Key Employee" means an employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

(u) "NGSP" means the Northrop Grumman Savings Plan.

(v) "Open Enrollment Period" means the period designated by the Administrative Committee for electing deferrals for the following Plan Year.

(w) "Participant" shall mean any Eligible Employee who participates in this Plan in accordance with Article II or any Employee who is a RAC Participant.

(x) "Payment Date" shall mean:

(1) for distributions upon early termination under Section B.1(a), a date after the end of the month in which termination of employment occurs; and

(2) for distributions after Retirement, Disability or death under Section B.1(b), a date after the end of the month in which occurs Retirement, the determination of Disability by the Administrative Committee, or the notification of the Administrative Committee of the Participant's death (or later qualification of the Beneficiary or Beneficiaries), as applicable.

The exact date in each case will be determined by the Administrative Committee to allow time for administrative processing.

(y) "Plan" shall be the Northrop Grumman Savings Excess Plan.

(z) "Plan Year" shall be the calendar year.

(aa) "RAC Contributions" shall mean the Company contributions under Section 3.2(b)(2).

(bb) "RAC Participant" shall mean an Employee who is eligible to participate in the NGSP, receives Retirement Account Contributions under the NGSP, and is classified by the Affiliated Companies as an Employee and not as an independent contractor. Notwithstanding the foregoing, an Employee who becomes eligible to participate in the Officers Supplemental Executive Retirement Program II ("OSERP II") under the Northrop Grumman Supplemental Plan 2 shall immediately cease to be eligible for RAC Contributions.

(cc) "RAC Subaccount" shall mean the portion of a Participant's Account made up of RAC Contributions and earnings thereon.

(dd) "Retirement" shall mean termination of employment with the Affiliated Companies after reaching age 55.

(ee) "Separation from Service" or "Separates from Service" or "Separating from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II

PARTICIPATION

2.1 In General

- (a) An Eligible Employee may become a Participant by complying with the procedures established by the Administrative Committee for enrolling in the Plan. Anyone who becomes an Eligible Employee will be entitled to become a Participant during an Open Enrollment Period.
- (b) A RAC Participant will become a Participant when RAC Contributions are first made to his or her RAC Subaccount.
- (c) An individual will cease to be a Participant when he or she no longer has a positive balance to his or her Account under the Plan.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan and enrollment forms or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees and will not be entitled to participate in the Plan.

ARTICLE III

DEFERRAL ELECTIONS

3.1 Elections to Defer Eligible Compensation

(a) Timing. An Eligible Employee who meets the requirements of Section 2.1(a) may elect to defer Eligible Compensation earned in a Plan Year by filing an election in the Open Enrollment Period for the Plan Year. An election to participate for a Plan Year is irrevocable.

(b) Election Rules. An Eligible Employee's election may be made in writing, electronically, or as otherwise specified by the Administrative Committee. Such election shall specify the Eligible Employee's rate of deferral for contributions to the Plan, which shall be between 1% and 75%. All elections must be made in accordance with the rules, procedures and forms provided by the Administrative Committee. The Administrative Committee may change the rules, procedures and forms from time to time and without prior notice to Participants.

(c) Cancellation of Election. If a Participant becomes disabled (as defined under Code section 409A) during a Plan Year, his deferral election for such Plan Year shall be cancelled.

3.2 Contribution Amounts

(a) Participant Contributions. An Eligible Employee's contributions under the Plan for a Plan Year will begin once his or her Compensation for the Plan Year exceeds the Code section 401(a)(17) limit for the Plan Year. The Participant's elected deferral percentage will be applied to his or her Eligible Compensation for the balance of the Plan Year.

(b) Company Contributions. The Company will make Company Contributions to a Participant's Account as provided in (1), (2) and (3) below.

(1) Matching Contributions. The Company will make a Company Contribution equal to the matching contribution rate for which the Participant is eligible under the NGSP for the Plan Year multiplied by the amount of the Participant's contributions under subsection (a).

(2) RAC Contributions. Effective July 1, 2008, the Company will make RAC Contributions equal to a percentage of a RAC Participant's Compensation for a Plan Year in excess of the Code section 401(a)(17) limit. The percentage used to calculate a RAC Participant's contribution for a Plan Year shall be based on the RAC Participant's age on the last day of the Plan Year as follows:

- (i) Three percent if not yet age 35.
- (ii) Four percent if 35 or older, but not yet 50.
- (iii) Five percent if age 50 or older.

(3) Make-Up Contributions for Contribution Limitation. If an Eligible Employee's Basic Contributions under the NGSP for a Plan Year are limited by the Code section 415(c) contribution limit before the Eligible Employee's Basic Contributions under the NGSP are limited by the Code section 401(a)(17) compensation limit, the Company will make a Company Contribution equal to the amount of matching contributions for which the Eligible Employee would have been eligible under the NGSP were Code section 415(c) not applied, reduced by the actual amount of matching contributions made for the Plan Year under the NGSP. This paragraph applies only if the Eligible Employee reaches the Code section 401(a)(17) compensation limit and only to the extent that contributions are based upon Eligible Employee compensation up to that limit. Paragraph (1) above applies to contributions based on compensation exceeding the section 401(a)(17) limit.

3.3 Crediting of Deferrals

Amounts deferred by a Participant under the Plan shall be credited to the Participant's Account as soon as practicable after the amounts would have otherwise been paid to the Participant. Company contributions other than those under Section 3.2(b)(3) will be credited to Accounts as soon as practicable after each payroll cycle in which they accrue. Company contributions under Section 3.2(b)(3) will be credited to Accounts as soon as practicable after each Plan Year.

3.4 Investment Elections

(a) The Investment Committee will establish a number of different investment funds or other investment options for the Plan. The Investment Committee may change the funds or other investment options from time to time, without prior notice to Participants.

(b) Participants may elect how their future contributions and existing Account balances will be deemed invested in the various investment funds and may change their elections from time to time. If a Participant does not elect how future contributions will be deemed invested, contributions will be deemed invested in the qualified default investment alternative ("QDIA") that applies to the Participant under the NGSP.

(c) The deemed investments for a RAC Participant's RAC Subaccount must be the same as the deemed investments for the RAC Participant's Company contributions under Section 3.2(b)(1).

(d) Selections of investments, changes and transfers must be made according to the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may prescribe rules that may include, among other matters, limitations on the amounts that may be transferred and procedures for electing transfers.

(2) The Administrative Committee may prescribe valuation rules for purposes of investment elections and transfers. Such rules may, in the Administrative Committee's discretion, use averaging methods to determine values and accrue estimated

expenses. The Administrative Committee may change the methods it uses for valuation from time to time.

(3) The Administrative Committee may prescribe the periods and frequency with which Participants may change deemed investment elections and make transfers.

(4) The Administrative Committee may change its rules and procedures from time to time and without prior notice to Participants.

3.5 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of their contributions due to poor investment performance.

ARTICLE IV

ACCOUNTS

4.1 Accounts

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

4.2 Valuation of Accounts

The valuation of Participants' recordkeeping Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(a) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(b) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(c) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

4.3 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

ARTICLE V

VESTING AND FORFEITURES

5.1 In General

A Participant's interest in his or her Account will be nonforfeitable, subject to the exceptions in Section 5.2.

5.2 Exceptions

The following exceptions apply to the vesting rule:

(a) A RAC Participant shall become vested in his RAC Subaccount upon completing three years of service. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

(b) Forfeitures on account of a lost payee. See Section 6.7.

(c) Forfeitures under an escheat law.

(d) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.

(e) Expenses charged to a Participant's Account.

(f) Investment losses.

ARTICLE VI

DISTRIBUTIONS

6.1 Distribution Rules for Non-RAC Amounts

The rules in this Section 6.1 apply to distribution of a Participant's Account other than the RAC Subaccount.

(a) Separate Distribution Election. A Participant must make a separate distribution election for each year's contributions. A Participant generally makes a distribution election at the same time the Participant makes the deferral election, i.e., during the Open Enrollment Period.

(b) Distribution Upon Separation. A Participant may elect on a deferral form to have the portion of his Account related to amounts deferred under the deferral form and Company contributions for the same year (and earnings thereon) distributed in a lump sum or in quarterly or annual installments over a period of 1 to 15 years. Lump sum payments under the Plan will be made in the month following the Participant's Separation from Service. Installment payments shall commence in the March, June, September or December next following the month of Separation from Service. If a Participant does not make a distribution election and his Account balance exceeds \$50,000 and the Participant is age 55 or older at the time the Participant Separates from Service, the Participant will receive quarterly installments over a 10-year period. Otherwise, a Participant not making an election will receive a lump sum payment. Notwithstanding the foregoing, if the Participant's Account balance is \$50,000 or less or the Participant is under age 55 at the time the Participant Separates from Service, the full Account balance shall be distributed in a lump sum payment in the month following the Participant's Separation from Service.

Notwithstanding the timing rules in the foregoing paragraph, distributions may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay shall be accumulated and paid six months after the date payments would have commenced absent the six month delay.

(c) Changes in Form of Distribution. A Participant may make up to two subsequent elections to change the form of a distribution for any year's deferrals and Company contributions. Such an election, however, shall be effective only if the following conditions are satisfied:

- (1) The election may not take effect until at least twelve (12) months after the date on which the election is made; and
- (2) The distribution will be made exactly five (5) years from the date the distribution would have otherwise been made.

6.2 Distribution Rules for RAC Subaccount

The full balance in a RAC Subaccount shall be distributed in a lump sum upon a RAC Participant's Separation from Service. Notwithstanding the foregoing, distribution will not be made to a Key Employee upon a Separation from Service until the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee).

6.3 Effect of Taxation

If Plan benefits are includible in the income of a Participant under Code section 409A prior to actual receipt of the benefits, the Administrative Committee shall immediately distribute the benefits found to be so includible to the Participant.

6.4 Permitted Delays

Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Committee's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;
- (c) provided, that any payment delayed pursuant to this Section 6.4 shall be paid in accordance with Code section 409A.

6.5 Pre-2005 Deferrals

Notwithstanding the foregoing, Appendix B governs the distribution of amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) and are exempt from the requirements of Code section 409A. Thus, Section 6.1 does not apply to pre-2005 deferrals.

6.6 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check that has been issued by the Plan. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

6.7 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture and prior to termination of the Plan, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period.

6.8 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VII

ADMINISTRATION

7.1 Committees

(a) Effective April 27, 2006, the Administrative Committee shall be comprised of the individuals (in their corporate capacity) who are members of the Administrative Committee for Northrop Grumman Deferred Compensation Plan. If no such Administrative Committee exists, the members of the Administrative Committee for the Plan shall be individuals holding the following positions within the Company (as such titles may be modified from time to time), or their successors in office: the Corporate Vice President and Chief Human Resources and Administration Officer; the Corporate Vice President, Controller and Chief Accounting Officer; the Vice President, Taxation; the Vice President, Trust Administration and Investments; the Vice President, Compensation, Benefits and HRIS; and the Corporate Director, Benefits Administration and Services. A member of the Administrative Committee may resign by delivering a written notice of resignation to the Corporate Vice President and Chief Human Resources and Administration Officer.

(b) Prior to April 27, 2006, the Administrative Committee shall be comprised of the individuals appointed by the Compensation Committee of the Board (the "Compensation Committee").

(c) An Investment Committee (referred to together with the Administrative Committee as, the "Committees"), comprised of one or more persons, shall be appointed by and serve at the pleasure of the Board (or its delegate). The number of members comprising the Investment Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

7.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of a Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committee then in office. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

The Compensation Committee shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The Administrative Committee shall conduct its business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Administrative Committee may deem

appropriate. The Administrative Committee shall hold meetings from time to time in any convenient location.

7.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and make all factual determinations;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);
- (g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and
- (h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

7.4 Powers and Duties of the Investment Committee

The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To select types of investment and the actual investments against which earnings and losses will be measured;
- (b) To oversee any rabbi trust; and
- (c) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

7.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

7.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the compensation of all Participants, their death or other events that cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

7.7 Committee Compensation, Expenses and Indemnity

(a) The members of the Committees shall serve without compensation for their services hereunder.

(b) The Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.

(c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

7.8 Disputes

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

ARTICLE VIII

MISCELLANEOUS

8.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

8.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 5.2 will not be treated as violations of this Section.

(c) Notwithstanding the foregoing, all or a portion of a Participant's Account balance may be paid to another person as specified in a domestic relations order that the Administrative Committee determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

(1) issued pursuant to a State's domestic relations law;

(2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;

(3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and

(4) meets such other requirements established by the Administrative Committee.

The Administrative Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Administrative Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

8.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite Section 8.2, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

8.4 Withholding

There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes, which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

8.5 Amendment, Modification, Suspension or Termination

The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's Account balance as of the date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article VI, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

Notwithstanding the foregoing, no amendment of the Plan shall apply to amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to amounts that are "grandfathered" and exempt from the requirements of Code section 409A.

8.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

8.7 Receipt and Release

Any payment to a payee in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan, the Committees and the Affiliated Companies. The Administrative Committee may require such payee, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

8.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

8.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation, Benefits & International

APPENDIX A – 2005 TRANSITION RELIEF

The following provisions apply only during 2005, pursuant to transition relief granted in IRS Notice 2005-1:

A.1 Cash-Out

Participants Separating from Service during 2005 for any reason before age 55 will receive an immediate lump sum distribution of their Account balances. Other Participants Separating from Service in 2005 will receive payments in accordance with their prior elections.

A.2 Elections

During the Plan's open enrollment period in June 2005 Participants may fully or partially cancel 2005 deferral elections and receive in 2005 a refund of amounts previously deferred in 2005.

In addition, individuals working in Company facilities impacted by Hurricane Katrina may stop or reduce 2005 elective contributions to the Plan at any time during 2005. All payments under this Section A.2 will be made before the end of calendar year 2005.

A.3 Key Employees

Key Employees Separating from Service on or after July 1, 2005, with distributions subject to Code section 409A and scheduled for payment in 2006 within six months of Separation from Service, may choose I or II below, subject to III:

- I. Delay the distributions described above for six months from the date of Separation from Service. The delayed payments will be paid as a single sum with interest at the end of the six month period, with the remaining payments resuming as scheduled.
- II. Accelerate the distributions described above into a payment in 2005 without interest adjustments.
- III. Key Employees must elect I or II during 2005.

APPENDIX B – DISTRIBUTION RULES FOR PRE-2005 AMOUNTS

Distribution of amounts earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) are exempt from the requirements of Code section 409A and shall be made in accordance with the Plan terms as in effect on December 31, 2004 and as summarized in the following provisions.

B.1 Distribution of Contributions

(a) Distributions Upon Early Termination.

(1) **Voluntary Termination.** If a Participant voluntarily terminates employment with the Affiliated Companies before age 55 or Disability, distribution of his or her Account will be made in a lump sum on the Participant's Payment Date.

(2) **Involuntary Termination.** If a Participant involuntarily terminates employment with the Affiliated Companies before age 55, distribution of his or her Account will generally be made in quarterly or annual installments over a fixed number of whole years not to exceed 15 years, commencing on the Participant's Payment Date, in accordance with the Participant's original election on his or her deferral election form. Payment will be made in a lump sum if the Participant had originally elected a lump sum, if the Account balance is \$50,000 or less, or if the Administrative Committee so specifies.

(b) **Distribution After Retirement, Disability or Death.** In the case of a Participant who separates from service with the Affiliated Companies on account of Retirement, Disability or death and has an Account balance of more than \$50,000, the Account shall be paid to the Participant (and after his or her death to his or her Beneficiary) in substantially equal quarterly installments over 10 years commencing on the Participant's Payment Date unless an optional form of benefit has been specified pursuant to Section B.1(b)(1).

(1) An optional form of benefit may be elected by the Participant, on the form provided by Administrative Committee, during his or her initial election period from among those listed below:

(i) A lump sum distribution on the Participant's Payment Date.

(ii) Quarterly installments over a period of at least 1 and no more than 15 years beginning on the Participant's Payment Date.

(iii) Annual installments over a period of at least 2 and no more than 15 years beginning on the Participant's Payment Date.

(2) A Participant from time to time may modify the form of benefit that he or she has previously elected. Upon his or her separation from service, the most recently elected form of distribution submitted at least 12 months prior to separation will govern. If no such election exists, distributions will be paid under the 10-year installment method.

(3) In the case of a Participant who terminates employment with the Affiliated Companies on account of Retirement, Disability or death with an Account balance of \$50,000 or less, the Account shall be paid to the Participant in a lump sum distribution on the Participant's Payment Date.

(4) In general, upon the Participant's death, payment of any remaining Account balance will be made to the Beneficiary in a lump sum on the Payment Date. But the Beneficiary will receive any remaining installments (starting on the Payment Date) if the Participant was receiving installments, or if the Participant died on or after age 55 with an Account balance over \$50,000 and with an effective installment payout election in place. In such cases, the Beneficiary may still elect a lump sum payment of the remaining Account balance, but only with the Administrative Committee's consent.

(5) In the event that this Plan is terminated, the amounts allocated to a Participant's Account shall be distributed to the Participant or, in the event of his or her death, to his or her Beneficiary in a lump sum.

APPENDIX C — MERGED PLANS

C.1 Plan Mergers

(a) Merged Plans. As of their respective effective dates, the plans listed in (c)(the “Merged Plans”) are merged into this Plan. All amounts from those plans that were merged into this Plan are held in their corresponding Accounts.

(b) Accounts. Effective as of the dates below, Accounts are established for individuals who, before the merger, had account balances under the merged plans. These individuals will not accrue benefits under this Plan unless they become Participants by virtue of being hired into a covered position with an Affiliated Company, but they will be considered Participants for purposes of the merged accounts. The balance credited to the Participant’s merged plan account will, effective as of the date provided in the table below, be invested in accordance with the terms of this Plan. Except as provided in section C.2 below, amounts merged into this Plan from the merged plans are governed by the terms of this Plan.

(c) Table.

Name of Merged Plans	Merger Effective Dates	Merged Account Names
Northrop Grumman Benefits Equalization Plan	December 10, 2004	NG BEP Account
Northrop Grumman Space & Mission Systems Corp. Deferred Compensation Plan	December 10, 2004	S & MS Deferred Compensation Account
BDM International, Inc. 1997 Executive Deferred Compensation Plan (“BDM Plan”)	April 29, 2005	BDM Account

C.2 Merged Plans — General Rule

(a) NG BEP Account and S & MS Deferred Compensation Account. Distributions from Participants’ NG BEP and S & MS Deferred Compensation Accounts are made under the provisions of Appendix B, except as provided in this Section.

(1) Amounts in the Participant’s NG BEP Account and the S & MS Deferred Compensation Account shall be paid out in accordance with elections made under the Merged Plans.

(2) The Participant's "Payment Date" for amounts in the NG BEP Account and the S & MS Deferred Compensation Account shall be deemed to be the end of January following the Participant's termination of employment.

(3) The reference to \$50,000 in the provisions of Appendix B shall be deemed to be \$5,000 with respect to amounts in the NG BEP Account and the S & MS Deferred Compensation Account.

(4) The Administrative Committee shall assume the rights and responsibilities of the Directors/Committee with respect to determining whether a Participant's NG BEP Account may be paid out in the event of hardship or in a form other than the automatic form of payment.

(5) The Administrative Committee shall assume the rights and responsibilities of the Committee or Special Committee with respect to determining whether a Participant's S & MS Deferred Compensation Account may be paid out in the event of hardship or in a form other than the automatic form of payment.

(6) For purposes of determining the time of payment of a Participant's NG BEP Account, a Participant's employment will not be deemed to have terminated following the Participant's layoff until the earlier of the end of the twelve-month period following layoff (without a return to employment with the Affiliated Companies) or the date on which the Participant retires under any pension plan maintained by the Affiliated Companies.

(7) A Participant's S & MS Deferred Compensation Account shall be paid to the Participant no later than the January 5 next preceding the Participant's 80th birthday.

(8) In no event will payments of amounts in the Participant's NG BEP Account and the S & MS Deferred Compensation Account be accelerated or deferred beyond the payment schedule provided under the Merged Plans. However, any election to change the time or form of payment for such an amount may be made based on the terms of the relevant Merged Plan as in effect on October 3, 2004.

(b) BDM Account. Distributions of a Participant's vested BDM Account balance shall be made in accordance with this Section C.2(b), and Article VI shall not apply to such distributions. A Participant shall be vested in his BDM Account balance in accordance with the vesting provisions of the BDM Plan.

(1) Timing of Payment: A Participant's vested BDM Account balance shall be distributed in accordance with elections made under the BDM Plan. For those Participants who have not commenced distributions as of April 29, 2005, payments from the BDM Account will commence at the time designated on his or her BDM enrollment and election form, unless extended prior to such date. However, if such a Participant did not elect a fixed date (or elect the earlier of a fixed date or termination of employment), his or her vested BDM Account balance will be paid as soon as administratively practicable following termination of employment in the form designated under Section C.2(b)(2) below.

(2) Form of Payment: A Participant's vested BDM Account balance shall be paid in cash or in-kind, as elected by the Participant, as permitted by the Administrative Committee. The vested BDM Account balance will be paid in (i) a lump sum, (ii) five (5) or ten (10) substantially equal annual installments (adjusted for gains and losses), or (iii) a combination thereof, as selected by the Participant (or Beneficiary) prior to the date on which amounts are first payable to the Participant (or Beneficiary) under Section C.2(b)(1) above. If the Participant fails to designate properly the manner of payment, such payment will be made in a lump sum.

(3) Death Benefits: If a Participant dies before commencement of payment of his BDM Account balance, the entire Account balance will be paid at the times provided in Section C.2(b)(2) above to his or her Beneficiary. If a Participant dies after commencement but before he or she has received all payments from his vested BDM Account balance, the remaining installments shall be paid annually to the Beneficiary. For purposes of this Section C.2(b), a Participant's Beneficiary, unless subsequently changed, will be the designated beneficiary(ies) under the BDM Plan or if none, the Participant's spouse, if then living, but otherwise the Participant's then living descendants, if any, per stirpes, but, if none, the Participant's estate.

(4) Hardship Withdrawal: A Participant may apply for a distribution of all or any part of his or her vested BDM Account balance, to the extent necessary to alleviate the Participant's financial hardship (which financial hardship may be considered to include any taxes due because of the distribution). A "financial hardship" shall be determined by the Administrative Committee and shall mean (i) a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Code section 152(a)) of the Participant, (ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

(5) Lost Participant: In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within three years following the payment date under Section C.2(b)(1) above, the amount allocated to the Participant's BDM Account shall be forfeited. If, after such forfeiture and prior to termination of the Plan, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period. In lieu of such a forfeiture, the Administrative Committee has the discretion to direct distribution of the vested BDM Account balance to any one or more or all of the Participant's next of kin, and in the proportions as the Administrative Committee determines.

(6) Committee Rules: All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

(7) Payment Schedule: In no event will payments of amounts in the Participant's BDM Account be accelerated or deferred beyond the payment schedule provided under the BDM Plan.

(8) Application to Trustee: BDM International, Inc. set aside amounts in a grantor trust to assist it in meeting its obligations under the BDM Plan. Notwithstanding Section C.2(b)(6) above and the claims procedures provided in Section 7.8, a Participant may make application for payment of benefits under this Section C.2(b) directly to the trustee of such trust.

NORTHROP GRUMMAN
OFFICERS RETIREMENT ACCOUNT CONTRIBUTION PLAN

(Effective as of October 1, 2009)

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INTRODUCTION

The Northrop Grumman Officers Retirement Account Contribution Plan (the "Plan") is hereby adopted effective as of October 1, 2009. This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder, and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I

DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

"Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.

"Administrative Committee" means the committee in charge of Plan administration, as described in Article VI.

"Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).

"Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(a) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(b) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with

the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company. A Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(c) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (1) to that person's living parent(s) to act as custodian, (2) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (3) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company.

(d) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

"Board" shall mean the Board of Directors of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committees" shall mean the Committees appointed as provided in Article VI.

"Company" shall mean Northrop Grumman Corporation and any successor.

"Company Contributions" shall mean credits to a Participant's Account, as described in Section 3.2.

"Compensation" shall be "compensation" as defined by Section 5.01 of the NGSP.

"Eligible Employee" shall mean any Employee who meets the following conditions:

- (a) he or she is an elected or appointed officer of an Affiliated Company other than Vinnell Corporation, Component Technologies or Premier America Credit Union;
- (b) he or she is not eligible to accrue benefits under a Company-sponsored qualified defined benefit pension plan;
- (c) he or she is not eligible to actively accrue benefits under Appendix F (“CPC SERP”), Appendix G (“OSERP”), or Appendix I (“OSERP II”) of the Northrop Grumman Supplemental Plan 2; and
- (d) he or she is not otherwise designated as being ineligible to participate in the Plan.

“Employee” shall mean any common law employee of the Affiliated Companies who is classified as an employee by the Affiliated Companies.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

“Investment Committee” means the committee in charge of investment aspects of the Plan, as described in Article VI.

“Key Employee” means an employee treated as a “specified employee” under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company’s or an Affiliated Company’s stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

“NGSP” means the Northrop Grumman Savings Plan.

“Participant” shall mean any Eligible Employee who participates in this Plan in accordance with Article II.

“Plan” shall be the Northrop Grumman Officers Retirement Account Contribution Plan.

“Separation from Service” means a “separation from service” within the meaning of Code section 409A.

ARTICLE II

PARTICIPATION

2.1 **In General**

(a) An Employee shall automatically become a Participant and eligible for Company Contributions as of the later of October 1, 2009 or the date the Employee becomes an Eligible Employee.

(b) An individual will cease to be a Participant when he or she no longer has a positive balance in his or her Account.

2.2 **Disputes as to Employment Status**

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees and will not be entitled to participate in the Plan.

ARTICLE III

CREDITS TO ACCOUNTS

3.1 **Accounts**

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

3.2 Company Contribution Credits

If a Participant qualifies as an Eligible Employee during a payroll period, the Participant's Account shall be credited with a Company Contribution as soon as practicable after the end of the payroll period. The Company Contribution for a payroll period shall equal 4% of the Participant's Compensation for the payroll period.

3.3 Earnings Credits

A Participant's Account will be periodically credited with earnings, gains and losses as if the Account was invested in the same investment options as the Participant's RAC Subaccount in the Northrop Grumman Savings Excess Plan. If a Participant does not have such a RAC Subaccount, his Account will be credited with earnings, gains and losses as if the Account was invested in the qualified default investment alternative ("QDIA") that applies to the Participant under the NGSP.

3.4 Valuation of Accounts

(a) The valuation of Participants' Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(b) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(c) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(d) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

3.5 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

3.6 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of the Company Contributions credited to their Accounts due to poor investment performance.

ARTICLE IV

VESTING AND FORFEITURES

4.1 In General

A Participant shall become vested in his Account balance upon completing three years of service. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

4.2 Exceptions

The following exceptions apply to the vesting rule:

- (a) Forfeitures on account of a lost payee. See Section 5.5.
- (b) Forfeitures under an escheat law.
- (c) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.
- (d) Expenses charged to a Participant's Account.
- (e) Investment losses.

ARTICLE V

DISTRIBUTIONS

5.1 Normal Distribution Rules

The vested balance in a Participant's Account shall be distributed in a lump sum upon a Participant's Separation from Service. Notwithstanding the foregoing, distribution will not be made to a Key Employee upon a Separation from Service until the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee).

5.2 Effect of Taxation

If Plan benefits are includible in the income of a Participant under Code section 409A prior to actual receipt of the benefits, the Administrative Committee shall immediately distribute the benefits found to be so includible to the Participant.

5.3 Permitted Delays

Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Administrative Committee's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;
- (c) provided, that any payment delayed pursuant to this Section 5.3 shall be paid in accordance with Code section 409A.

5.4 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check that has been issued by the Company. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

5.5 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited.

5.6 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VI

ADMINISTRATION

6.1 Committees

(a) The Administrative Committee shall be appointed by the Company.

(b) An Investment Committee (referred to together with the Administrative Committee as, the "Committees"), comprised of one or more persons, shall be appointed by and serve at the pleasure of the Board (or its delegate). The number of members comprising the Investment Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified

copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

6.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of a Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committee then in office. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

The Company shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The Administrative Committee shall conduct its business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Administrative Committee may deem appropriate. The Administrative Committee shall hold meetings from time to time in any convenient location.

6.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and make all factual determinations;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);

(g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and

(h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

6.4 Powers and Duties of the Investment Committee

The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

(a) To oversee any rabbi trust; and

(b) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

6.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

6.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the compensation of all Participants, their death or other events that cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

6.7 Committee Compensation, Expenses and Indemnity

(a) The members of the Committees shall serve without compensation for their services hereunder.

(b) The Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.

(c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other

than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

6.8 Claims

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

ARTICLE VII

MISCELLANEOUS

7.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

7.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 4.2 will not be treated as violations of this Section.

(c) Notwithstanding the foregoing, all or a portion of a Participant's vested Account balance may be paid to another person as specified in a domestic relations order that the Administrative Committee determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State's domestic relations law;
- (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and
- (4) meets such other requirements established by the Administrative Committee.

The Administrative Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Administrative Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

7.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite Section 7.2, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

7.4 Withholding

There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes, which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

7.5 Amendment, Modification, Suspension or Termination

The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's Account balance as of the date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article V, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

7.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

7.7 Receipt and Release

Any payment to a payee in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan, the Committees and the Affiliated Companies. The Administrative Committee may require such payee, as a condition precedent to such payment, to execute a receipt and release to such effect.

7.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

7.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

7.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

* * *

IN WITNESS WHEREOF, this Plan is hereby executed by a duly authorized officer on this 17th day of Dec., 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits & International

LITTON INDUSTRIES, INC. RESTORATION PLAN 2
Amended and Restated Effective as of January 1, 2009

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INTRODUCTION

The Litton Industries, Inc. Restoration Plan 2 (the "Plan"), is hereby amended and restated effective as of January 1, 2009. This restatement amends the January 1, 2005 restatement of the Plan and includes changes that apply to Grandfathered Amounts.

The Plan is intended to comply with Code section 409A and official guidance issued thereunder (except for Grandfathered Amounts). Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with this intention.

ARTICLE I Definitions

The terms in this Article have the following meanings when capitalized:

- 1.01 Active Participant. This term is defined in Section 3.04(a).
 - 1.02 Affiliated Companies. The Company and any other entity related to the Company under the rules of section 414 of the Code. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may also include other entities.
 - 1.03 Avondale Plan. The Avondale Industries, Inc. Non-Represented Employees' Pension Plan.
 - 1.04 Board of Directors. The Board of Directors of Northrop Grumman Corporation.
 - 1.05 Code. The Internal Revenue Code of 1986, as amended.
 - 1.06 Company. Litton Industries, Inc.
 - 1.07 ERISA. The Employee Retirement Income Security Act of 1974, as amended.
 - 1.08 FSSP. The Northrop Grumman Financial Security and Savings Program.
 - 1.09 Grandfathered Amounts. Plan benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder.
-

- 1.10 Key Employee. An employee treated as a “specified employee” under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company’s or an Affiliated Company’s stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.
- 1.11 Ingalls Salaried Plan. The Ingalls Shipbuilding, Inc. Salaried Employees’ Retirement Plan.
- 1.12 Participant. Any employee of the Company who is eligible for benefits under a particular Program and has not received full payment under the Program. However, no employees of the Component Technologies Sector or Premier America Credit Union may be Participants.
- 1.13 Payment Date. The 1st of the month coincident with or following the later of (a) the date the Participant attains age 55, or (b) the date the Participant Separates from Service.
- 1.14 Pension Plan and Pension Plans. Any of the following:
- (a) The Northrop Grumman Retirement Plan
 - (b) The Northrop Grumman Retirement Plan—Rolling Meadows Site
 - (c) The Northrop Grumman Retirement Value Plan (effective as of January 1, 2000)
 - (d) The Northrop Grumman Electronics Systems – Space Division Salaried Employees’ Pension Plan (effective as of the Aerojet Closing Date)
 - (e) The Northrop Grumman Electronics Systems – Space Division Union Employees’ Pension Plan (effective as of the Aerojet Closing Date)
- “Aerojet Closing Date” means the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation.

- 1.15 Plan. The Litton Industries, Inc. Restoration Plan 2.
- 1.16 Plan Year. A 12-month period ending on December 31.
- 1.17 Program. One of the eligibility and benefit structures described in the Appendices.
- 1.18 Retirement Plan and Retirement Plans.
- (a) For periods after April 3, 2001 and before July 1, 2003, the FSSP, Retirement Plan “B,” and the Ingalls Salaried Plan. Appendix A provides the Program for this period.
 - (b) For periods after June 30, 2003, Retirement Plan “B,” the Avondale Plan, and the Ingalls Salaried Plan. Appendix B provides the Program for this period.
- 1.19 Retirement Plan “B”. This term refers to the benefit structure described in the plan document entitled Northrop Grumman Retirement Plan “B” or one of its predecessor plans. It does not include any benefit structures described in other plan documents, even if part of the legal plan named Northrop Grumman Retirement Plan “B” (for example, Northrop Grumman Retirement Plan “A,” the Ingalls Salaried Plan, and the Avondale Plan).
- 1.20 Separation from Service or Separates from Service. A “separation from service” within the meaning of Code section 409A.
- 1.21 Termination of Employment. Complete termination of employment with the Affiliated Companies.
- (a) If a Participant ceases to perform services for one Affiliated Company to begin performing services for another, he or she will not have a Termination of Employment.
 - (b) A Participant will have a Termination of Employment if he or she leaves the Affiliated Companies because the affiliate he or she works for ceases to be an Affiliated Company because it is sold or spun off.

ARTICLE II
General Provisions

2.01 In General. The Plan contains two different benefit Programs, which are described in Appendices A and B. Appendices A and B provide the eligibility conditions and the amount of benefits payable under the Programs.

- (a) See Appendix A for the Program that applies to benefits earned for services performed after April 3, 2001 and before July 1, 2003.
- (b) See Appendix B for the Program that applies to benefits earned for services performed after June 30, 2003.

The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Plan:

- (a) any payment authorized by the Northrop Grumman Corporation Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (b) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.
- 2.02 Forms and Times of Benefit Payments. Unless a Program provides rules concerning the form and timing of benefit payments, the Company will determine the form and timing of benefit payments in its sole discretion, except where a lump sum election under Article III applies.

For payments made to supplement those of a particular tax-qualified retirement or savings plan, the Company will only select among the options available under that plan, using the same actuarial adjustments used in that plan, except in cases of lump sums.

Whenever the present value of the amount payable under the Plan does not exceed \$10,000, it will be paid in the form of a single lump sum as of the first of the month following Termination of Employment. The lump sum will be calculated using the factors and methodology described in Section 3.07 below. (See Section 2.03 for the rule that applies as of January 1, 2008.)

No payments will commence under this Plan until a Participant's Termination of Employment, even if benefits have commenced under a Retirement Plan for Participants over age 70^{1/2}.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix C and Appendix D for the rules that apply to other benefits earned under the Plan.

2.03 Mandatory Cashout. Notwithstanding any other provision in the Plan, Participants with Grandfathered Amounts who have not commenced payment of such benefits prior to January 1, 2008 will be subject to the following rules:

- (a) Post-2007 Terminations. Participants who have a Termination of Employment after 2007 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of Termination of Employment (without interest), if such present value is below the Code section 402(g) limit in effect at the Termination of Employment.
- (b) Pre-2008 Terminations. Participants who had a Termination of Employment before 2008 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of the time they commence payment of their underlying qualified pension plan benefits (without interest), if such present value is below the Code section 402(g) limit in effect at the time such payments commence.

For purposes of calculating present values under this Section, the actual assumptions and calculation procedures for lump sum distributions under the Northrop Grumman Pension Plan shall be used.

2.04 Optional Payment Forms. Participants with Grandfathered Amounts shall be permitted to elect (a) or (b) below:

- (a) To receive their Grandfathered Amounts in any form of distribution available under the Plan at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under this Plan on October 3, 2004.
- (b) To receive their Grandfathered Amounts in any life annuity form not included in (a) above but included in the underlying qualified pension plan distribution options at the time payment

of the Grandfathered Amounts commences. The conversion factors will be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

- 2.05 Beneficiaries and Spouses. The Participant may designate a beneficiary if the Company selects a form of payment that includes a survivor benefit. The Participant may change this designation at any time before benefits commence. A beneficiary designation must be in writing and will be effective only when received by the Company.

The beneficiary of a Participant who is married on the date his or her benefits are scheduled to commence will be the Participant's spouse unless some other beneficiary is named with spousal consent. To be effective, spousal consent must be submitted in writing before benefits commence and must be witnessed by a Plan representative or notary public. Spousal consent is not necessary if the Company determines that there is no spouse or that the spouse cannot be found.

With respect to Programs designed to supplement tax-qualified retirement or savings plans, the Participant's spouse will be the spouse as determined under the underlying tax-qualified plan. Otherwise, the Company has full discretionary authority to determine the identity of the Participant's spouse.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix C and Appendix D for the rules that apply to other benefits earned under the Plan.

- 2.06 Amendment and Plan Termination. The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the provisions of the Plan with respect to lump sum distributions, including any lump sum calculation factors, whether or not a Participant has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's accrued benefit under the Plan as of the date of such amendment or termination.

No amendment of the Plan shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment

from resulting in an inadvertent “material modification” to the Grandfathered Amounts.

The Company may, in its sole discretion, seek reimbursement from the Company’s tax-qualified plans to the extent this Plan pays tax-qualified plan benefits to which Participants were entitled or became entitled under the tax-qualified plans.

2.07 Not an Employment Agreement. Nothing contained in this Plan gives any Participant the right to be retained in the service of the Company, nor does it interfere with the right of the Company to discharge or otherwise deal with Participants without regard to the existence of this Plan.

2.08 Assignment of Benefits. A Participant, surviving spouse or beneficiary may not, either voluntarily or involuntarily, assign, anticipate, alienate, commute, sell, transfer, pledge or encumber any benefits to which he or she is or may become entitled under the Plan, nor may Plan benefits be subject to legal process or to attachment or garnishment by a Participant’s creditors.

Notwithstanding the foregoing, all or a portion of a Participant’s benefit may be paid to another person as specified in a domestic relations order that the Company determines is qualified (a “Qualified Domestic Relations Order”). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (a) Issued pursuant to a State’s domestic relations law;
- (b) Relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (c) Creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant’s benefits under the Plan; and
- (d) Meets such other requirements established by the Company.

The Company shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Company may consider the rules applicable to “domestic relations orders” under Code section 414(p) and ERISA § 206(d), and such other rules and procedures as it deems relevant.

2.09 Nonduplication of Benefits. This Section applies if, despite Section 2.08, the Company is required to make payments under this Plan to a person or

entity other than the payees described in the Plan. In such a case, any amounts due a Participant or beneficiary under this Plan will be reduced by the actuarial value of the payments made to another person or entity with respect to that Participant or beneficiary.

The actuarial value of lump sums will be determined using the factors and methodology described in Section 3.07 below. In all other cases, actuarial value will be determined using the actuarial assumptions in the underlying Retirement Plan.

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 actuarial cost to the Company.

- 2.10 **Funding.** Participants have the status of general unsecured creditors of the Company, and the Plan constitutes a mere promise by the Company to pay benefits in the future. The Company may, but need not, fund benefits under the Plan through a trust. If it does so, any trust created by the Company and any assets held by the trust to assist it in meeting its obligations under the Plan will conform to the terms of the model trust, as described in Internal Revenue Service Revenue Procedure 92-64, but only to the extent required by Internal Revenue Service Revenue Procedure 92-65. The Company and Participants intend that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.

Any funding of benefits under this Plan will be in the Company's sole discretion. The Company may set and amend the terms under which it will fund and may cease to fund at any time.

- 2.11 **Construction.** The Company has full discretionary authority to determine eligibility and to construe and interpret the terms of the Plan, including the power to remedy possible ambiguities, inconsistencies or omissions.

- 2.12 **Governing Law.** This Plan is governed by the law of the State of California, except to the extent superseded by federal law.

- 2.13 **Actions By Company and Claims Procedures.** The Company's powers under the Plan will be exercised by written resolution of the Board of Directors 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.

The standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

- 2.14 Plan Representatives. Those authorized to act as Plan representatives will be designated in writing by the Board of Directors or its delegate.
- 2.15 Number. The singular, where appearing in this Plan, will be deemed to include the plural, unless the context clearly indicates the contrary.
- 2.16 Special Tax Distribution. On the date a Participant's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the Participant's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the Plan, including Grandfathered Amounts. This payment will reduce the Participant's future benefit payments under the Plan on an actuarial basis.
- 2.17 Benefit Limit. The amount of the benefit under this Plan will be limited as provided below:
- (a) A Participant's total accrued benefits under all defined benefit plans, programs, and arrangements maintained by Northrop Grumman Corporation and its affiliates (as determined under Code section 414) in which he or she participates, including the Plan, may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the Participant's benefit accrued under the Plan will be reduced to the extent necessary to satisfy the limit.
- (1) For this purpose, "Final Average Salary" has the meaning provided under Appendix G to the Northrop Grumman Supplemental Plan 2 (the "OSERP").
 - (2) The Participant's Final Average Salary will be reduced for early retirement applying the factors in the OSERP.
 - (3) The limit in this subsection may not be exceeded even after the benefits under the Plan have been enhanced under any change in control agreements or Northrop Grumman Corporation Special Agreements.

ARTICLE III
Lump Sum Election

This Article only applies with respect to Grandfathered Amounts. See Appendix C and Appendix D for the distribution rules that apply to other benefits earned under the Plan.

- 3.01 In General. This Article provides the rules under which Participants may elect to receive their Plan benefits in a lump sum. Except as provided in Section 3.07, this Article does not apply to Active Participants (as defined in Section 3.04) whose benefits are automatically payable in lump sum form under Article II.

This Article will not apply if a particular Program so provides.

- 3.02 Retirees Election. Participants and Participants' beneficiaries already receiving monthly benefits under the Plan at its inception will be given a one-time opportunity to elect a lump sum payout of future benefit payments.

- (a) The election must be made within a 45-day period determined by the Company. Within its discretion, the Company may delay the commencement of the 45-day period in instances where the Company is unable to timely communicate with a particular payee.
- (b) The determination as to whether a payee is already receiving monthly benefits will be made at the beginning of the 45-day period.
- (c) An election to take a lump sum must be accompanied by a waiver of the existing retiree medical benefits by those Participants (and their covered spouses or surviving spouses) entitled either to have such benefits entirely paid for by the Company or to receive such benefits as a result of their classification as an employee under Executive Class Code II.

Following the waiver, waiving Participants (and covered spouses or surviving spouses) will be entitled to the coverage offered to employees who are eligible for Senior Executive Retirement Insurance Benefits in effect as of July 1, 1993. The cost charged to the retirees for this coverage will be determined as if the retiree had been employed 20 or more years by the Company.

- (d) If the person receiving payments as of the beginning of the 45-day period dies before electing a lump sum, his or her beneficiary, if any, may not elect a lump sum.
 - (e) Elections to receive a lump sum (and waivers under (c)) must be made in writing and must include spousal consent if the payee (whether the Participant or beneficiary) is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.
 - (f) An election (with spousal consent, where required) to receive the lump sum made at any time during the 45-day period will be irrevocable. If no proper election has been made by the end of the 45-day period, payments will continue unchanged in the monthly form that previously applied.
- 3.03 Retirees Lump Sum. If a retired Participant or beneficiary makes a valid election under Section 3.02 within the 45-day period, monthly payments will continue in the previously applicable form for 12 months (assuming the payees live that long).
- (a) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum to the Participant, if alive, or, if not, to the beneficiary under the previously applicable form of payment.
 - (b) No lump sum payment will be made if:
 - (1) The Participant is receiving monthly benefit payments in a form that does not provide for survivor benefits and the Participant dies before the lump sum payment is due.
 - (2) The Participant is receiving monthly benefit payments in a form that does provide for survivor benefits, but the Participant and beneficiary die before the lump sum payment is due.
 - (c) The following rules apply where payment is being made in the form of a 10-year certain and continuous life annuity option:
 - (1) If the Participant is deceased at the commencement of the 45-day election period, the surviving beneficiary may not make the election if there are less than 13 months left in the 10-year certain period.
 - (2) If the Participant elects the lump sum and dies before the first of the 13th month and:

- (A) if the 10-year certain period has already ended, all monthly payments will cease at the Participant's death and no lump sum will be paid;
- (B) if the 10-year certain period ends after the Participant's death and before the beginning of the 13th month, monthly payments will end at the end of the 10-year certain period and no lump sum will be paid; and
- (C) if the 10-year certain period ends after the beginning of the 13th month, monthly payments will continue through the 12th month, and a lump sum equal to the present value of the remaining benefit payments will be paid as of the first of the 13th month.

3.04 Actives Election. Active Participants may elect to have their benefits paid in the form of a single lump sum under this Section.

- (a) A Participant is an Active Participant if he or she is still employed by the Affiliated Companies on or after the beginning of the initial 45-day period referred to in Section 3.02.
- (b) An election to take a lump sum may be made at any time during the 60-day period before Termination of Employment and covers both—
 - (1) Benefits payable to the Participant during his or her lifetime, and
 - (2) Survivor benefits (if any) payable to the Participant's beneficiary, including preretirement death benefits (if any) payable to the Participant's spouse.
- (c) An election does not become effective until the earlier of:
 - (1) the Participant's Termination of Employment, or
 - (2) the Participant's death.

A Participant's election may be revoked before it is effective.

A Participant's election will never take effect if the Participant does not have a Termination of Employment within 60 days after making the election.

- (d) An election may only be made once. It cannot be made again if it fails to become effective after 60 days or is revoked before becoming effective.
- (e) No election can be made after a Participant's Termination of Employment.
- (f) If a Participant dies before making a lump sum election, his or her spouse may not make a lump sum election with respect to any benefits that may be due the spouse.
- (g) Elections to receive a lump sum must be made in writing and must include spousal consent if the Participant is married. Elections and spousal consent must be witnessed by a Plan representative or notary public.

3.05 Active Lump Sum—Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.04 has a Termination of Employment after he or she is entitled to commence benefits under the Retirement Plans, payments will be made in accordance with this Section.

- (a) Monthly benefit payments will be made for up to 12 months, commencing the first of the month following Termination of Employment. Payments will be made:
 - (1) for a Participant who is not married on the date benefits are scheduled to commence, based on a straight life annuity for the Participant's life and ceasing upon the Participant's death should he or she die before the 12 months elapse, or
 - (2) for a Participant who is married on the date benefits are scheduled to commence, based on a joint and survivor annuity form—
 - (A) with the survivor benefit equal to 50% of the Participant's benefit;
 - (B) with the Participant's spouse as the survivor annuitant;
 - (C) determined by using the contingent annuitant option factors used to convert straight life annuities to 50% joint and survivor annuities under the Northrop Grumman Retirement Plan "B"; and

- (D) with all payments ceasing upon the death of both the Participant and his or her spouse should they die before the 12 months elapse.
 - (b) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum. Payment of the lump sum will be made to the Participant if he or she is still alive, or, if not, to his or her surviving spouse, if any.
 - (c) No lump sum payment will be made if:
 - (1) The Participant is receiving monthly benefit payments in the form of a straight life annuity and the Participant dies before the time the lump sum payment is due.
 - (2) The Participant is receiving monthly benefit payments in a joint and survivor annuity form and the Participant and his or her spouse both die before the time the lump sum payment is due.
 - (d) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:
 - (1) the Participant dies after making a valid lump sum election but before commencement of any benefits under this Plan;
 - (2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and
 - (3) the spouse survives to the first of the month following the date of the Participant's death.
- 3.06 Actives Lump Sum—Not Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.04 has a Termination of Employment before he or she is entitled to commence benefits under the Retirement Plans, payments will be made in accordance with this Section.
- (a) No monthly benefit payments will be made.
 - (b) Following Termination of Employment, a single lump sum payment of the benefit will be made on the first of the month following 12 months after the date of the Participant's Termination of Employment.
 - (c) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:

- (1) the Participant dies after making a valid lump sum election but before commencing benefits under this Plan;
 - (2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and
 - (3) the spouse survives to the first of the month following the date of the Participant's death.
- (d) No lump sum payment will be made if the Participant is unmarried at the time of death and dies before the time the lump sum payment is due.

3.07 Calculation of Lump Sum. The factors to be used in calculating the lump sum are as follows:

Interest: Whichever of the following two rates that produces the smaller lump sum:

- (1) the discount rate used by the Company for purposes of Statement of Financial Accounting Standards No. 87 of the Financial Accounting Standards Board as disclosed in the Company's annual report to shareholders for the year end immediately preceding the date of distribution, or
- (2) the applicable interest rate that would be used to calculate a lump sum value for the benefit under the Retirement Plans.

Mortality: The applicable mortality table that would be used to calculate a lump sum value for the benefit under the Retirement Plans.

Increase in Section 415 Limit: 4% per year.

Age: Age rounded to the nearest month on the date the lump sum is payable.

The annuity to be converted to a lump sum will be the remaining annuity currently payable to the Participant or his or her beneficiary at the time the lump sum is due.

For example, assume a Participant is receiving benefit payments in the form of a 50% joint and survivor annuity.

If the Participant and the survivor annuitant are both still alive when the lump sum payment is due, the present value calculation

will be based on the remaining benefits that would be paid to both the Participant and the survivor in the annuity form.

If only the survivor is alive, the calculation will be based solely on the remaining 50% survivor benefits that would be paid to the survivor.

If only the Participant is alive, the calculation will be based solely on the remaining benefits that would be paid to the Participant.

In the case of a Participant who dies before commencing benefits under this Plan so that only a preretirement surviving spouse benefit (if any) is payable, the lump sum will be based solely on the value of the preretirement surviving spouse benefit.

3.08 Spousal Consent. Spousal consent for the elections described above is not necessary if the Company determines that there is no spouse or the spouse cannot be located.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December, 2009.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits & International

APPENDIX A

Litton Restoration Program – Post April 3, 2001 through June 30, 2003

A.01 Purpose. The purpose of this Program is simply to restore to employees of the Company the benefits they lose under the Retirement Plans as a result of the compensation limit in Code section 401(a)(17) and/or the limit on deferrals in Code section 402(g), or any successor provisions. This Appendix applies to benefits earned for service performed after April 3, 2001 and before July 1, 2003.

A.02 Definitions. The following terms have the meanings below for purposes of this Appendix.

(a) Annual Compensation. Compensation paid during the calendar year, subject to the following:

- (1) For compensation paid before July 1, 2003, Annual Compensation means “Compensation” as defined in the FSSP.
- (2) For compensation paid after June 30, 2003, Annual Compensation means “Compensation” as defined in the Northrop Grumman Savings Plan (NGSP) for participants who transfer to that plan only in the year of transfer.
- (3) Compensation does not include retention bonuses paid as a result of the acquisition of Litton Industries, Inc. by Northrop Grumman Corporation.
- (4) Compensation does not include amounts paid for service performed before January 1, 2001 or after December 31, 2003.
- (5) Transfers. For anyone who transferred from the FSSP to the NGSP before 2003, the rule under (1) applies to pre-transfer periods, and the rules under (2) apply to periods after the transfer.

(b) Annuity Equivalent. “Annuity Equivalent” determined in the same manner as the prior version of this Program.

A.03 Eligibility. An employee of the Company or one of its subsidiaries is eligible to receive a benefit under this Program if he or she:

- (a) retires on or after May 1, 2001;
-

- (b) has vested in benefits under one or more of the Retirement Plans that are reduced because of the application of Code section 401(a)(17) and/or Code section 402(g); and
- (c) is not eligible to receive a benefit under the Northrop Corporation Supplemental Retirement Income Program for Senior Executives, the Litton Industries, Inc. Restoration Plan, or any other plan or program that bars an employee from participation in this Program.
- (d) Has deposited the maximum amount of pretax Employee Deposits under the FSSP, including the Basic Contributions under the NGSP in a transfer year (excluding any age 50 catch-up contributions).

A.04 Amount of Benefit.

- (a) General. The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime is intended to make up for the retirement benefit, if any, that would have been payable to the Participant under the terms of a Retirement Plan, but for the restrictions of Code sections 401(a)(17) and/or 402(g), or any successor section as those limits are described by the applicable Retirement Plan.
- (b) Benefit Formula. The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime equals the sum of all of his or her annual Part I Excess Benefits and annual Part II Excess Benefits for each year in which the individual was a Participant.
- (c) Part I Excess Benefit. A Participant's annual Part I Excess Benefit equals (4), where:
 - (1) equals the Participant's Annual Compensation multiplied by 4%;
 - (2) equals the actual amount of the Participant's pretax Employee Deposits under the FSSP or Tax-Deferred Contributions under the NGSP for the Plan Year (as limited by Code sections 401(a)(17) and/or 402(g));
 - (3) equals (1) minus (2); and
 - (4) equals 85% of (3), minus the Annuity Equivalent of (3).
- (d) Part II Excess Benefit. A Participant's annual Part II Excess Benefit equals (4), where:

- (1) equals the Participant's Annual Compensation multiplied by 6%;
 - (2) equals the actual amount of the Participant's Matched Deposits under the FSSP and Basic Contributions under the NGSP for the Plan Year (as limited by Code sections 401(a)(17) and/or 402(g));
 - (3) equals (1) minus (2);
 - (4) equals the Annuity Equivalent of 50% of (3).
- (e) Partial Year 2003. Subsections (c) and (d) above are modified as provided in this subsection for Participants who are eligible for an accrual under this Program in Plan Year 2003.
- (1) The benefit will be calculated based on a full year of Annual Compensation.
 - (2) The total benefit in subsections (c) and (d) above are offset by the benefit amount earned from July 1, 2003 to December 31, 2003 under Appendix B.
- (f) Vested Benefits. Benefits under this Program will only be paid to supplement benefit payments actually made from a Retirement Plan. If benefits are not payable under a Retirement Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Program with respect to such Retirement Plan.
- (g) No duplication of benefits. In any year in which a Participant earns benefits in two or more qualified defined benefit plans, the benefits from this plan will be reduced for any restoration plan benefits paid from the other defined benefit plan.
- A.05 Preretirement Surviving Spouse Benefit. Preretirement surviving spouse benefits will be payable under this Program on behalf of a Participant if such Participant's surviving spouse is eligible for benefits payable from a Retirement Plan. The amount of the preretirement surviving spouse benefit is the amount under A.04, adjusted as follows:
- (a) Death on or After Normal Retirement Age. The Participant's surviving spouse will receive a 100% survivor annuity calculated assuming the employee commenced receiving normal retirement benefits the day before death.

- (b) Death on or After Early Retirement Age, But Before Normal Retirement Age. The Participant's surviving spouse will receive a 100% survivor annuity calculated assuming the employee commenced receiving early retirement benefits the day before death.
- (c) Death Before Early Retirement Age. The Participant's surviving spouse will receive a 100% survivor annuity calculated assuming the employee terminated employment and survived to normal (or early) retirement age and commenced receiving a joint and survivor annuity.

No benefit will be payable under this Program with respect to a spouse after the death of that spouse.

A.06 Plan Termination. No further benefits may be earned under this Program with respect to a particular Retirement Plan after the termination of such Retirement Plan.

A.07 Retirement Plan Benefits. For purposes of this Appendix, the term "Retirement Plan Benefits" generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Retirement Plan. However, this Program is only intended to remedy pension reductions caused by the operation of section 401(a)(17) and/or 402(g) and not reductions caused for any other reason. In those instances where pension benefits are reduced for some other reason, the term "Retirement Plan Benefits" shall be deemed to mean the benefits that actually would have been payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA § 4041(c) or any comparable successor provision of law) of a Retirement Plan. In such a case, the Retirement Plan Benefits will be deemed to refer to the payments that would have been made from the Retirement Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA § 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under Code section 412(c)(8), as amended, or any comparable successor provision of law.

- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant's benefits to a third party on behalf of or with respect to a Participant.

APPENDIX B

Litton Cash Balance Restoration Program

- B.01 Purpose. The purpose of this Program is simply to restore to employees of the Company the benefits they lose under Retirement Plan "B" and the Avondale Plan after June 30, 2003 as a result of the compensation limit in Code section 401(a)(17) and/or the benefit limit in Code section 415(b), or any successor provisions.
- B.02 Eligibility. An employee of the Company is eligible to receive a benefit under this Program if he or she:
- (a) retires on or after July 1, 2003;
 - (b) has vested in benefits under Retirement Plan "B," the Ingalls Salaried Plan, or the Avondale Plan that are reduced because of the application of Code section 401(a)(17) and/or Code section 415(b); and
 - (c) is not eligible to receive a benefit under the Northrop Corporation Supplemental Retirement Income Program for Senior Executives or any other plan or program which bars an employee from participation in this Program.
- B.03 Amount of Benefit. The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime will equal the retirement benefit, if any, that would have been payable to the Participant under the terms of a Retirement Plan, but for the restrictions of Code section 401(a)(17) and/or Code section 415(b) (or any successor sections) as those limits are described by the applicable Retirement Plan. "Compensation" is defined by the pension plans and includes the amount that would have been counted under the Qualified plans except that it was deferred under The Northrop Grumman Deferred Compensation plan.
- Benefits under this Program will only be paid to supplement benefit payments actually made from Retirement Plan "B" or the Avondale Plan. If benefits are not payable under Retirement Plan "B" or the Avondale Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Program with respect to those plans.
- B.04 Preretirement Survivor Benefit. Preretirement survivor benefits will be payable under this Program on behalf of a Participant if the Participant's beneficiary is eligible for benefits payable from Retirement Plan "B" or the Avondale Plan. The benefit payable will be the amount that would have been payable under the Retirement Plan but for the restrictions of section 401(a)(17) (or any successor section), as that limit is described in the applicable Retirement Plan.
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The benefit payable under this Program will be paid in a lump sum to nonspouse beneficiaries and in either a lump sum or single life annuity to spouse beneficiaries. Notwithstanding the foregoing, the timing and form of the payment of benefits described in this Section that relate to amounts other than Grandfathered Amounts shall be determined in accordance with Appendix C and Appendix D.

The benefit payable under this Program will be reduced by the combined amounts of the Retirement Plan Benefits and the Northrop Grumman Corporation ERISA Supplemental Plan 1 benefits attributable to the applicable Retirement Plan.

No benefit will be payable under this Program with respect to a spouse after the death of that spouse.

B.05 Plan Termination. No further benefits may be earned under this Program with respect to a particular Retirement Plan after the termination of the Retirement Plan.

B.06 Retirement Plan Benefits. For purposes of this Appendix, the term "Retirement Plan Benefits" generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Retirement Plan. However, this Program is only intended to remedy pension reductions caused by the operation of section 401(a)(17) and not reductions caused for any other reason. Where pension benefits are reduced for some other reason, the term "Retirement Plan Benefits" shall be deemed to mean the benefits that actually would have been payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA § 4041(c) or any comparable successor provision of law) of a Retirement Plan. In such a case, the Retirement Plan Benefits will be deemed to refer to the payments that would have been made from the Retirement Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA § 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under Code section 412(c)(8), as amended, or any comparable successor provision of law.

- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant's benefits to a third party on behalf of or with respect to a Participant.
- (d) No duplication of benefits. If the participant is eligible for restoration plan benefits another Excess plan for the same period of service, the benefit under this plan will be reduced accordingly to prevent a duplication of benefits.

APPENDIX C
2005-2007 Transition Rules

This Appendix C provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Participants with benefit commencement dates after January 1, 2005 and before January 1, 2008.

- C.01 Election. Participants scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Participants electing optional forms of benefits under this provision will commence payments on the Participant's selected benefit commencement date.
- C.02 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Participants commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Participant.
- (a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.
- (b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:
- (i) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, a Participant must be an elected or appointed officer of the Company and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;
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(ii) The lump sum payment shall be made in 2005 as soon as feasible after the election; and

(iii) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.

C.03 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007), distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Participant's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Participant's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

APPENDIX D
Post 2007 Distribution of 409A Amounts

The provisions of this Appendix D shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Articles II and III, and Appendix C addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008.

- D.01 Time of Distribution. Subject to the special rules provided in this Appendix D, distributions to a Participant of his vested retirement benefit shall commence as of the Payment Date.
- D.02 Special Rule for Key Employees. If a Participant is a Key Employee and age 55 or older at his Separation from Service, distributions to the Participant shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Participant's death). Amounts otherwise payable to the Participant during such period of delay shall be accumulated and paid on the first day of the seventh month following the Participant's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).
- D.03 Forms of Distribution. Subject to the special rules provided in this Appendix D, a Participant's vested retirement benefit shall be distributed in the form of a single life annuity. However, a Participant may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:
- (a) 50% joint and survivor annuity
 - (b) 75% joint and survivor annuity
 - (c) 100% joint and survivor annuity.

If a Participant is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

D.04 Death. If a married Participant dies before the Payment Date, a death benefit will be payable to the Participant's spouse commencing 90 days after the Participant's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of a Participant's vested retirement benefit based on a 100% joint and survivor annuity determined on the Participant's date of death. This benefit is also payable to a Participant's domestic partner who is properly registered with the Company in accordance with procedures established by the Company.

D.05 Actuarial Assumptions. Except as provided in Section D.06, all forms of payment under this Appendix D shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

D.06 Accelerated Lump Sum Payouts.

(a) Post-2007 Separations. Notwithstanding the provisions of this Appendix D, for Participants who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section D.02, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Participant's Separation from Service.

(b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix D, for Participants who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Participant attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first

of the month coincident with or following the date the Participant attains age 55, but no earlier than January 1, 2008.

- (c) Conflicts of Interest. The present value of a Participant's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.
- (d) Present Value Calculation. The conversion of a Participant's retirement benefit into a lump sum payment and the present value calculations under this Section D.06 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the Participant's immediate benefit if the Participant is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Participant will be eligible to receive at age 55.

D.07 Effect of Early Taxation. If the Participant's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Participant.

D.08 Permitted Delays. Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Company's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section D.08 shall be paid in accordance with Code section 409A.

LITTON INDUSTRIES, INC.
RESTORATION PLAN
(Amended and Restated Effective as of January 1, 2009)

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The Litton Industries, Inc. Restoration Plan (the "Plan") became effective January 1, 1987 and is hereby amended and restated effective as of January 1, 2009. This restatement amends the January 1, 2005 restatement of the Plan and includes changes that apply to Grandfathered Amounts.

Section 1 – General

1.1 Purpose – The purpose of the Plan is to provide, on an unfunded basis, the aggregate amount of Annual Benefits earned by the Affected Employees of the Participating Divisions and Subsidiaries of Litton Industries, Inc., a Delaware corporation, and any unit thereof, enumerated in Section 2 and hereinafter referred to collectively as the "Company". The Plan is intended to comply with Code section 409A and official guidance issued thereunder (except for Grandfathered Amounts). Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with this intention.

1.2 Coverage

- A. Unless otherwise provided, the provisions of the Plan shall apply to any Affected Employee who incurs a Termination of Employment on or after January 1, 1989.
- B. Any subsequent amendment to this Plan shall apply only to an Affected Employee who incurs a Termination of Employment on or after the effective date of said amendment, unless said amendment provides otherwise.

Section 2 – Participating Divisions and Subsidiaries

2.1 Participating Division or Subsidiary – The Participating Divisions and Subsidiaries and their respective participation dates are listed in Appendix 1 attached hereto. When the name or status of a Participating Division or Subsidiary is changed, the change shall be effective for Plan purposes.

Section 3 – Definitions

As used in the Plan, the following terms shall have the meanings defined below.

- 3.1 Actuarial Equivalent – Except as otherwise provided by the next sentence, the definition of such term under the Litton Industries, Inc. Retirement Plan "B", as amended. On or after a Change of Control, an Affected Employee's benefit, a Spouse's benefit, or a Beneficiary's benefit, shall be computed using the actuarial factors set forth in Appendix A hereof.
- 3.2 Affected Employee – An Affected Employee, for any particular Plan Year, is an individual employed as a common law employee by the Company (except that an individual who is a participant under the Litton Supplemental Retirement Plan, as amended, for such Plan Year shall, notwithstanding any other provision of the Plan, be

deemed to have a Retirement Account Restricted Amount of zero for such Plan Year) 8% of whose Annual Compensation for that particular Plan Year exceeds the maximum amount of elective deferrals available to such Affected Employee to a Code section 401(k) plan for such Plan Year and who was a participant in the Litton Financial Security and Savings Program, as amended from time to time, (the "FSSP") for such Plan Year and who contributed his legally permissible maximum amount to the FSSP for such Plan Year.

- 3.3 Affiliate Company or Affiliated Companies– Each company fifty percent (50%) or more of whose voting stock is owned directly or indirectly by Litton Industries, Inc., its successors or assigns, and which company is not a participating division or subsidiary of the Plan.
- 3.4 Annual Benefit – The portion of the total annual retirement benefit that an Affected Employee is entitled to with respect to a particular Plan Year, determined in accordance with Section 6.1, Section 6.2, or Section 6.3, whichever is applicable.
- 3.5 Annual Benefit Statement – The statement given to an Affected Employee for each Plan Year such Affected Employee is entitled to an Annual Benefit under the Plan. All such Annual Benefit Statements shall be in the form prescribed by the Plan Administrator.
- 3.6 Annual Compensation – An Affected Employees wages paid or deferred by the Company (limited, however, to wages paid or deferred by the Company on or after the date the Participating Division or Subsidiary by which the Affected Employee is employed became a Participating Division or Subsidiary), as determined under section 3121 of the Code without regard to the dollar limitation of section 3121(a)(1) of the Code, excluding therefrom any amount so paid which represents (a) reimbursed expenses, (b) wages not paid in cash, (c) cash received pursuant to the exercise of a stock appreciation right, or (d) certain other wage items as may be agreed to from time to time between the Company and one or more Affected Employees.
- Wages deferred by an Affected Employee shall be treated as Annual Compensation only for the Plan Year of deferral and not for the Plan Year of actual payment.
- 3.7 Beneficiary means the Spouse of an Affected Employee or, if there is no surviving Spouse at the time of the Affected Employee's death or if the Spouse has previously given written consent, such other person(s) designated by the Affected Employee on a form provided by the Plan Administrator to receive any payment or payments becoming due to a Beneficiary under the Plan. Such designation may be changed from time to time, except that a designated Beneficiary may not be changed after the commencement of retirement benefits. Any spousal consent required hereunder shall be invalid unless signed by the Spouse and witnessed by the Plan Administrator, his representative or a notary public.
- 3.8 Board – The Board of Directors of Litton Industries, Inc., a Delaware corporation.
- 3.9 Break in Service Period – The definition of such term under the Litton Industries, Inc. Retirement Plan "B", as amended from time to time.

3.10 Change in Control shall mean –

- (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty percent (30%) or more of either (1) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this Section 3.10(a), the following acquisitions of stock shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (1), (2) and (3) of Section 3.10(c); or
- (b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- (c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless following such Business Combination, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no person

(excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, thirty percent (30%) or more of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3.11 Code – The Internal Revenue Code of 1986, as amended.

3.12 Committee shall mean –

(a) The Compensation and Selection Committee of the Board.

(b) Notwithstanding Section 3.12(a), upon a Change of Control, the Committee shall mean exclusively the “special administrators.” The “special administrators” shall be the individuals who constituted the Committee immediately prior to the Change of Control. The “special administrators” shall constitute the Committee until the last day of the eighteenth month following the month in which the Change of Control occurred. The “special administrators” shall have all rights and authority reserved to the Committee under this Plan.

(c) If a “special administrator” dies, becomes disabled, or resigns as “special administrator” during the period that the “special administrators” constitute the Committee, the remaining “special administrator(s)” shall continue to serve as the Committee without interruption. A successor “special administrator” shall be required only if there are less than three (3) remaining “special administrators.” If a successor “special administrator” is required, the successor shall be the individual who, at that time, (1) is not already a “special administrator,” and (2) is not a Participant or currently an employee of the Company, and (3) was the member of the Board immediately prior to the Change of Control with the longest period of service on the Board, and (4) agrees to serve as a “special administrator.”

(d) If a successor “special administrator” is required and there are no individuals remaining who satisfy the criteria described in Section 3.12(c), then a successor “special administrator” shall either be appointed by the Trustee or, in the Trustee’s discretion, the Trustee shall submit the selection of the “special administrator(s)” to an arbitrator, the costs of which shall be borne fully by the Company, to be decided in accordance with the American Arbitration Association Commercial Arbitration Rules then in effect. If at any time, there are no remaining “special

administrators,” the Trustee shall act as the “special administrator” until the successor(s) is selected.

- 3.13 Coverage Date – January 1, 1987, or the date an employee of the Company first becomes an Affected Employee, if later.
- 3.14 Designated Foreign Corporation – An entity: (a) created under the laws of a country other than the United States; (b) of which a majority of the voting shares are owned directly or indirectly by Litton Industries, Inc.; and (c) with respect to which the Company has entered into an agreement under section 3121(l) of the Code, and has satisfied the provisions of section 406 of the Code.
- 3.15 Director – shall mean a member of the Board of Directors of Litton Industries, Inc.
- 3.16 Grandfathered Amount – Plan benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder.
- 3.17 Interest – The amount of interest (based on a stated rate of interest, compounded annually, as determined by the Board or its delegate) with respect to the Retirement Account and Savings Account Restricted Amounts of all Affected Employees for a particular Plan Year with such rate of interest to be fixed for all of such Restricted Amounts and to commence on the first day of the Plan Year succeeding such particular Plan Year and to continue for all Plan Years thereafter; but such interest shall cease with respect to the Retirement Account and Savings Account Restricted Amounts of any particular Affected Employee upon the later of: (i) the last day of the month such Affected Employee is projected to attain his Normal Retirement Date for purposes of determining the amount of such Affected Employee’s annual retirement benefit pursuant to Section 6.1; or (ii) if such Affected Employee attains Retirement after his Normal Retirement Date, the last day of the month such Affected Employee attains Retirement.
- 3.18 Key Employee – An employee treated as a “specified employee” under Code section 409A(a)(2)(B)(i) of Litton or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if Litton’s or an Affiliated Company’s stock is publicly traded on an established securities market or otherwise. Litton shall determine in accordance with a uniform Litton policy which employees are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year. For purposes of this Section only, “Affiliated Company” means Litton and any other entity related to Litton under the rules of Code section 414. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.
- 3.19 Litton – Litton Industries, Inc. or any successor thereto.

- 3.20 Mandatory Contribution shall mean, as of a Change of Control, an amount equal to the excess of “A” over “B,” where –
- (a) “A” is one hundred twenty percent (120%) of the present value of all vested benefits under the Plan determined under the factors set forth in Appendix A; and
 - (b) “B” is the current value of the Trust as determined by the Trustee on the business day immediately preceding the day that a Mandatory Contribution is paid to the Trustee.
- 3.21 Payment Date – The 1st of the month coincident with or following the later of (a) the date the Affected Employee attains age 55, or (b) the date the Affected Employee Separates from Service.
- 3.22 Pension Plan and Pension Plans – Any of the following:
- (a) The Northrop Grumman Retirement Plan
 - (b) The Northrop Grumman Retirement Plan—Rolling Meadows Site
 - (c) The Northrop Grumman Retirement Value Plan (effective as of January 1, 2000)
 - (d) The Northrop Grumman Electronics Systems – Space Division Salaried Employees’ Pension Plan (effective as of the Aerojet Closing Date)
 - (e) The Northrop Grumman Electronics Systems – Space Division Union Employees’ Pension Plan (effective as of the Aerojet Closing Date)
- “Aerojet Closing Date” means the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation.
- 3.23 Plan – Litton Industries, Inc. Restoration Plan.
- 3.24 Plan Administrator – The person appointed to administer the Plan pursuant to Section 12.
- 3.25 Plan Year – January 1, 1987 to December 31, 1987 and each calendar year thereafter.
- 3.26 Restricted Amount – As applied for any particular Plan Year to a particular Affected Employee, the Restricted Amount of such Affected Employee shall be the amount, if any, by which 8% of such Affected Employee’s Annual Compensation for the particular Plan Year under consideration exceeds the maximum amount of elective deferrals available to such Affected Employee to a Code section 401(k) plan for such Plan Year.
- 3.27 Retirement – An Affected Employee who incurs a Termination of Employment attains Retirement under the Plan when he is eligible to and elects to receive his annual retirement benefit under the Plan except that any Affected Employee who continues to be

employed by the Company after his Normal Retirement Date shall attain Retirement immediately upon his Termination of Employment.

- 3.28 Retirement Account Restricted Amount – As applied for any particular Plan Year to a particular Affected Employee, the Retirement Account Restricted Amount, if any, shall be that portion of such Affected Employee’s Restricted Amount for such Plan Year which is equal to the excess, if any, of 4% of such Affected Employee’s Annual Compensation for such Plan Year over 4% of such Affected Employee’s Annual Compensation for such Plan Year where such Annual Compensation is limited to the annual compensation limit prescribed under Code section 401(a)(17) for such Plan Year.
- 3.29 Savings Account Restricted Amount – As applied for any particular Plan Year to a particular Affected Employee, the Savings Account Restricted Amount of such Affected Employee shall equal one-half of the excess of 8% of such Affected Employee’s Annual Compensation for such Plan Year over 4% of such Affected Employee’s Annual Compensation for such Plan Year where such Annual Compensation is limited to the Annual Compensation limit prescribed under Code section 401(a)(17) for such Plan Year.
- 3.30 Separation from Service or Separates from Service – A “separation from service” within the meaning of Code section 409A.
- 3.31 Spouse – A person who has been married to the Affected Employee throughout the one-year period ending on the earlier of the date the Affected Employee’s annual retirement benefit commences under the Plan, or the date of the Affected Employee’s death.
- 3.32 Termination of Employment – When an Affected Employee is discharged or quits from the Company; but such term shall not include an authorized leave of absence from the Company.
- 3.33 Trust shall mean the Litton Industries, Inc., Restoration Plan Trust, as amended from time to time.
- 3.34 Trust Agreement shall mean the terms of the agreement entered into between Litton Industries, Inc., and the Trustee that establish the Trust.
- 3.35 Trustee shall mean the trustee of the Trust.
- 3.36 Year(s) of Service – The definition of such term under the Litton Industries, Inc. Retirement Plan “B”, as amended.

Section 4 — Participation

- 4.1 Participation – Effective January 1, 1987, each Affected Employee of the Company shall be a participant in the Plan.

Section 5 — Retirement Dates

5.1 Normal Retirement Date – An Affected Employee’s sixty-fifth (65th) birthday.

5.2 Early Retirement Date – The date that an eligible Affected Employee elects to retire and receive an early retirement benefit prior to his Normal Retirement Date. Except as otherwise provided in the following sentence with respect to the surviving Spouse of a deceased Affected Employee, an Affected Employee may not elect to receive an early retirement benefit unless he is age fifty-five (55) or older and has at least five (5) Years of Service. In the case of determining whether a Pre-Retirement Spouse benefit is payable in accordance with Section 7.1 of the Plan, the Early Retirement Date of the deceased Affected Employee shall be the date on which such Affected Employee would have attained age fifty-five (55) or older had he lived.

5.3 Disability Retirement Date – The date that an eligible Affected Employee elects to retire and receive a disability retirement benefit prior to his Normal Retirement Date. An Affected Employee may not elect to receive a disability retirement benefit unless he is an Affected Employee who becomes totally and permanently disabled while employed by the Company and who has attained age fifty-five (55). An Affected Employee shall be deemed totally and permanently disabled for the purpose of the Plan only when he will be in the opinion of a qualified physician permanently, continuously and wholly prevented by bodily injuries or disease for life from engaging in any occupation or employment for wage or profit, as long as he is also entitled to disability benefits under the Federal Social Security Act.

Section 6 — Amount of Retirement Income

6.1 Normal Retirement Benefit

- (a) Any person who was an Affected Employee with respect to one or more Plan Years and who attains Retirement on or after his Normal Retirement Date shall be entitled to receive an annual retirement benefit which will be equal to (i) multiplied by (ii), wherein: (i) is equal to the aggregate amount of such Affected Employee’s Annual Benefit amounts with respect to all Plan Years during which such Affected Employee was an Affected Employee, with each such amount being computed for each such Plan Year in accordance with paragraphs (b)(1) and (2) below; and, wherein (ii) is equal to the vested percentage of such Affected Employee, determined in accordance with Section 6.4, in his annual retirement benefit.
- (b) (1) For any particular Plan Year, an Affected Employee’s Annual Benefit attributable to his Retirement Account Restricted Amount, if any, for such Plan Year shall be equal to eighty-five percent (85%) of the Retirement Account Restricted Amount of such Affected Employee for such Plan Year reduced by [[the sum of (i) plus (ii)] multiplied by (iii)], wherein: (i) is equal to the Retirement Account Restricted Amount of such Affected Employee for such Plan Year; wherein (ii) is equal to the amount of Interest with respect of (i) above; and, wherein (iii) is equal to either:

(a) the Actuarial Equivalent factor, for such Plan Year, applicable under the Litton Industries, Inc. Retirement Plan "B", as amended, with respect to such Affected Employee's projected age at his Normal Retirement Date; or (b) if such Affected Employee attains Retirement after his Normal Retirement Date, the Actuarial Equivalent factor, for such Plan Year, under the Litton Industries, Inc. Retirement Plan "B", as amended, with respect to such Affected Employee's age when he attains Retirement.

(2) For any particular Plan Year, an Affected Employee's Annual Benefit attributable to his Savings Account Restricted Amount shall be equal to [[the sum of (i) plus (ii)] multiplied by (iii)], wherein: (i) is equal to the Savings Account Restricted Amount of such Affected Employee for such Plan Year; wherein (ii) is equal to the amount of Interest with respect to (i) above; and, wherein (iii) is equal to either: (a) the Actuarial Equivalent factor, for such Plan Year, applicable under the Litton Industries, Inc. Retirement Plan "B", as amended, with respect to such Affected Employee's projected age at his Normal Retirement Date; or (b) if such Affected Employee attains Retirement after his Normal Retirement Date, the Actuarial Equivalent factor, for such Plan Year, under the Litton Industries, Inc. Retirement Plan "B", as amended, with respect to such Affected Employee's age when he attains Retirement.

- 6.2 Early Retirement Benefit – At his Early Retirement Date an Affected Employee who attains Retirement, or his surviving Spouse if a benefit is payable pursuant to Section 7.1 of the Plan, shall be entitled to an annual early retirement benefit which will be equal to the annual retirement benefit amount calculated pursuant to Section 6.1(b)(1) and (2) above for such Affected Employee reduced by one-half percent (1/2%) for each full month by which his Early Retirement Date precedes (i) his Normal Retirement Date, or (ii) attainment of age sixty-two (62) for any Affected Employee who incurred a Termination of Employment on or after January 1, 1997 and who has attained both age fifty-five (55) or more at such time and who has at least seven (7) Years of Service (five (5) Years of Service for any Affected Employee whose annual retirement benefit commences on or after January 1, 1999) at such time.
- 6.3 Disability Retirement Benefit – At his Disability Retirement Date an Affected Employee who attains Retirement shall be entitled to an annual disability benefit which will be equal to the normal benefit amount calculated pursuant to Section 6.1 (b)(1) and (2) above for such Affected Employee reduced by one-half percent (1/2%) for each full month by which his Disability Retirement Date precedes his Normal Retirement Date.
- 6.4 Vesting Schedule – An Affected Employee shall be vested in his annual retirement benefit under the Plan according to the Company purchased retirement benefit vesting schedule under the Litton Industries, Inc. Retirement Plan "B", as amended from time to time, except that: (i) for purposes of this Plan only, on the Disability Retirement Date of any Affected Employee, such Affected Employee shall become one hundred percent (100%) vested in his annual disability retirement benefit, notwithstanding his actual number of

Year(s) of Service; and (ii) for purposes of this Plan only, if an Affected Employee should die prior to incurring a Termination of Employment, such Affected Employee's Spouse, if any, shall become one hundred percent (100%) vested in his annual retirement benefit, notwithstanding such Affected Employee's actual number of Year(s) of Service at the time of his death.

- 6.5 Initial and Subsequent Payment Dates – An Affected Employee's annual retirement benefit shall be payable in twelve (12) equal monthly installments commencing effective the first of the month following the month the Affected Employee attains Retirement and the first payment shall be made no later than sixty (60) days following the end of the Plan Year in which the Affected Employee attains Retirement, except that no payment shall be made until the date that an Affected Employee files with the Company a request for payment of an annual retirement benefit on a form prescribed by the Plan Administrator.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix B and Appendix C for the distribution rules that apply to other benefits earned under the Plan.

- 6.6 Compensation Considered – The following shall not be considered as compensation for purposes of determining the amount of benefits under the Plan:
- (a) any payment authorized by the Northrop Grumman Corporation Compensation Committee that is (a) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (b) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (b) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

Section 7 — Death Benefits

- 7.1 Pre-Retirement Spouse Benefit – If a married Affected Employee dies after becoming either wholly or partially vested under this Plan and before commencing to receive an annual retirement benefit, his surviving spouse shall be entitled to receive an annual benefit, commencing on the first day of the month following the later of the date of death of the Affected Employee or the date the Affected Employee would have attained his Early Retirement Date, and terminating with the last monthly payment preceding the surviving Spouse's death. In the case of an Affected Employee who dies before commencing to receive an annual retirement benefit, but after he has attained his Early Retirement Date, the amount of annual benefit to which such Affected Employee's surviving Spouse shall be entitled shall be equal to the amount which would have been payable to the surviving Spouse had the Affected Employee commenced receiving an annual retirement benefit pursuant to Section 6.1 or Section 6.2, whichever is applicable, on the day before his death, in the form of a joint and survivor income annuity computed in accordance with Section 9.1. In the case of an Affected Employee who dies before

commencing to receive an annual retirement benefit and before he has attained his Early Retirement Date, the amount of such annual benefit to which such Affected Employee's surviving Spouse shall be entitled shall be equal to the amount which would have been payable had the Affected Employee incurred a Termination of Employment on the date of his death, (or the date of his actual Termination of Employment, if earlier) survived to his Normal Retirement Date under Section 5.1 or to his Early Retirement Date under Section 5.2, if applicable, and commenced receiving his annual retirement benefit in the form of a joint and survivor income annuity computed in accordance with Section 9.1 on his Normal Retirement Date or his Early Retirement Date, whichever is applicable, and died immediately thereafter.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix B and Appendix C for the distribution rules that apply to other benefits earned under the Plan.

- 7.2 Death After Retirement – Upon the death of an Affected Employee after he has attained Retirement, his surviving Spouse shall be entitled to an annual benefit determined in accordance with Section 9.1.

Section 8 — Termination of Employment

- 8.1 Rights of Affected Employees – In the event that an Affected Employee incurs a Termination of Employment, any part of his accrued benefit which is not then vested in accordance with Section 6.4 shall be forfeited. Such amount forfeited shall not be restored unless such Affected Employee is reemployed by the Company and has not incurred a Break in Service Period prior to such reemployment by the Company.
- 8.2 Transfer of Employment – If an Affected Employee transfers from a category of employment covered by the Plan to a category of employment not covered by the Plan with Litton Industries, Inc., with any Affiliate Company or Designated Foreign Corporation, said Affected Employee shall be deemed not to have incurred a Termination of Employment.

Section 9 — Forms of Retirement Income

- 9.1 Joint and Survivor Income Annuity – The annual retirement benefit of an Affected Employee who is married at the time he attains Retirement shall be payable to the Affected Employee in twelve (12) equal monthly payments commencing with the first calendar month after the Affected Employee attains Retirement for his life, and shall continue to be payable monthly to his surviving Spouse, following the death of the Affected Employee, for the life of the surviving Spouse. Payments will cease with the last payment made prior to the date of the death of the surviving Spouse. Such annual retirement benefit shall be the Actuarial Equivalent of a straight life annuity computed in accordance with Section 6.1, Section 6.2, or Section 6.3, whichever is applicable, payable for the life of the Affected Employee. Any such survivor benefit shall be equal to one hundred percent (100%) of the annual retirement benefit payable during the joint lives of the Affected Employee and his surviving Spouse.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix B and Appendix C for the distribution rules that apply to other benefits earned under the Plan.

- 9.2 Straight Life Annuity – If an Affected Employee does not have a Spouse at the time he attains Retirement, his annual retirement benefit will be payable in the form of a straight life annuity for the life of the Affected Employee and shall be payable in twelve (12) equal monthly payments commencing with the first calendar month after the Affected Employee attains Retirement. Payments will cease with the last payment made prior to the date of death of the Affected Employee. The amount of the annual retirement benefit will be computed in accordance with Section 6.1, Section 6.2, or Section 6.3, whichever is applicable.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix B and Appendix C for the distribution rules that apply to other benefits earned under the Plan.

- 9.3 Spousal Death Within Two Years After Retirement – Notwithstanding Section 9.1, if the Spouse of an Affected Employee who is married at the time he attains Retirement and after he commences to receive an annual retirement benefit pursuant to Section 9.1 should predecease such Affected Employee not more than two (2) years after he commences to receive a retirement benefit under Section 9.1, such annual retirement benefit shall, commencing with the first retirement benefit payment payable as of the first day of the calendar month after the calendar month during which the death of his Spouse occurred, be converted to an annual retirement benefit computed pursuant to Section 9.2 in an annual amount equal to the amount of the annual retirement benefit the Affected Employee would have received at the time of and based on his age at the date of his Retirement.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix B and Appendix C for the distribution rules that apply to other benefits earned under the Plan.

9.4 Annuity Options

An Affected Employee may elect in writing to the Plan Administrator, within the ninety (90) day period prior to his commencement of benefits, to be paid in an optional form of annuity other than that provided under Section 9.1 or 9.2 above. With respect to an Affected Employee who is married at the time he attains Retirement, in no event shall an election of any such optional benefit form be effective unless it is made in connection with the express written consent of his Spouse in a form and manner satisfactory to the Plan Administrator.

- (a) A married Affected Employee may elect, with the consent of his Spouse, a life annuity pursuant to Section 9.1.

- (b) (i) A married Affected Employee may elect, with the consent of his Spouse an optional form of joint and surviving spousal annuity which is the Actuarial Equivalent of the annuity provided for under Section 9.2 but which provides a reduced monthly benefit to the Affected Employee for his life, and, upon his death, an annuity for the life of his surviving Spouse in a monthly amount equal to one of the following: fifty percent (50%) or seventy-five percent (75%) of the amount payable to the Affected Employee during his life.
- (ii) This annuity option is available only to an Affected Employee who is married to a Spouse within the meaning of Section 3.26.
- (c) “Ten-Year Certain and Continuous Annuity” means an annuity that is the Actuarial Equivalent of the normal form of annuity that provides a reduced monthly benefit to the Affected Employee for life. Upon his death, if he has not received one hundred twenty (120) monthly payments, a monthly benefit, equal to that payable to the Affected Employee during his life, shall be paid to his designated Beneficiary until the number of monthly payments received by the Affected Employee and his designated Beneficiary equals one hundred and twenty (120). The designated Beneficiary may elect an additional Beneficiary to receive any monthly payment then still owing in the event of the death of the first Beneficiary prior to the number of monthly payments equaling one hundred and twenty. If there is ever a circumstance where no Beneficiary is alive for purposes of receiving payments pursuant to this Subsection 9.4(c) of the Plan then the estate of the last named Beneficiary may elect to receive the then Actuarial Equivalent, determined in accordance with Subsection 6.05(c) of the Litton Industries, Inc. Retirement Plan “B”, of any remaining payments in a lump sum amount which will be payable by the Plan as soon as practicable thereafter.
- (d) “Contingent Annuitant Annuity” means an annuity that is the Actuarial Equivalent of the form of annuity provided under Section 9.2 which provides a reduced monthly benefit to the Affected Employee for life, and, upon his death, an annuity for the life of his designated Beneficiary in a monthly amount equal to one of the following: fifty percent (50%), seventy-five percent (75%), or one hundred percent (100%) of the amount payable to the Affected Employee during his life.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix B and Appendix C for the distribution rules that apply to other benefits earned under the Plan.

9.5 Mandatory Cashout – Notwithstanding any other provisions in the Plan, Affected Employees with Grandfathered Amounts who have not commenced payment of such benefits prior to January 1, 2008 will be subject to the following rules:

- (a) Post-2007 Terminations. Affected Employees who have a complete termination of employment with the Affiliated Companies after 2007 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of such termination (without interest), if such present value is below the Code section 402(g) limit in effect at the termination.
- (b) Pre-2008 Terminations. Affected Employees who had a complete termination of employment with the Affiliated Companies before 2008 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of the time they commence payment of their underlying qualified pension plan benefits (without interest), if such present value is below the Code section 402(g) limit in effect at the time such payments commence.

For this purpose, "Affiliated Companies" shall mean Litton and any other entity related to Litton under the rules of Code section 414. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.

9.6 Optional Payment Forms – Affected Employees with Grandfathered Amounts shall be permitted to elect (a) or (b) below:

- (a) To receive their Grandfathered Amounts in any form of distribution available under the Plan at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under this Plan on October 3, 2004.
- (b) To receive their Grandfathered Amounts in any life annuity form not included in (a) above but included in the underlying qualified pension plan distribution options at the time payment of the Grandfathered Amounts commences. The conversion factors will be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factor

9.7 Special Tax Distribution – On the date an Affected Employee's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the Affected Employee's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the Plan, including Grandfathered Amounts. This payment will reduce the Affected Employee's future benefit payments under the Plan on an actuarial basis.

Section 10 — Miscellaneous

- 10.1 Receipt and Release for Payments – Any payment to any Affected Employee, his surviving Spouse or to his legal representative or to any committee appointed for such Affected Employee or surviving Spouse in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of such benefit claim under the Plan. As a condition precedent to the payment, such Affected Employee, surviving Spouse, legal representative or committee may be required to execute a receipt and release therefor in such form as shall be determined by the Plan Administrator.
- 10.2 Dispute as to Benefit Payments – Upon written notice to the Plan Administrator that there is a dispute as to the proper recipient of any benefits not yet distributed under the Plan, the Plan Administrator may in his sole discretion enter into any arrangement necessary to prevent the benefits from being paid to the wrong party until the dispute shall have been determined by a court of competent jurisdiction or settled by the claimants concerned.
- 10.3 No Contract of Employment – Nothing herein contained shall be construed as giving any Affected Employee the right to be retained in the service of the Company, nor upon dismissal or upon his voluntary Termination of Employment, to have any right or interest in this Plan other than as provided herein.
- 10.4 Commutation of Benefit – If the amount of the annual retirement benefit payable hereunder to any Affected Employee or his surviving Spouse is less than five thousand dollars (\$5,000) per year, payment of the Actuarial Equivalent of such payments may be made in a lump sum in full settlement of all sums payable hereunder. (See Section 9.5 for the rule that applies as of January 1, 2008).

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix B and Appendix C for the distribution rules that apply to other benefits earned under the Plan.

Section 11 — Amendment or Discontinuance

- 11.1 Amendment of Plan – Litton may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the provisions of the Plan with respect to lump sum distributions, including any lump sum calculation factors, whether or not an Affected Employee has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of an Affected Employee's accrued benefit under the Plan as of the date of such amendment or termination.

No amendment of the Plan shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to the Grandfathered Amounts.

- 11.2 Freezing Plan Benefits – The Company intends and expects to continue the Plan indefinitely, but necessarily reserves the right at any time to discontinue, in whole or part, future benefits under the Plan. No Affected Employee shall have any rights to benefits beyond the freeze date. Solely for purposes of computing the Affected Employee’s vesting under Section 6.4, Year(s) of Service, if any, with the Company after the freeze date shall be taken into account.
- 11.3 Termination of Plan – The Company intends and expects to continue the Plan indefinitely, but necessarily reserves the right at any time or times to terminate the Plan (including the partial termination of the Plan). If the Plan is so terminated and is not continued by a successor employer or merged into another plan of the Company or a successor employer, each Affected Employee who is employed by the Company at such time shall be vested one hundred percent (100%) in his annual retirement benefit, notwithstanding the actual number of his Year(s) of Service.
- 11.4 Merger or Consolidation – In the event of any merger or consolidation of the Plan with, any other plan of deferred compensation maintained or to be established for the benefit of all or some of the Affected Employees of this Plan, each Affected Employee shall (if either this Plan or the other Plan then terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated).

Section 12 — Plan Administration

12.1 Plan Administrator

- (a) General – Except as otherwise provided by Section 13.6, a Plan Administrator appointed by and serving at the pleasure of the Board of the Company shall be responsible for the supervision and control of the operation and administration of the Plan. The Plan Administrator shall not have the right to alter or change any terms of the Plan, such right being retained solely by the Board of the Company.
- (b) Specific Powers and Duties – The Plan Administrator shall have all powers and duties, express and implied, necessary to carry out the supervision and control of the Plan, as provided above, which shall include, but not by way of limitation, the following:
1. To interpret the Plan and to decide any and all matters arising hereunder; including the right to remedy possible ambiguities, inconsistencies or omissions; provided, however, that all such interpretations and decisions shall be applied in a uniform manner to all Affected Employees similarly situated;
 2. To compute the amount of retirement benefit which shall be payable to any Affected Employee, Spouse, or Beneficiary in accordance with the provisions of the Plan;

3. To authorize payments under the Plan; and
4. To establish a claims procedure to provide each Affected Employee or Beneficiary a full and fair review of any denial, in whole or part, of a claim for benefits.

Section 13 – Change of Control Provisions

13.1 Change of Control – On or after a Change of Control, no additional Affected Employees shall be provided benefits under the Plan.

13.2 Eligibility for Retirement Benefits

- (a) Change of Control – Except as otherwise provided by Section 13.2(e) below, as of a Change of Control, an Affected Employee shall be fully vested in his or her benefit in accordance with Section 13.3 and there shall be a waiver of any condition concerning eligibility for payment of an Annual Benefit that requires (1) the filing of any election, (2) the attainment of a specified age, (3) an agreement not to engage in competitive activities with the Company, (4) satisfaction of any other terms or conditions or the application of any benefit reductions otherwise provided, and (5) termination of employment with the Company in order to begin receiving an Annual Benefit.
- (b) Benefits Accrued After a Change of Control – The provisions of Section 13.2(d) above shall apply to any benefits accrued by an Affected Employee after a Change of Control except that the waiver of the conditions of having to file an appropriate election and to incur a termination of employment with the Company shall not apply with respect to any benefits accrued by an Affected Employee after a Change of Control.

13.3 Vesting – Change of Control – Upon a Change of Control and thereafter, an Affected Employee shall be vested in his or her Annual Benefit regardless of his or her years of Year(s) of Service or age.

13.4 Benefit Forms after April 2, 2001 – This Section applies to benefits paid under this Plan after April 3, 2001. It applies to a Participant's entire Plan benefit, regardless of when it accrued.

- (a) Affected Employees who had Attained Retirement as of April 3, 2001. For any Affected Employee (or beneficiary of an Affected Employee) who had attained Retirement as of April 3, 2001, benefit payments under this Plan will continue to be paid in the benefit form described in (1) below, unless he or she elects otherwise under (2) below.

- (1) Default Form. Unless otherwise elected under (2), a Participant described in (a) will continue to receive his or her Plan benefits in the form in which they were being paid as of April 2, 2001.
 - (2) Alternative Form. A Participant described in (a) may receive his or her Plan benefits in a lump sum if he or she timely elects to do so in a manner prescribed by the Plan Administrator and subject to the Plan Administrator's discretion to pay the benefit in another form.
- (b) Active Affected Employees as of April 3, 2001 Who Terminate Before October 1, 2003. For any Affected Employee who was accruing a benefit under the Plan as of April 3, 2001 and terminates employment with the Northrop Grumman Corporation controlled group before October 1, 2003, Plan benefits accrued before April 3, 2001 are payable in the benefit form described in (1) below, unless he or she elects otherwise under (2) below. Plan benefits accrued after April 2, 2001 are payable only under (1) for Affected Employees described in this subsection.
- (1) Default Form. Unless otherwise elected under (2), an Affected Employee described in (b) will receive his or her Plan benefits in a lump sum.
 - (2) Alternative Form. An Affected Employee described in (b) may receive his or her Plan benefits in a benefit form described in Section 9 if he or she timely elects to do so in a manner prescribed by the Plan Administrator.
- (c) Active Affected Employees as of April 3, 2001 Who Have a Termination of Employment After September 30, 2003. For any Affected Employee who was actively accruing a Plan benefit as of April 3, 2001 and who terminates employment with the Northrop Grumman Corporation controlled group after September 30, 2003, Plan benefits accrued after April 2, 2001 are payable under Section 9.1 or 9.2, whichever applies, unless the Participant timely elects, in accordance with the Plan Administrator's rules, to receive Plan benefits in another form described in Section 9 or one of the forms provided in the Litton Industries, Inc. Restoration Plan 2. Plan benefits accrued before April 3, 2001 are payable in the benefit form described in (b)(1), unless he or she elects otherwise under (b)(2).

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix B and Appendix C for the distribution rules that apply to other benefits earned under the Plan.

13.5 Payments to Trust

- (a) Mandatory Contribution – Upon a Change of Control, the Company shall make Mandatory Contributions to the Trustee by wire transfer in immediately available funds of United States dollars. A Mandatory Contribution shall be made as soon as possible upon the Change of Control, but in no event more than ten days from the date of the Change of Control. In addition, a Mandatory Contribution shall be

made every six months thereafter, provided that the calculation of the Mandatory Contribution on the sixth-month date yields a positive dollar amount. Mandatory Contributions shall continue to be required semi-annually until all Annual Benefits have been paid to all Affected Employees and Beneficiaries. The Company shall immediately notify the Committee in writing when payment of the Mandatory Contribution is made to the Trustee.

- (b) Continuing Obligation of Company — Subsequent to the payment of a Mandatory Contribution, Affected Employees, retired Affected Employees and, to the extent they are entitled to benefit payments, their Beneficiaries shall be paid benefits under the Plan from the Trust pursuant to the Trust Agreement, but in no event shall the making of a Mandatory Contribution relieve the Company of its obligation under this Plan.

13.6 Administrative Procedures – These Administrative Procedures only take effect upon and after Change of Control. In all other cases, the Administrative Procedures of Section 12 of the Plan shall be those used.

- (a) Notice of Denial — If the Committee determines that any person who had submitted a claim for payment of benefits under the Plan is not eligible for payment of benefits or, if applicable, is not eligible for payment of benefits in the form requested, then the Committee shall, within a reasonable period of time, but no later than 90 days after receipt of the written claim, notify the claimant of the denial of the claim. Such notice of denial: (1) shall be in writing; (2) shall be written in a manner calculated to be understood by the claimant; and (3) shall contain (A) the specific reason or reasons for denial of claim; (B) a specific reference to the pertinent Plan provisions or administrative rules and regulations upon which the denial is based; (C) a description of any additional material or information necessary for the claimant to perfect the claim; and (D) an explanation of the Plan's appeal procedures.
- (b) Review Procedures — Within 90 days of the receipt by the claimant of the written notice of denial of the claim, or if the claim has not been granted or denied within 120 days of the claimant's original claim, the claimant may file a written request with the Board that it conduct a full and fair review of the denial of the claimant's claim for benefits. The claimant's written request must include a statement of the grounds on which the claimant appeals the original claim denial. The Board shall deliver to the claimant a written decision on the claim promptly, but not later than 60 days after the receipt of the claimant's request for review, except that if there are special circumstances that require an extension of time for processing, the 60-day period shall be extended to 120 days, in which case written notice of the extension shall be furnished to the claimant prior to the end of the 60-day period.

13.7 Enforcement

- (a) Right to Enforce — The Company’s obligations under the Plan may be enforced by the filing of an action by any Affected Employee or by any Affected Employee’s Spouse, Beneficiary, or personal representative.
- (b) Attorneys Fees and Costs — If, on or after a Change of Control, any claimant is denied a claim for benefits under the Plan, and the claimant requests a review under the procedures described in Section 13.6(b), or files a claim in a court of law or any other tribunal to enforce any obligation of the Company under this Plan, which is based on a failure to administer the Plan in accordance with its terms, including the requirement that the Company make a Mandatory Contribution to the Trust, the Company shall pay such claimant all attorneys fees and costs incurred in connection with the claim, regardless of the outcome of the claim, provided that the claim is not frivolous. All attorneys fees and costs under this Section 13.7(b) shall be paid by the Company as they are incurred by the claimant, but no later than thirty (30) days from the date that the claimant submits a bill or other statement to the Company.
- (c) Interest — If any claimant prevails in a review procedure described in Section 13.7(b), or if a claimant prevails in an action in a court of law or any other tribunal to enforce the payment of benefits under the Plan, the Company shall pay interest to the claimant on any unpaid benefits accruing from the date that benefit payments should have commenced and continuing until the date that such owed and unpaid benefits are paid to the claimant in full. For purposes of the preceding sentence, interest shall accrue at an annual rate equal to one percent, plus the prime rate reported by the Wall Street Journal.

* * *

2009. IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of December,

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation, Benefits & International

Appendix 1 – Participating Divisions and Subsidiaries

1.1 The Participating Divisions and Subsidiaries which comprise the Company and their respective participating dates are as described in Section 1.3.

1.2 When the name or status of a Participating Division or Subsidiary is changed, the change shall be deemed to have been made automatically in the Plan.

1.3	<u>Participating Division and Subsidiaries</u>	<u>Participating Date</u>
	Litton Industries Inc.	
	Corporate Office	January 1, 1987
	Erie Marine	January 1, 1987
	Ingalls Shipbuilding, Inc. Salaried Employees	January 1, 1987
	Litton Italia, S.P.A.	January 1, 1987
	Litton International Development Corporation	
	Data Command Systems	January 1, 1987
	Litton Worldwide Services	
	Aero Products Division	January 1, 1987
	Litton Korea, Ltd.	
	All U.S. Employees	January 1, 1987
	Litton Precision Products International – U.K.	
	All U.S. Employees	January 1, 1987
	Litton Systems, Inc.	
	Advanced Circuitry	January 1, 1987
	Aero Products	January 1, 1987
	Airtron Division	January 1, 1987
	Amecom Division	January 1, 1987
	Clifton Encoder	January 1, 1987
	Clifton Instruments & Life Support	
	Non-Union	January 1, 1987
	Union	May 1, 1987
	Clifton Precision	January 1, 1987
	Data Systems	January 1, 1987
	Electronic Devices	January 1, 1987
	Guidance and Control Systems Division	January 1, 1987
	Kester Solder	January 1, 1987
	Laser Systems	January 1, 1987

1.3	Participating Division and Subsidiaries	Participating Date
	Litton Computer Services	
	Woodland Hills, Mountain View, Reston	January 1, 1987
	Lexington	August 3, 1987
	Poly-Scientific	January 1, 1987
	Potentiometer	January 1, 1987
	Systems Administration	January 1, 1987
	VEAM	January 1, 1987
	Winchester Electronics	January 1, 1987
	Winchester/USECO	January 1, 1987
	Litton Industrial Automation Systems, Inc.	
	Automated Guided Vehicles	January 1, 1987
	Automated Systems, Hebron, Kentucky	January 1, 1987
	Diamond & CBN Products	January 1, 1987
	Engineered Systems	January 1, 1987
	Industrial Automation Systems	January 1, 1987
	Integrated Automation	September 30, 1987
	Integrated Systems, Florence, Kentucky	January 1, 1987
	Kimball Systems	January 1, 1987
	Lamb Technicon	July 1, 1987
	Litton Industrial Services, Inc.	January 1, 1987
	Lucas Machine	January 1, 1987
	New Britain Machine	January 1, 1987
	Process Conveyor	January 1, 1987
	Software Systems	January 1, 1987
	Unit Handling Systems/Conveyor Systems	January 1, 1987

APPENDIX A
LITTON INDUSTRIES INC.
 ASSUMPTIONS TO CALCULATE
 THE PRESENT VALUE OF REMAINING RESTORATION PLAN BENEFITS

<u>ITEM</u>	<u>PAYMENT ASSUMPTIONS</u>	<u>OTHER REQUIRED DATA</u>
Age at Retirement (for accrued benefits)	Current Age	
Mortality (Post-retirement only)	83 GAM (Unisex)	
Present Value Interest Rate	See Note 1	Calculation Date
Retirement Age	Earliest ages to receive unreduced benefits	
Form of Payment	Single Life Annuity/Lump Sum	For retirees with other than Life Annuity: Spouse DOB; J&S %; 10-Year certain data (commencement date)
Interest Rate of Annuity Equivalent	See Note 1	Litton Industries, Inc. Retirement Plan "B", Interest Rate, Qualified Plan J & S Factor Tables, LRP and FSSP Annuity Equivalent factors.

FORMULA Retirement Account Restoration Plan Benefit plus the Savings Account Restoration Plan Benefit both multiplied by the Present Value Factor

WHERE Part I Restoration Plan Benefit equals 85% multiplied by the Retirement Account Restricted Amount minus (Retirement Account Annuity Equivalent Factor for age at Retirement multiplied by the Retirement Account Restricted Amount with Interest)

Savings Account Annuity Equivalent Factor for age at Retirement multiplied by the Savings Account Restricted Amount with Interest.

Present Value Factor equals Deferred to Retirement Age Actuarial Factor Based on the Present Value Interest Rate and the Form of Payment Specified Above.

Note 1: For benefits payable as a lump sum, the interest rate shall be the average yield on non-callable, coupon 10-Year AAA California Municipal Bonds offered to retail investors by Bonds Online (<http://www.bonds-online.com>) as of 1p.m. EST immediately after the completion of the Change of Control. For benefits payable as an annuity, the interest rate shall be the discount rate used for funding purposes by the Litton Industries, Inc. Retirement Plan "B" as of the Change of Control Date.

APPENDIX B – 2005-2007 TRANSITION RULES

This Appendix B provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Affected Employees with benefit commencement dates after January 1, 2005 and before January 1, 2008.

- B.01 Election. Affected Employees scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Affected Employees electing optional forms of benefits under this provision will commence payments on the Affected Employee's selected benefit commencement date.
- B.02 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Affected Employees commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Affected Employee.
- (a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.
- (b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:
- (i) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, an Affected Employee must be an elected or appointed officer of Litton and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;
- (ii) The lump sum payment shall be made in 2005 as soon as feasible after the election; and
- (iii) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.
- B.03 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007),

distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Affected Employee's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Affected Employee's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

**APPENDIX C – POST 2007
DISTRIBUTION OF 409A AMOUNTS**

The provisions of this Appendix C shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Sections 6-10 and Appendix B addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008.

- C.01 Time of Distribution. Subject to the special rules provided in this Appendix C, distributions to an Affected Employee of his vested retirement benefit shall commence as of the Payment Date.
- C.02 Special Rule for Key Employees. If an Affected Employee is a Key Employee and age 55 or older at his Separation from Service, distributions to the Affected Employee shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Affected Employee's death). Amounts otherwise payable to the Affected Employee during such period of delay shall be accumulated and paid on the first day of the seventh month following the Affected Employee's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).
- C.03 Forms of Distribution. Subject to the special rules provided in this Appendix C, an Affected Employee's vested retirement benefit shall be distributed in the form of a single life annuity. However, an Affected Employee may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:
- (a) 50% joint and survivor annuity
 - (b) 75% joint and survivor annuity
 - (c) 100% joint and survivor annuity.

If an Affected Employee is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if Litton determines that there is no spouse or that the spouse cannot be found.

- C.04 Death. If a married Affected Employee dies before the Payment Date, a death benefit will be payable to the Affected Employee's spouse commencing 90 days after the Affected Employee's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of an Affected Employee's vested retirement benefit based on a 100% joint and survivor annuity determined on the Affected Employee's date of death. This

benefit is also payable to an Affected Employee's domestic partner who is properly registered with Litton in accordance with procedures established by Litton.

C.05 Actuarial Assumptions. Except as provided in Section C.06, all forms of payment under this Appendix C shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

Mortality Table: RP-2000 Mortality Table projected 15 years for future standardized cash balance factors

C.06 Accelerated Lump Sum Payouts.

- (a) Post-2007 Separations. Notwithstanding the provisions of this Appendix C, for Affected Employees who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of an Affected Employee's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Affected Employee (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section C.02, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Affected Employee's Separation from Service.
- (b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix C, for Affected Employees who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of an Affected Employee's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Affected Employee attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Affected Employee (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the Affected Employee attains age 55, but no earlier than January 1, 2008.
- (c) Conflicts of Interest. The present value of an Affected Employee's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.
- (d) Present Value Calculation. The conversion of an Affected Employee's retirement benefit into a lump sum payment and the present value calculations under this Section C.06 shall be based on the actuarial assumptions in effect under the

Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the Affected Employee's immediate benefit if the Affected Employee is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Affected Employee will be eligible to receive at age 55.

- C.07 Effect of Early Taxation. If the Affected Employee's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Affected Employee.
- C.08 Permitted Delays. Notwithstanding the foregoing, any payment to an Affected Employee under the Plan shall be delayed upon Litton's reasonable anticipation of one or more of the following events:
- (a) Litton's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
 - (b) The making of the payment would violate Federal securities laws or other applicable law;
- provided, that any payment delayed pursuant to this Section C.08 shall be paid in accordance with Code section 409A.

Appendix Regarding Acquisition Of Litton Industries, Inc.

1. **In General.** This Appendix provides special rules concerning the acquisition by Northrop Grumman Corporation of Litton Industries, Inc. (the “Litton Acquisition”).
 - (a) **Purpose.** This Appendix prevents employees of the Northrop Grumman Group from receiving coverage or any credit for service or compensation under this Plan until the Plan and this Appendix are explicitly amended to provide otherwise.
 - (b) **General Override.** The provisions of this Appendix override any contrary provisions elsewhere in the documents governing the Plan, except to the extent prohibited by change-in-control provisions.
 - (c) **Definitions.** For purposes of this Appendix:
 - (1) The term “**Northrop Grumman Group**” generally means Northrop Grumman Corporation and any entity affiliated with it under sections 414(b), (c), (m) or (o) of the Internal Revenue Code.
 - (A) With reference to periods before the Litton Acquisition Date, the term “Northrop Grumman Group” means the entire affiliated group.
 - (B) With reference to periods after the Litton Acquisition Date, the term “Northrop Grumman Group” means the entire affiliated group, but not including Litton Industries, Inc. (and any successor entity) and its subsidiaries.
 - (2) The term “**Litton Acquisition Date**” means the date on which Northrop Grumman Corporation purchased a majority interest in the shares of Litton Industries, Inc. pursuant to the exchange offer filed with the Securities and Exchange Commission on Form S-4.
2. **Acquisition of Litton Industries, Inc.** Effective as of the Litton Acquisition Date, Litton Industries, Inc. was acquired and became a subsidiary of Northrop Grumman Corporation.
3. **Plan Sponsor.** As of the Litton Acquisition Date, Northrop Grumman Corporation adopted and became the sponsor of the Plan.
4. **Corporate Authority.** During the period on and after the Litton Acquisition Date, all Plan references to the Board of Directors of Litton Industries, Inc. will instead be deemed to refer to the Board of Directors of Northrop Grumman Corporation.
5. **Amendment and Termination Authority.** As of the Litton Acquisition Date:

- (a) Northrop Grumman Corporation through its Board of Directors will have sole authority to amend the Plan in its discretion. This authority may be delegated and redelegated.
 - (b) Northrop Grumman Corporation will have sole authority to terminate the Plan.
6. Coverage. No individuals who were employees of the Northrop Grumman Group immediately before the Litton Acquisition Date may participate in this Plan. No individuals who became employees of the Northrop Grumman Group after the Litton Acquisition Date may participate in this Plan.
7. Service With the Northrop Grumman Group. Service with the Northrop Grumman Group before or after the Litton Acquisition Date will not be counted as service for any purpose.
8. Compensation. No compensation for services performed for the Northrop Grumman Group will be treated as compensation under this Plan.
9. Nonduplication. Employees are not covered by this Plan for any Plan Year or portion of a Plan Year if they are actively participating under a similar plan of the Northrop Grumman Group.
- (a) Solely for purposes of this section, employees are active participants in another plan if they are generally eligible to make or receive contributions or accrue benefits under the plan, or would be, but for limits in the plan.
 - (b) If an employee could be covered by two plans, both of which include this provision (or a similar provision), the plan administrators will resolve the discrepancy to allow eligibility for one plan or another but not both.
10. Termination of Employment. No termination of employment will be deemed to occur as a result of the Litton Acquisition, any corporate reorganization incident to the Litton Acquisition, any later liquidation of Litton Industries, Inc. (or any successor entity) or its subsidiaries or any transfer of assets or liabilities between members of the group consisting of Northrop Grumman Corporation and its subsidiaries.
- (a) Similarly, there will be no “separation from service” or “severance from service” or event described by a similar term.
 - (b) The provisions of this Section are not intended to modify any service-counting provisions in the Plan, to extend service credits when they would not otherwise be given, nor to override Section 7 above.

Appendix Regarding Investment Matters

1. In General. This Appendix gives responsibility for investment and trust matters (other than trustee duties) in connection with the Plan to an Investment Committee, as described below. The provisions of this Appendix override any contrary provision elsewhere in the documents governing the Plan, unless prohibited by change-in-control provisions or collective bargaining agreements.
2. Investment Fiduciary. The named fiduciary for investment and trust matters (other than trustee duties) is the Investment Committee.
3. The Investment Committee. The Investment Committee shall consist of not less than three persons appointed from time to time by the Board of Directors described in (a) (for purposes of this Appendix, the "Board") or its delegate.
 - (a) The "Board" for purposes of this Appendix means the Board of Directors with any power to amend the Plan. If a corporation rather than a Board of Directors has the power to amend, then "Board" refers to the Board of Directors of that corporation.
 - (b) The members of the Investment Committee shall elect one of their members as Chairman and shall appoint a Secretary and such other officers as the Investment Committee may deem necessary.
 - (c) The Investment Committee may employ such advisors, including investment advisors, as it may require in carrying out the provisions hereof.
 - (d) Except as otherwise provided in these resolutions, each member of the Investment Committee shall continue in office until the expiration of three years from the date of his or her latest appointment or reappointment to the Committee. A member may be reappointed annually.
 - (e) If at the end of his or her latest three year term, a member is not reappointed, he or she will continue to serve until the date his or her successor is appointed.
 - (f) A member may resign at any time by delivering a written resignation to the Corporate Secretary of Northrop Grumman Corporation and to the Secretary of the Investment Committee.
 - (g) A member may be removed by the Board at any time for any reason.
4. Alternate Members. The Board may from time to time appoint one or more persons as alternate members of the Investment Committee to serve in the absence of members of the Investment Committee, in the manner hereinafter stated, with the same effect as if they were members.
 - (a) The Chairman of the Investment Committee, in his or her discretion, shall designate which of the alternate members shall attend any particular meeting of

the Investment Committee for the purpose of obtaining a quorum or full attendance as the Chairman may elect.

(b) Each alternate member shall have all the rights, powers and obligations of a member in respect to the business of meetings which he or she so attends.

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

6. Investment Responsibilities.

(a) The Investment Committee, in its capacity as named fiduciary for investment matters, may, in its discretion, appoint one or more investment managers who shall have, until terminated by the Investment Committee, the power to manage, acquire and dispose of all or any part of the assets of the Plans allocated to an investment manager by the Investment Committee.

(b) The Investment Committee shall have the power to hire and terminate trustees.

(c) The Investment Committee shall periodically review and evaluate the investment performance of each trustee and investment manager and shall advise the Board of such review and evaluation.

(d) In the event that investment powers are divided among two or more trustees or investment managers, the Investment Committee shall formulate investment policies for such trustees and investment managers to diversify the investments of the Plans so as to minimize the risk of large losses, unless under the circumstances it is prudent not to do so.

(e) The Investment Committee shall establish a funding policy and method to carry out the Plan's objectives. This procedure is to enable the Plan's fiduciaries to determine the Plan's short- and long-term financial needs and to communicate these requirements to the appropriate persons.

7. Liability and Indemnity.

(a) No Investment Committee member who has a fiduciary responsibility, or to whom such responsibility is allocated, as provided in these resolutions, by appointment or otherwise, shall be liable for any act or omission or investment policy of any other fiduciary except as provided in Section 405 of Employee Retirement Income Security Act of 1974.

- (b) To the extent permitted by law, Northrop Grumman Corporation shall indemnify and hold harmless members of the Board and the Investment Committee and employees of Northrop Grumman Corporation or its subsidiaries who act for the Investment Committee, as well as former members and former employees, with respect to their investment responsibilities.

Appendix Regarding Plan Administration

1. In General. This Appendix gives responsibility for plan administration (other than investment and trust matters) to an Administrative Committee, as described below. The provisions of this Appendix override any contrary provision elsewhere in the documents governing the Plan, except to the extent prohibited by change-in-control provisions or collective bargaining agreements.
2. Plan Administrator. The general administration of the Plan is the responsibility of the Administrative Committee. The Committee is the plan administrator, and the Committee and each of its members are named fiduciaries. Committee members and all other Plan fiduciaries may serve in more than one fiduciary capacity with respect to the Plan.
3. The Administrative Committee. The Administrative Committee consists of at least three members appointed by the Board of Directors described in (a) (for purposes of this Appendix, the "Board") or its delegate. The members of the Committee shall serve without compensation for such service, unless otherwise determined by the Board.
 - (a) The "Board" for purposes of this Appendix means the Board of Directors with any power to amend the Plan. If a corporation rather than a Board of Directors has the power to amend, then "Board" refers to the Board of Directors of that corporation.
 - (b) Except as otherwise provided in this Appendix, each member of the Committee shall continue in office until the expiration of 3 years from the date of his or her latest appointment or reappointment to the Committee. A member may be reappointed.
 - (c) If at the end of his or her latest term as a member of the Committee, a member is not reappointed, he or she will continue to serve on the Committee until the date his or her successor is appointed.
 - (d) A member may be removed by the Board at any time and for any reason.
4. Resignation of Committee Members. A member of the Administrative Committee may resign at any time by delivering a written resignation to the Secretary of the corporation and to the Secretary of the Committee. The member's resignation will be effective as of the date of delivery or, if later, the date specified in the notice of resignation.
5. Conduct of Business. The Administrative Committee shall elect a Chairman from among its members and a Secretary who may or may not be a member. The Committee shall conduct its business according to the provisions of this Appendix and shall hold meetings from time to time in any convenient location.
6. Quorum. A majority of all of the members of the Administrative Committee constitutes a quorum and has power to act for the entire Committee.

7. Voting. All actions taken by the Administrative Committee shall be by majority vote of the members attending a meeting, whether physically present or through remote communications. In addition, actions may be taken by written consent of a majority of the Committee members without a meeting. The agreement or disagreement of any member may be by means of any form of written or oral communications.
8. Records and Reports of the Committee. The Administrative Committee shall keep such written records as it shall deem necessary or proper, which records shall be open to inspection by the Board.
9. Powers of the Committee. The Administrative Committee shall have all powers necessary or incident to its office as plan administrator. Such powers include, but are not limited to, full discretionary authority to:
 - (a) prescribe rules for the operation of the Plan;
 - (b) determine eligibility;
 - (c) comply with the requirements of reporting and disclosure under ERISA and any other applicable law, and to prepare and distribute other communications to participants (and, if applicable, beneficiaries) as a part of Plan operations;
 - (d) prescribe forms to facilitate the operation of the Plan;
 - (e) secure government approvals for the Plan (if applicable);
 - (f) construe and interpret the terms of the Plan, including the power to remedy possible ambiguities, inconsistencies or omissions, and to determine the facts underlying any claim for benefits;
 - (g) determine the amount of benefits, and authorize payments from the trust;
 - (h) maintain records;
 - (i) litigate, settle claims, and respond to and comply with court proceedings and orders on the Plan's behalf;
 - (j) enter into contracts on the Plan's behalf;
 - (k) employ counsel and others to render advice about any responsibility that the Committee has under the Plan;
 - (l) exercise all other powers given to the plan administrator under other provisions of the Plan.
10. Allocation or Delegation of Duties and Responsibilities. The Administrative Committee and the Board may:
 - (a) Employ agents to carry out nonfiduciary responsibilities;

- (b) Employ agents to carry out fiduciary responsibilities (other than trustee responsibilities as defined in section 405(c)(3) of ERISA) under the rules of section 11 of this Appendix;
 - (c) Consult with counsel, who may be counsel to Northrop Grumman Corporation;
 - (d) Provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in section 405(c)(3) of ERISA) among their members under the rules of section 11 of this Appendix; and
 - (e) In particular, designate one or more officers as having responsibility for designing and implementing administrative procedures for the Plan.
11. Procedure for the Allocation or Delegation of Fiduciary Duties. The rules of this section of the Appendix are as follows:
- (a) Any allocation or delegation of fiduciary responsibilities must be approved by majority vote of the members of the Administrative Committee, in a resolution approved by the majority.
 - (b) The vote cast by each member of the Administrative Committee for or against the adoption of such resolution must be recorded and made a part of the written record of the proceedings.
 - (c) Any delegation or allocation of fiduciary responsibilities may be changed or ended only under the rules of (a) and (b) of this section of the Appendix.
12. Expenses of the Plan. All reasonable and proper expenses of administration of the Plan including counsel fees will be paid by the employers participating in the Plan.
13. Indemnification. Northrop Grumman Corporation agrees to indemnify and reimburse, to the fullest extent permitted by law, members and former members of the Board; members and former members of the Administrative Committee; employees and former employees of Northrop Grumman Corporation or its subsidiaries who act (or acted) for the Committee, Northrop Grumman Corporation or another employer participating in the Plan for any and all expenses, liabilities, or losses arising out of any act or omission relating to the rendition of services for or the management and administration of the Plan, except in instances of gross misconduct.
14. Extensions of Time Periods. For good cause shown, the Administrative Committee may extend any period set forth in the Plan for taking any action required of any participant or beneficiary to the extent permitted by law.
15. Claims Procedures. The standardized “Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures” shall apply in handling claims and appeals under this Plan.

16. Qualified Domestic Relations Orders. All or a portion of an Affected Employee's benefit may be paid to another person as specified in a domestic relations order that the Administrative Committee determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:
- (1) issued pursuant to a State's domestic relations law;
 - (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Affected Employee;
 - (3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Affected Employee to receive all or a portion of the Affected Employee's benefits under the Plan; and
 - (4) meets such other requirements established by the Administrative Committee.

The Administrative Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Administrative Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

17. Amendments. The Administrative Committee may amend the Plan through written resolution to make the changes identified in subsection (a). Any amendments must be made in accordance with the rules of subsections (b), (c) and (d).
- (a) The Committee may amend the Plan:
 - (1) to the extent necessary to keep the Plan in compliance with law;
 - (2) to make clarifying changes;
 - (3) to correct drafting errors;
 - (4) to otherwise conform the Plan documents to the company's intent;
 - (5) to change the participation and eligibility provisions;
 - (6) to change plan definitions, formulas or employee transfer rules;
 - (7) with respect to administrative, procedural and technical matters including benefit calculation procedures, distribution elections and timing, other elections, waivers, notices, and other ministerial matters; and
 - (8) with respect to management of funds.

- (b) Before adopting any Plan amendment, the Committee must obtain:
 - (1) a cost analysis of the proposed amendment;
 - (2) a legal opinion that the amendment does not violate ERISA or other applicable legal requirements;
 - (3) a tax opinion that the amendment will not result in the Plan's disqualification;
 - (4) approval of the amendment from the Corporate Vice President and Chief Financial Officer of Northrop Grumman Corporation; and
 - (5) approval of the amendment from the Corporate Vice President and Chief Human Resources and Administrative Officer of Northrop Grumman Corporation.
- (c) The Committee must refer to the Board for approval any amendments that:
 - (1) will result in an increase in costs on an annual basis in excess of \$5,000,000; or
 - (2) will result in a decrease in costs on an annual basis in excess of \$5,000,000.
- (d) The Committee's amendment authority may not be delegated.
- (e) Nothing in this section 17 of the Appendix is intended to modify the amendment authority of any company, board or directors, officer or other committee.

CONSULTANT CONTRACT

This consultant contract ("Agreement") is made by and between Northrop Grumman Corporation, a Delaware corporation, with a principal place of business at 1840 Century Park East, Los Angeles, California 90067 ("NGC") and W. Burks Terry ("Consultant") (collectively "the parties").

I. ENGAGEMENT

NGC hereby retains Consultant to provide the services described in Attachment A hereto. Consultant shall serve at NGC's call. Consultant's principal point of contact with NGC with respect to the specific nature and scope of the services to be provided hereunder is Stephen D. Yslas, NGC's Corporate Vice President and General Counsel, or his designee.

II. PLACE OF ENGAGEMENT

Consultant shall perform the services called for under this Agreement in Los Angeles, California, and at such other places as NGC may reasonably require.

III. TERM OF ENGAGEMENT

The term of this Agreement shall be for one (1) year commencing on the first date it has been executed by both parties and terminating one (1) year thereafter. This Agreement may be renewed or extended for such additional time as NGC and the Consultant may agree upon in writing.

IV. COMPENSATION

A. Fee. Consultant agrees to make himself available to perform services for NGC no less than one (1) eight hour day per month. NGC shall pay Consultant a fixed fee of One Thousand Dollars (\$1,000) per month for these services. To the extent that Consultant performs services for NGC for more than one (1) eight hour day in any month, such additional services shall be paid at the rate of Four Hundred Fifty Dollars (\$450) per hour for each hour (whether a full or partial hour) worked in excess of (1) one eight hour day in a month. Consultant shall submit monthly activity reports in the format set forth in Exhibit B for each month in which this Agreement is in effect, describing the activities performed and

their date of performance. If no services are provided in a particular month, the report shall so state. Consultant shall also from time to time, provide other types of reports as NGC may reasonably require, at no additional charge. Consultant shall invoice NGC monthly. All payments pursuant to this Agreement shall be made within forty-five (45) days of receipt of a proper invoice and monthly activity report from Consultant. In no event shall the total fees paid to Consultant pursuant to this Agreement exceed Fifty Thousand Dollars (\$50,000).

B. Expenses. NGC shall reimburse Consultant in accordance with NGC policy and procedures for all reasonable and necessary business expenses incurred by Consultant in connection with the rendering of services hereunder provided that all such expenses are approved in advance by Mr. Yslas or his designee. Claims for expenses must be in accordance with NGC's established policies and limitations pertaining to allowable expenses and documented pursuant to the procedures applicable to NGC's employees; provided, however, that Consultant is authorized to utilize first class commercial air travel when available. In no event shall the total expenses reimbursed to Consultant under this Agreement exceed Ten Thousand Dollars (\$10,000).

C. Full Extent of Compensation. Unless otherwise specifically stated in writing, this Section IV represents the full extent of compensation under this Agreement and Consultant shall not be entitled by virtue of this Agreement to be paid a commission or to participate in any insurance, saving, retirement or other benefit programs, including, without limitation, stock ownership plans, offered by NGC to its employees.

D. Warranty. Consultant certifies and warrants that in the course of performing services under this Agreement, no payments will be made to government officials or customer representatives, that no government official or customer representative has any direct or indirect investment interest or interest in the revenues or profits of Consultant, and that no expenditure for other than lawful purposes will be made.

V. **TRADE SECRETS AND PROPRIETARY INFORMATION**

A. Disclosure To Third Parties Prohibited. Except as otherwise expressly required by Attachment A hereto, Consultant shall not divulge, disclose or communicate any information concerning any matters affecting or relating to the business of NGC without the express written consent of NGC. The terms of this section shall remain in full force and effect after the termination or expiration of this Agreement.

B. Ideas, Improvements and Inventions. Any and all ideas, improvements and inventions conceived of, developed, or first reduced to practice in the performance of work hereunder for NGC shall become the exclusive property of NGC and ideas and developments accruing therefrom shall all be fully disclosed to NGC and shall be the exclusive property of NGC and may be treated and dealt with by NGC as such without payment of further consideration than is hereinabove specified. Consultant shall preserve such ideas, improvements and inventions as confidential during the term of the contract and thereafter and will execute all papers and documents necessary to vest title to such ideas, developments, information, data, improvements and inventions in NGC and to enable NGC to apply for and obtain letters patent on such ideas, developments, information, data, improvements and inventions in any and all countries and to assign to NGC the entire right, title and interest thereto.

C. Notes, Memoranda, Reports and Data. Consultant agrees that the original and all copies of notes, memoranda, reports, findings or other data prepared by Consultant in connection with the services performed hereunder shall be attorney work product or shall become the sole and exclusive property of NGC.

D. Disclosure of Confidential or Proprietary Information of Third Parties Prohibited. Consultant will not disclose to NGC or induce NGC to use any secret process, trade secret, or other confidential or proprietary knowledge or information belonging to others, including but not limited to the United States. Such information includes but is not limited to information relating to bids, offers, technical proposals, responses to requests for procurement, rankings of competitors and other similar procurement sensitive information.

VI. PRESERVATION OF TRADE NAMES, TRADE MARKS AND PATENT RIGHTS

All trade names, trade marks and patent rights of NGC pertaining to NGC products, including the names “Northrop,” “Grumman,” “Litton,” “Newport News Shipbuilding,” “Ingalls,” “Avondale,” “TRW,” and “Northrop Grumman Corporation” shall remain the sole property of NGC and Consultant agrees to do all things necessary to protect and preserve such trade names, trade marks and patent rights from claims by other persons or entities.

VII. COOPERATION WITH NORTHROP

After the expiration of this Agreement, Consultant shall cooperate with NGC in regard to any matter, dispute or controversy in which NGC may become involved and of which Consultant may have knowledge. Such cooperation shall be subject to further agreement providing for legally appropriate compensation.

VIII. INDEMNIFICATION

Consultant shall indemnify, defend and hold NGC harmless from any and all claims by third parties for loss or damage to property or injury or death to persons arising out of or relating to the Consultant’s activities or operations or omissions pursuant to this agreement where such actions or operations or omissions were the result of gross negligence or intentional misconduct on the part of the Consultant. NGC shall indemnify, defend and hold Consultant harmless from any and all claims of NGC or of third parties for loss or damage to property or injury or death to persons arising out of or relating to the Consultant’s activities or actions or omissions under this Agreement, resulting from the negligent acts or omissions of NGC, except for loss or damage resulting from the gross negligence or intentional misconduct of Consultant. Consultant is neither obligated nor authorized to engage employees or sub agents pursuant to this Agreement.

IX. INDEPENDENT CONTRACTOR

Consultant shall render all services hereunder as an independent contractor and shall not hold out himself as an agent of NGC. Nothing herein shall be construed to create or confer upon Consultant the right to make contracts or commitments for or on behalf of NGC.

X. TAXES

Consultant shall pay all taxes due with respect to the compensation paid hereunder.

XI. OBSERVANCE OF APPLICABLE LAWS AND REGULATIONS

A. United States Laws. Consultant shall comply with and do all things necessary for NGC to comply with United States laws and regulations and express policies of the United States Government, including but not limited to the requirements of the Foreign Corrupt Practices Act, 15 U.S.C. Section 78 dd-1 et seq., the Federal Acquisition Regulations, 48 CFR section 1.101 et seq., ("FAR"), the International Traffic In Arms Regulations, 22 CFR Parts 120 through 130 and applicable regulations; the Byrd Amendment (31 U.S.C. Section 1352) and applicable regulations; the Office of Federal Procurement Policy Act (41 U.S.C. Section 423) and applicable regulations; and the DoD Joint Ethics Regulation (DoD 5500.7-R). No part of any compensation or fee paid by NGC will be used directly or indirectly to make any kickbacks to any person or entity, or to make payments, gratuities, emoluments or to confer any other benefit to an official of any government or any political party. Consultant shall not seek, nor relay to NGC, any classified, proprietary or source selection information not generally available to the public. Consultant shall also comply with and do all things necessary for NGC to comply with provisions of contracts between agencies of the United States Government or their contractors and NGC which relate either to patent rights or the safeguarding of information pertaining to the security of the United States. This entire Agreement and/or the contents thereof may be disclosed to the United States Government.

B. State Law and Regulations. Consultant shall comply with and do all things necessary for Consultant and NGC each to comply with all laws and regulations of the State of California and any other state in which services are or may be rendered.

C. Maintenance Of Time And Expense Records. Consultant shall maintain appropriate time and expense records pertaining to the services performed under this Agreement. Said records shall be subject to examination and audit by NGC and the United States

Government until notified by NGC in writing that the records no longer need to be maintained.

D. Certification. This Agreement is made in material reliance upon the representations and warranties made by Consultant. The effectiveness of this Agreement is contingent upon and will not commence until receipt by NGC of the certifications set forth in Attachment C hereto. In the event that NGC has reason to believe that these certifications are incorrect, NGC may treat this Agreement as being null and void or may terminate this Agreement pursuant to Section XVI.

E. Standards of Business Conduct. Consultant hereby acknowledges that he has received a copy of the Standards of Business Conduct (or amendment thereof) and agrees to conduct his activities for or on behalf of NGC in accordance with such principles as a condition of this Agreement.

XII. ASSIGNMENT OF RIGHTS

This Agreement and the rights, benefits, duties and obligations contained herein may not be assigned or otherwise transferred in any manner to third parties without the express written approval of NGC. Any such assignment or transfer without prior approval of NGC will be null, void and without effect.

XIII. MODIFICATION

No waiver or modification of this Agreement or of any covenant, condition, or limitation herein shall be valid and enforceable unless such waiver or modification is in writing.

XIV. USE OR EMPLOYMENT OF THIRD PARTIES

Consultant shall not utilize or employ any third party, individual or entity, in connection with Consultant's performance of services under this Agreement without the express written approval of NGC.

XV. CONFLICTS OF INTEREST

No business or legal conflicts of interest shall exist between services performed or to be performed by Consultant on behalf of NGC and by Consultant on behalf of any other client. The identity of Consultant's directorships, other employment and clients shall be fully disclosed in the Certification, Attachment D.

XVI. TERMINATION

A. Thirty Days Notice. Either party may terminate this Agreement upon thirty days written notice to the other. Except as otherwise provided herein, in the event of termination, Consultant shall be entitled to compensation until the expiration of the stated notice period.

B. Violation Of Term Or Condition. Notwithstanding the foregoing, in the event of a violation by Consultant of any term or condition, express or implied, of this Agreement or of any federal or state law or regulation pertaining to or arising from Consultant's performance of services under this Agreement, NGC may, in its discretion, terminate this Agreement immediately, without notice and in such event, Consultant shall only be entitled to compensation up to the time of such violation.

C. Bankruptcy. Notwithstanding the foregoing, in the event that Consultant is adjudicated a bankrupt or petitions for relief under bankruptcy, reorganization, receivership, liquidation, compromise or other arrangement or attempts to make an assignment for the benefit of creditors, this Agreement shall be deemed terminated automatically, without requirement of notice, without further liability or obligation to NGC.

D. Completion, Termination, Cancellation or Non-Award of Program. Notwithstanding the foregoing, in the event of the completion, termination, cancellation or non-award to NGC of any program to which Consultant's services are related, NGC may, in its discretion, terminate this Agreement immediately upon notice to Consultant.

XVII. SEVERABILITY OF PROVISIONS

All provisions contained herein are severable and in the event any of them are held to be invalid by any competent court or jurisdiction, this Agreement shall be interpreted as if such invalid provision was not contained herein.

XVIII. EXCLUSIVITY OF SERVICES

During the term of this Agreement, Consultant shall not perform consulting services for others without the prior written consent of NGC.

XIX. AVAILABILITY OF EQUITABLE REMEDIES

Consultant understands and agrees that any breach or violation of any of the terms of this Agreement will result in immediate and irreparable injury to NGC and will entitle NGC to all legal and equitable remedies including, without limitation, injunction or specific performance.

XX. GOVERNING LAW

This Agreement and the performance hereunder shall be governed by and construed in accordance with the laws of the State of California which shall be the exclusive applicable law. Consultant shall submit to the jurisdiction of the courts within the State of California for any claim, demand or suit that may arise in connection with this Agreement and Consultant specifically waives any objection or defense to venue and jurisdiction.

XXI. SETTLEMENT OF DISPUTES

Any controversy or dispute between the parties to this Agreement involving the construction, interpretation, application or performance of the terms, covenants or conditions of this Agreement, or in any way arising under this Agreement, shall, on demand of one of the parties by written notice hereto served on the other in the manner prescribed in Section XXI of this Agreement, be decided by neutral arbitration as provided by California law by a retired judge from the Superior Court of the State of California for the County of Los Angeles. **YOU ARE GIVING UP ANY RIGHTS YOU MAY POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. IF YOU REFUSE TO SUBMIT TO ARBITRATION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE**

CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

A. Initiation of Procedure. The Arbitration Procedures may be commenced by any party by filing with the Judicial Arbitration and Mediation Service for the County of Los Angeles, or an equivalent source of retired Los Angeles Superior Court Judges, a petition entitled "PETITION FOR ARBITRATION." The Petition shall recite in a clear and meaningful manner the factual basis of the controversy between the parties and identify the issues to be submitted to the arbitrator for decision.

B. Arbitrator. The Petition shall designate as an arbitrator a judge from the list of retired Superior Court judges who have made themselves available for trial or settlement of civil litigation under the CCP Arbitration Procedure. If the parties hereto are unable to agree on the designation of a particular retired Los Angeles County Superior Court judge or the designated judge is unavailable or unable to serve in such capacity, request shall be made in the Petition that the court appoint a retired Los Angeles County Superior Court judge as an Arbitrator.

C. Compensation for Arbitration. If the parties are unable to reach an agreement as to the payment of the fees of the arbitration, each side shall bear one-half of the fees. The prevailing party or parties shall be entitled to reimbursement of its or their respective attorneys' fees and costs, including the costs of the arbitration, from the other party or parties; furthermore, the prevailing party or parties on any appeal from the arbitration decision, shall be entitled to all reasonable attorneys' fees and costs relating to such appeal.

D. Rules Governing Arbitration/Pleadings. Except as hereafter agreed by the parties, the Arbitrator shall apply all California rules of procedure and evidence and shall apply the substantive law of California in deciding the issues submitted hereunder, except that the Arbitrator may shorten time limitations in order to resolve the dispute in an expeditious manner. Reasonable notice of any motions before the Arbitrator shall be given, and all

matters shall be set at the convenience of the Arbitrator. Discovery shall be conducted as the parties agree or as allowed by the arbitrator.

E. Jurisdiction of the Arbitrator. The parties intend by the Procedure to submit all issues of fact and law and all matters of a legal and equitable nature for determination by the Arbitrator with respect to the subject matter hereof and the pleadings hereafter filed with the arbitrator. Accordingly, the parties hereby stipulate that the arbitrator shall have all powers of a judge of the Superior Court, including, the power to grant equitable and interlocutory and permanent injunctive relief, but excluding any power to render judgment for punitive or exemplary damages.

F. Legal Effect. The parties acknowledge that the decision by the Arbitrator, when entered by the Superior Court, shall be tantamount to a judgment by a trial court and is subject to appeal and review in the same manner as an ordinary trial court judgment.

XXII. NOTICE

Any notice to be given hereunder shall be in writing, mailed by certified or registered mail with return receipt requested addressed to NGC:

Northrop Grumman Corporation
1840 Century Park East
Los Angeles, CA 90067-2199
Attention: Lori Milburn

or to Consultant:

W. Burks Terry

or to such other address as may have been furnished at the date of mailing either by NGC or Consultant in writing.

XXIII. COMPLETE AGREEMENT

This Agreement constitutes the entire agreement of the parties with respect to the engagement of Consultant by NGC and supersedes any and all other agreements between the parties. The parties stipulate and agree that neither of them has made any representation with respect to this Agreement except that such representations are specifically set forth herein. The parties acknowledge that any other payments or representations that may have been made are of no effect and that neither party has relied on such payments or representations in connection with this Agreement or the performance of services contemplated herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be entered into and executed as set forth below.

NORTHROP GRUMMAN CORPORATION

By: /s/ Stephen D. Yslas
Stephen D. Yslas
Corporate Vice President and
General Counsel

Date: 1/31/10

CONSULTANT

By: /s/ W. Burks Terry
W. Burks Terry

Date: Feb. 3, 2010

TIN: _____

**ATTACHMENT A
STATEMENT OF WORK**

W. BURKS TERRY

W. Burks Terry (“Consultant”) shall serve Northrop Grumman Corporation (“NGC”) as a management advisory consultant. All work performed under this Agreement will be assigned, managed and approved by Stephen D. Yslas, Corporate Vice President and General Counsel, or his designee.

NGC and Consultant will use their best efforts to maintain Consultant’s top secret security clearance for the time that this Agreement or any extension of it, is in effect. NGC will not provide consultant with office space, secretarial support, laptop computer, Blackberry, cell phone or other similar equipment and support.

Consultant’s primary duties under this Agreement shall be to act as a management advisory consultant with respect to the [microelectronic parts produced by the former TRW Inc. prior to its acquisition by NGC] and TSSAM matters as well as Law Department transition issues, and other similar duties within the scope of this Agreement. All reports required for this effort are outline in Attachment B hereto.

Limitations and Restrictions

Consultant is not authorized to and shall not engage in any of the following activities in its performance of this Agreement:

-Activities covered by the Byrd Amendment (31 U.S.C., Section 1352). Therefore, Consultant shall not influence or attempt to influence an officer or employee of any federal agency, Member of Congress, officer or employee of Congress, or employee of a Member of Congress, in connection with the awarding, extension, continuation, renewal, amendment or modification of any federal contract or cooperative agreement.

-Actions regarding procurement information that are prohibited under FAR Section 3.104. Therefore, Consultant shall not solicit or obtain, directly or indirectly, from any officer or employee of a federal agency, or disclose to NGC, any contractor bid or proposal information or source selection information regarding any federal agency procurement during the conduct of that procurement.

-Actions relating to international contacts. Therefore, Consultant shall not provide services outside the United States nor engage in any communication or contact directly or indirectly, with any foreign person or organization on behalf of NGC.

ATTACHMENT B
MONTHLY ACTIVITY REPORT FORMAT
W. BURKS TERRY

As a Consultant, you are required to submit a written activity report each month directly to the Northrop Grumman Corporation (“NGC”) employee identified in Article I of the Agreement. Each activity report must include the following information:

1. A detailed accounting of the amount of time spent by you on behalf of NGC since your last Activity Report, itemized each hour or by fraction of an hour worked, reflecting the work performed during each periodic segment and the individual who performed it.
2. The identity of all persons with whom you met or discussed business on behalf of NGC, including a description of the business or government affiliation of the individual, as well as the specific position or rank of each person.
3. A statement of the subject matter of all meetings and discussions in which you participated on behalf of NGC, including all NGC programs discussed in connection with any activities performed.
4. An invoice, on a separate page, clearly identifying the Agreement, specifying the time period covered, summarizing the fees and expenses claimed for that time period, and enclosing the original receipts for all claimed expenses. Consultant must certify on each invoice that the charges for the period covered by it do not include any charges for assignments not authorized by the Agreement. A suggested certification is as follows:

“The undersigned certifies that the payment requested herein is correct and just, and that payment has not been received. The undersigned certifies that this invoice does not include any charges for services not authorized by the Agreement and, specifically, that no services have been performed involving the influence or attempt to influence any Federal agency officer or employee, any Member of Congress, officer or employee of Congress, or employee of a Member of Congress, in connection with any Federal action as defined in the Byrd Amendment (including the awarding, extension, continuation, renewal, amendment, or modification of any Federal contract); and that no services have been performed regarding advice, information, direction or assistance to NGC for a Federal contract.”

Unless your services are fully described and accurately recorded in this fashion, your fees will not be paid by NGC. You are not authorized to engage in any activity covered by the Byrd Amendment (31 U.S.C. Section 1352), but if you do so you must clearly identify it as such in your activity report, and the activity you describe shall be treated as a material representation of fact upon which NGC shall rely in preparing any certifications and/or disclosures required by the Byrd Amendment, 31 USC Section 1352. Any and all liability arising from an erroneous representation shall be borne solely by you.

ATTACHMENT C
CERTIFICATION

The undersigned, W. Burks Terry (“Consultant”), hereby certifies, represents and warrants the following:

1. In past dealings with Northrop Grumman Corporation (“NGC”) or other clients, Consultant has complied with all applicable laws, rules, regulations and express policies of the United States and the State or territory in which services were performed.
2. In performing the services under this Agreement, Consultant will comply with all applicable laws, rules, regulations and express policies of the United States and the State or territory in which services will be performed.
3. There have been no kick-backs or other payments made, either directly or indirectly, to any NGC director, employee or consultant or to the family of any NGC director, employee or consultant.
4. No kick-backs or other payments will be made, either directly or indirectly, to any NGC director, employee or consultant or to the family of any NGC director, employee or consultant.
5. Consultant has not used and will not use any part of the compensation paid by NGC to make payments, gratuities, emoluments or to confer any other benefit to an official of any government, or any political party, or official of any political party.
6. No person or selling agency has been or will be employed or retained to solicit or secure any contract, including but not limited to a United States government contract, upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial selling agencies maintained by the Consultant for the purpose of receiving business.

7. No classified, proprietary, source selection or procurement sensitive information has been or will be solicited on behalf of or conveyed to NGC.
8. Consultant has not influenced or attempted to influence and will not influence or attempt to influence any United States government official or employee in connection with the award, extension, continuation, renewal, amendment or modification of a federal contract or otherwise engage in “non-exempt services” within the meaning of the Byrd Amendment, 31 U.S.C. Section 1352.
9. Consultant has not utilized or employed and will not utilize or employ any third party, individual or entity, in connection with the performance of services on behalf of NGC, except as follows: **(if none, state “None”) None**
10. No business or legal conflicts of interest exist between services performed or to be performed by Consultant on behalf of NGC and by Consultant on behalf of any other client, the identities of which Consultant has fully disclosed to NGC.

The person whose signature appears below is authorized by Consultant to certify that the foregoing is true and correct.

I declare under penalty of perjury that the foregoing certificate is true and correct

Signed: /s/ W. Burks Terry
(consultant’s name)

Date: Feb. 3, 2010

ATTACHMENT D

CERTIFICATION OF DIRECTORSHIPS, EMPLOYMENT AND CLIENTS

The following is a complete list of directorships, employment and consulting clients:

I. Directorships and Employment

<u>Name of Company</u>	<u>Responsibilities/Duties</u>
None	

II. CLIENTS

<u>Name of Company</u>	<u>Services/Duties</u>
Northrop Grumman	See above

Signature: /s/ W. Burks Terry

Date: Feb. 3, 2010

**ATTACHMENT E
CONFLICT OF INTEREST CERTIFICATION**

Consultant does hereby certify that all contemplated work pursuant to the Agreement will not represent a conflict of interest or violate applicable conflict of interest and “revolving door” laws with respect to past government offices, positions and/or employment.

The identity of Consultant’s current and former offices and government positions are as follows (if none, state “none”):

<u>Name</u>	<u>Office</u>	<u>Inclusive Dates of Services</u>
None		

Signed: /s/ W. Burks Terry

Date: Feb. 3, 2010

NORTHROP GRUMMAN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<i>\$ in millions</i>	Year Ended December 31,				
	2009 ⁽¹⁾	2008 ⁽¹⁾	2007 ⁽¹⁾	2006 ⁽¹⁾	2005 ⁽¹⁾
Earnings:					
Earnings (loss) from continuing operations before income taxes	\$2,266	\$(520)	\$2,606	\$2,226	\$2,001
Fixed Charges:					
Interest expense, including amortization of debt premium	281	295	336	346	388
Portion of rental expenses on operating leases deemed to be representative of the interest factor:	183	190	189	174	169
Earnings (loss) from continuing operations before income taxes, less fixed charges	2,730	(35)	3,131	2,746	2,558
Fixed Charges:	464	485	525	520	557
Ratio of earnings to fixed charges ⁽²⁾	5.9		6.0	5.3	4.6

- (1) Certain prior-period information has been reclassified to conform to the current year's presentation.
- (2) For the year ended December 31, 2008, the company's earnings were insufficient to cover fixed charges by \$520 million. This loss was entirely due to the non-cash goodwill impairment charge of \$3.1 billion recorded during the fourth quarter at Aerospace Systems and Shipbuilding.

NORTHROP GRUMMAN CORPORATION SUBSIDIARIES

Address for all subsidiaries is:
c/o NORTHROP GRUMMAN CORPORATION
Office of the Secretary
1840 Century Park East
Los Angeles, California 90067

Name of Subsidiary	Jurisdiction of Incorporation	Ownership Percentage
Northrop Grumman Systems Corporation (formerly Northrop Grumman Corporation)	Delaware	100%
Northrop Grumman Shipbuilding, Inc. (formerly Newport News Shipbuilding and Dry Dock Company)	Virginia	100%

The company has additional operating subsidiaries, which considered in the aggregate or as a single subsidiary, do not constitute a significant subsidiary.

All above listed subsidiaries have been consolidated in the company's consolidated financial statements.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 033-59815, 033-59853, 333-68003, 333-67266, 333-61936, 333-100179, 333-107734, 333-121104, 333-125120 and 333-127317 on Form S-8; Registration Statement No. 333-152596 on Form S-3; and Registration Statement Nos. 333-40862-01 and 333-83672 on Form S-4 of our reports dated February 8, 2010, relating to the financial statements and financial statement schedules of Northrop Grumman Corporation and the effectiveness of Northrop Grumman Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Northrop Grumman Corporation for the year ended December 31, 2009.

/s/ Deloitte & Touche LLP
Los Angeles, California
February 8, 2010

**POWER OF ATTORNEY IN CONNECTION WITH THE
2009 ANNUAL REPORT ON FORM 10-K**

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of NORTHROP GRUMMAN CORPORATION, a Delaware corporation, does hereby appoint STEPHEN D. YSLAS and JOSEPH F. COYNE, JR., and each of them as his or her agents and attorneys-in-fact (the "Agents"), in his or her respective name and in the capacity or capacities indicated below, to execute and/or file the Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (the "Report") under the Securities Exchange Act of 1934, as amended (the "Act"), and any one or more amendments to any part of the Report that may be required to be filed under the Act (including the financial statements, schedules and all exhibits and other documents filed therewith or constituting a part thereof) and to any part or all of any amendment(s) to the Report, whether executed and filed by the undersigned or by any of the Agents. Further, each of the undersigned does hereby authorize and direct the Agents to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "Commission"), which they deem necessary or advisable to comply with the Act and the rules and regulations or orders of the Commission adopted or issued pursuant thereto, to the end that the Report shall be properly filed under the Act. Finally, each of the undersigned does hereby ratify each and every act and documents which the Agents may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such document had been executed or filed by the undersigned, respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the Commission.

IN WITNESS THEREOF, each of the undersigned has subscribed these presents this 8th day of February 2010.

/s/ Lewis W. Coleman

Non-Executive Chairman

Lewis W. Coleman

/s/ Thomas B. Fargo

Director

Thomas B. Fargo

/s/ Victor H. Fazio

Director

Victor H. Fazio

/s/ Donald E. Felsing

Director

Donald E. Felsing

/s/ Stephen E. Frank

Director

Stephen E. Frank

/s/ Bruce S. Gordon

Director

Bruce S. Gordon

/s/ Madeleine Kleiner

Director

Madeleine Kleiner

/s/ Karl J. Krapek

Director

Karl J. Krapek

/s/ Richard B. Myers

Director

Richard B. Myers

/s/ Aulana L. Peters

Director

Aulana L. Peters

/s/ Kevin W. Sharer

Director

Kevin W. Sharer

/s/ Wesley G. Bush

Chief Executive Officer, President and Director
(Principal Executive Officer)

Wesley G. Bush

/s/ James F. Palmer

Corporate Vice President and Chief Financial Officer
(Principal Financial Officer)

James F. Palmer

/s/ Kenneth N. Heintz

Corporate Vice President, Controller and
Chief Accounting Officer (Principal Accounting Officer)

Kenneth N. Heintz

**CERTIFICATION PURSUANT TO
RULE 13a-15(e)/15d-15(e) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wesley G. Bush, certify that:

1. I have reviewed this report on Form 10-K of Northrop Grumman Corporation (“company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the company’s most recent fiscal quarter (the company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: February 8, 2010

/s/ **Wesley G. Bush**

Wesley G. Bush
Chief Executive Officer and President

**CERTIFICATION PURSUANT TO
RULE 13a-15(e)/15d-15(e) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James F. Palmer, certify that:

1. I have reviewed this report on Form 10-K of Northrop Grumman Corporation (“company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the company’s most recent fiscal quarter (the company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: February 8, 2010

/s/ **James F. Palmer**

James F. Palmer
Corporate Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Northrop Grumman Corporation (the "company") on Form 10-K for the year ending December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wesley G. Bush, Chief Executive Officer and President of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13a-15(e)/15d-15(e) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: February 8, 2010

/s/ **Wesley G. Bush**

Wesley G. Bush
Chief Executive Officer and President

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Northrop Grumman Corporation (the "company") on Form 10-K for the year ending December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James F. Palmer, Corporate Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13a-15(e)/15d-15(e) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: February 8, 2010

/s/ **James F. Palmer**

James F. Palmer
Corporate Vice President and Chief Financial Officer