

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2012
or

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

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)

80-0640649

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

2980 Fairview Park Drive, Falls Church, Virginia 22042
www.northropgrumman.com

(Address of principal executive offices and internet site)

(703) 280-2900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 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 Exchange Act).

Yes

No

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

As of July 20, 2012, 247,210,252 shares of common stock were outstanding.

NORTHROP GRUMMAN CORPORATION

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NORTHROP GRUMMAN CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(Unaudited)

| <i>\$ in millions, except per share amounts</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|---------|--------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales | | | | |
| Product | \$3,399 | \$3,709 | \$ 6,740 | \$ 7,572 |
| Service | 2,875 | 2,851 | 5,732 | 5,722 |
| Total sales | 6,274 | 6,560 | 12,472 | 13,294 |
| Operating costs and expenses | | | | |
| Product | 2,604 | 2,860 | 5,131 | 5,863 |
| Service | 2,316 | 2,303 | 4,630 | 4,655 |
| General and administrative expenses | 580 | 556 | 1,141 | 1,124 |
| Operating income | 774 | 841 | 1,570 | 1,652 |
| Other (expense) income | | | | |
| Interest expense | (52) | (53) | (105) | (111) |
| Other, net | 5 | — | 18 | 5 |
| Earnings from continuing operations before income taxes | 727 | 788 | 1,483 | 1,546 |
| Federal and foreign income tax expense | 247 | 268 | 497 | 530 |
| Earnings from continuing operations | 480 | 520 | 986 | 1,016 |
| Earnings from discontinued operations, net of tax | — | — | — | 34 |
| Net earnings | \$ 480 | \$ 520 | \$ 986 | \$ 1,050 |
| Basic earnings per share | | | | |
| Continuing operations | \$ 1.91 | \$ 1.84 | \$ 3.91 | \$ 3.54 |
| Discontinued operations | — | — | — | 0.12 |
| Basic earnings per share | \$ 1.91 | \$ 1.84 | \$ 3.91 | \$ 3.66 |
| Weighted-average common shares outstanding, in millions | 250.8 | 282.6 | 252.0 | 287.2 |
| Diluted earnings per share | | | | |
| Continuing operations | \$ 1.88 | \$ 1.81 | \$ 3.84 | \$ 3.48 |
| Discontinued operations | — | — | — | 0.11 |
| Diluted earnings per share | \$ 1.88 | \$ 1.81 | \$ 3.84 | \$ 3.59 |
| Weighted-average diluted shares outstanding, in millions | 254.7 | 287.2 | 256.5 | 292.2 |
| Net earnings (from above) | \$ 480 | \$ 520 | \$ 986 | \$ 1,050 |
| Other comprehensive income | | | | |
| Change in cumulative translation adjustment | (15) | — | (9) | 27 |
| Change in unrealized gain on marketable securities and cash flow hedges, net of tax | — | — | — | (2) |
| Change in unamortized benefit plan costs, net of tax | 54 | 14 | 104 | 35 |
| Other comprehensive income, net of tax | 39 | 14 | 95 | 60 |
| Comprehensive income | \$ 519 | \$ 534 | \$ 1,081 | \$ 1,110 |

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

| <i>\$ in millions</i> | June 30, 2012 | December 31, 2011 |
|--|------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 3,148 | \$ 3,002 |
| Accounts receivable, net of progress payments | 3,119 | 2,964 |
| Inventoried costs, net of progress payments | 704 | 873 |
| Deferred tax assets | 504 | 496 |
| Prepaid expenses and other current assets | 225 | 411 |
| Total current assets | 7,700 | 7,746 |
| Property, plant and equipment, net of accumulated depreciation of \$4,094 in 2012 and \$3,933 in 2011 | 2,935 | 3,047 |
| Goodwill | 12,344 | 12,374 |
| Non-current deferred tax assets | 838 | 900 |
| Other non-current assets | 1,409 | 1,344 |
| Total assets | \$25,226 | \$25,411 |
| Liabilities | | |
| Trade accounts payable | \$ 1,191 | \$ 1,481 |
| Accrued employees compensation | 1,020 | 1,196 |
| Advance payments and billings in excess of costs incurred | 1,826 | 1,777 |
| Other current liabilities | 1,571 | 1,681 |
| Total current liabilities | 5,608 | 6,135 |
| Long-term debt, net of current portion | 3,932 | 3,935 |
| Pension and post-retirement plan liabilities | 4,067 | 4,079 |
| Other non-current liabilities | 904 | 926 |
| Total liabilities | 14,511 | 15,075 |
| Commitments and contingencies (Note 8) | | |
| Shareholders' equity | | |
| Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, \$1 par value; 800,000,000 shares authorized; issued and outstanding: 2012—248,039,410; 2011—253,889,622 | 248 | 254 |
| Paid-in capital | 3,443 | 3,873 |
| Retained earnings | 10,419 | 9,699 |
| Accumulated other comprehensive loss | (3,395) | (3,490) |
| Total shareholders' equity | 10,715 | 10,336 |
| Total liabilities and shareholders' equity | \$25,226 | \$25,411 |

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| <i>\$ in millions</i> | Six Months Ended June 30 | |
|--|--------------------------|-----------|
| | 2012 | 2011 |
| Operating activities | | |
| Sources of cash—continuing operations | | |
| Cash received from customers | | |
| Collections on billings | \$ 9,911 | \$ 11,028 |
| Progress payments | 2,553 | 1,975 |
| Other cash receipts | 38 | 80 |
| Total sources of cash—continuing operations | 12,502 | 13,083 |
| Uses of cash—continuing operations | | |
| Cash paid to suppliers and employees | (10,969) | (11,692) |
| Pension contributions | (33) | (550) |
| Interest paid, net of interest received | (102) | (119) |
| Income taxes paid, net of refunds received | (584) | (613) |
| Excess tax benefits from stock-based compensation | (29) | (21) |
| Other cash payments | (14) | (10) |
| Total uses of cash—continuing operations | (11,731) | (13,005) |
| Cash provided by continuing operations | 771 | 78 |
| Cash used in discontinued operations | — | (232) |
| Net cash provided by (used in) operating activities | 771 | (154) |
| Investing activities | | |
| Continuing operations | | |
| Maturities of short-term investments | 250 | — |
| Capital expenditures | (132) | (217) |
| Contribution received from the spin-off of shipbuilding business | — | 1,429 |
| Proceeds from sale of business, net of cash divested | 43 | — |
| Other investing activities, net | 1 | 41 |
| Cash provided by investing activities from continuing operations | 162 | 1,253 |
| Cash used in investing activities from discontinued operations | — | (63) |
| Net cash provided by investing activities | 162 | 1,190 |
| Financing activities | | |
| Common stock repurchases | (555) | (1,013) |
| Cash dividends paid | (265) | (277) |
| Proceeds from exercises of stock options | 67 | 86 |
| Excess tax benefits from stock-based compensation | 29 | 21 |
| Payments of long-term debt | — | (750) |
| Other financing activities, net | (63) | 6 |
| Net cash used in financing activities | (787) | (1,927) |
| Increase (decrease) in cash and cash equivalents | 146 | (891) |
| Cash and cash equivalents, beginning of year | 3,002 | 3,701 |
| Cash and cash equivalents, end of period | \$ 3,148 | \$ 2,810 |

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

NORTHROP GRUMMAN CORPORATION

| <i>\$ in millions</i> | Six Months Ended June 30 | |
|--|--------------------------|----------|
| | 2012 | 2011 |
| Reconciliation of net earnings to net cash provided by (used in) operating activities | | |
| Net earnings | \$986 | \$1,050 |
| Net earnings from discontinued operations | — | (34) |
| Adjustments to reconcile to net cash provided by (used in) operating activities: | | |
| Depreciation | 212 | 218 |
| Amortization | 31 | 37 |
| Stock-based compensation | 76 | 66 |
| Excess tax benefits from stock-based compensation | (29) | (21) |
| (Increase) decrease in assets: | | |
| Accounts receivable, net | (175) | (164) |
| Inventoried costs, net | 143 | 6 |
| Prepaid expenses and other assets | (95) | 5 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accruals | (453) | (757) |
| Deferred income taxes | (21) | 79 |
| Income taxes payable | (22) | 9 |
| Retiree benefits | 137 | (440) |
| Other, net | (19) | 24 |
| Cash provided by continuing operations | 771 | 78 |
| Cash used in discontinued operations | — | (232) |
| Net cash provided by (used in) operating activities | \$771 | (\$ 154) |

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

| <i>\$ in millions, except per share amounts</i> | Six Months Ended June 30 | |
|---|--------------------------|----------|
| | 2012 | 2011 |
| Common stock | | |
| Beginning of year | \$ 254 | \$ 291 |
| Common stock repurchased | (9) | (16) |
| Stock awards and options | 3 | 3 |
| End of period | 248 | 278 |
| Paid-in capital | | |
| Beginning of year | 3,873 | 7,778 |
| Common stock repurchased | (548) | (991) |
| Stock awards and options | 118 | 131 |
| Spin-off of shipbuilding business | — | (1,892) |
| End of period | 3,443 | 5,026 |
| Retained earnings | | |
| Beginning of year | 9,699 | 8,124 |
| Net earnings | 986 | 1,050 |
| Dividends declared | (266) | (277) |
| End of period | 10,419 | 8,897 |
| Accumulated other comprehensive loss | | |
| Beginning of year | (3,490) | (2,757) |
| Other comprehensive income, net of tax | 95 | 60 |
| Spin-off of shipbuilding business | — | 524 |
| End of period | (3,395) | (2,173) |
| Total shareholders' equity | \$10,715 | \$12,028 |
| Cash dividends declared per share | \$ 1.05 | \$ 0.97 |

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

NORTHROP GRUMMAN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

Principles of Consolidation and Reporting

These unaudited condensed consolidated financial statements include the accounts of Northrop Grumman Corporation and subsidiaries (herein referred to as "Northrop Grumman," the "company," "we," "us," or "our"). All intercompany accounts, transactions, and profits are eliminated in consolidation. Investments in equity securities and joint ventures where the company has significant influence, but not control, are accounted for using the equity method.

The accompanying unaudited condensed consolidated financial statements of the company have been prepared by management in accordance with the rules of the Securities and Exchange Commission (SEC) for interim reporting purposes. These statements include all adjustments of a normal recurring nature considered necessary by management for a fair presentation of the condensed consolidated financial position, results of operations, and cash flows.

The results reported in these financial statements are not necessarily indicative of results that may be expected for the entire year. These financial statements should be read in conjunction with the information contained in the company's Annual Report on Form 10-K for the year ended December 31, 2011 (2011 Annual Report on Form 10-K).

The quarterly information is labeled using a calendar convention; that is, first quarter is consistently labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is management'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 near these quarter-end dates in order to normalize the potentially disruptive effects of quarterly closings on business processes. The effects of this practice only exist at interim periods within a reporting year.

Accounting Estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (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; however, actual results could differ materially from those estimates.

The majority of our contracts are accounted for under the percentage-of-completion method. For such contracts, 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 in contract performance as if the revised estimate had been used since contract inception. Changes in contract estimates occur for a variety of reasons, including changes in contract scope, changes in estimated contract revenue, changes in contract cost estimates due to unanticipated cost growth or the resolution of contract risks at lower cost than anticipated, as well as changes in contract overhead costs or general and administrative expenses over the performance period. The company has an extensive contract management process involving several functional organizations and numerous personnel who are skilled at managing contract activities. As the company's business involves performing on a broad portfolio of long-term contracts, generally involving complex customized products and services, changes in estimates occur routinely over the contract performance period.

Significant changes in estimates on a single contract could have a material effect on the company's consolidated financial position or results of operations, and where such changes occur, separate disclosure is made of the nature, underlying conditions and financial impact of the change. During the three and six months ended June 30, 2012, aggregate net changes in contract estimates recognized using the cumulative catch-up method of accounting increased operating income by \$222 million (\$0.57 per diluted share) and \$487 million (\$1.24 per diluted share), respectively. During the three and six months ended June 30, 2011, such changes in contract estimates increased operating income by \$ 201 million (\$0.46 per diluted share) and \$345 million (\$0.77 per diluted share), respectively. No discrete event or adjustment to an individual contract was material to the condensed consolidated statements of earnings and comprehensive income for any of these periods.

Related Party Transactions

For all periods presented, the company had no material related party transactions.

NORTHROP GRUMMAN CORPORATION**Accounting Standards Updates**

Accounting standards updates effective after June 30, 2012, are not expected to have a material effect on the company's consolidated financial position or results of operations.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

| <i>\$ in millions</i> | June 30, 2012 | December 31, 2011 |
|--|----------------------|-------------------|
| Unamortized benefit plan costs, net of tax benefit of \$2,217 as of June 30, 2012, and \$2,289 as of December 31, 2011 | (\$3,383) | (\$3,487) |
| Cumulative translation adjustment | (13) | (4) |
| Net unrealized gain on marketable securities and cash flow hedges, net of tax expense | 1 | 1 |
| Total accumulated other comprehensive loss | (\$3,395) | (\$3,490) |

Unamortized benefit plan costs consist primarily of net after-tax actuarial losses totaling \$3.8 billion and \$3.9 billion as of June 30, 2012, and December 31, 2011, respectively. Net actuarial gains or losses principally arise from gains or losses on plan assets due to variations in the fair market value of the underlying assets and changes in the benefit obligation due to changes in actuarial assumptions, primarily changes in the discount rate.

2. EARNINGS PER SHARE, SHARE REPURCHASES AND DIVIDENDS ON COMMON STOCK**Basic Earnings Per Share**

Basic earnings per share from both continuing and discontinued operations are calculated by dividing the respective earnings by the weighted-average number of shares of common stock outstanding during each period.

Diluted Earnings Per Share

Diluted earnings per share includes the dilutive effect of awards granted to employees under stock-based compensation plans. The dilutive effect of these securities totaled 3.9 million shares and 4.5 million shares for the three and six months ended June 30, 2012, respectively. The dilutive effect of these securities totaled 4.6 million shares and 5.0 million shares for the three and six months ended June 30, 2011, respectively. The weighted-average diluted shares outstanding for the three and six months ended June 30, 2012, excludes anti-dilutive stock options to purchase approximately 2.8 million shares in both periods, because such options have exercise prices in excess of the average market price of the company's common stock during the period. The weighted-average diluted shares outstanding for the three and six months ended June 30, 2011, excludes anti-dilutive stock options to purchase approximately 2.0 million shares and 2.8 million shares, respectively.

Share Repurchases

The table below summarizes the company's share repurchases:

| Repurchase Program Authorization Date | Amount Authorized (in millions) | Total Shares Retired (in millions) | Average Price Per Share ⁽²⁾ | Shares Repurchased (in millions) | |
|--|---------------------------------------|--|--|---|------|
| | | | | Six Months Ended June 30 2012 | 2011 |
| June 16, 2010 ⁽¹⁾ | \$4,245 | 53.5 | \$57.86 | 9.3 | 15.7 |

(1) On June 16, 2010, the company's board of directors authorized a share repurchase program of up to \$2.0 billion of the company's common stock. On April 25, 2011, after the company had repurchased \$245 million of shares, the company's board of directors authorized an increase to the remaining share repurchase authorization to \$4.0 billion. As of June 30, 2012, the company had \$1.1 billion remaining under this authorization for share repurchases.

(2) Calculated as the average price paid per share under the respective repurchase program, including commissions paid.

Share repurchases take place at management's discretion under pre-established, non-discretionary programs, depending on market conditions, in the open market, or 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 program authorizations. In connection with the spin-off of the former

NORTHROP GRUMMAN CORPORATION

shipbuilding business (see Note 3), the company obtained a Private Letter Ruling from the Internal Revenue Service that generally limits our share repurchases to approximately 88 million shares within two years of the spin-off. The limitation expires on March 31, 2013. Due to share repurchases subsequent to the spin-off, the remaining number of shares that we can repurchase under this share repurchase limitation as of June 30, 2012, was approximately 38 million shares. Cash available from unusual transactions, such as the disposition of significant assets, should they arise, can be used to repurchase additional shares.

Dividends on Common Stock

In May 2012, the company increased the quarterly common stock dividend to \$0.55 per share; an increase from the previous amount of \$0.50 per share.

In May 2011, the company increased the quarterly common stock dividend to \$0.50 per share from the previous amount of \$0.47 per share.

3. BUSINESS DISPOSITIONS AND DISCONTINUED OPERATIONS**Spin-off of Shipbuilding Business**

Effective March 31, 2011, the company completed the spin-off to its shareholders of Huntington Ingalls Industries, Inc. (HII). HII was formed to operate the company's former shipbuilding business. The company made a pro rata distribution to its shareholders of one share of HII common stock for every six shares of the company's common stock held on the record date of March 30, 2011, or 48.8 million shares of HII common stock. HII paid a \$1.4 billion cash contribution to the company. There was no gain or loss recognized as a result of the spin-off transaction.

Prior to the completion of the spin-off, the company and HII entered into a Separation and Distribution Agreement dated March 29, 2011, and several other agreements that govern the post-separation relationship. These agreements generally provide that each party is responsible for its respective assets, liabilities and obligations following the spin-off, including employee benefits, intellectual property, information technology, insurance, and tax-related assets and liabilities. The agreements also describe the company's commitments to provide HII with certain transition services for up to one year. During the first quarter of 2012, the company and HII agreed to extend certain information technology transition services for a limited time beyond the initial one-year term. Costs incurred for transition services are reimbursed by HII.

In connection with the spin-off, the company incurred \$27 million of non-deductible transaction costs in the six months ended June 30, 2011, which were included in discontinued operations.

Discontinued Operations

Earnings for the former shipbuilding business and an adjustment to the gain from a previous divestiture recognized in the six months ended June 30, 2011, are reported as discontinued operations, as presented in the following table:

\$ in millions

| | |
|--|---------|
| Sales | \$1,646 |
| Earnings from discontinued operations | 59 |
| Income tax expense | (26) |
| Earnings, net of tax | 33 |
| Gain on previous divestiture, net of income tax expense of \$1 | 1 |
| Earnings from discontinued operations, net of tax | \$ 34 |

There were no assets or liabilities related to these discontinued operations included in the condensed consolidated statements of financial position as of June 30, 2012, or December 31, 2011.

4. SEGMENT INFORMATION

The company is aligned into four reportable segments: Aerospace Systems, Electronic Systems, Information Systems, and Technical Services. The United States (U.S.) government is the primary customer for all four of our segments.

The company, from time to time, acquires or disposes of businesses and realigns contracts, programs or business areas among and within its operating segments. Portfolio shaping and internal realignments are designed to more fully leverage existing capabilities and enhance development and delivery of products and services. The change in goodwill represents goodwill allocated to a business divested from the Information Systems segment during the three months ended June 30, 2012.

NORTHROP GRUMMAN CORPORATION**Segment Realignment**

On January 1, 2012, the company transferred its missile business (principally the Intercontinental Ballistic Missile (ICBM) program), from Aerospace Systems to Technical Services. In connection with this realignment, \$51 million of goodwill was transferred from Aerospace Systems to Technical Services. The segment sales and segment operating income for the three and six months ended June 30, 2011, have been recast to reflect the missile business transfer. Sales of \$119 million and \$262 million for the three and six months ended June 30, 2011, respectively, were transferred from Aerospace Systems to Technical Services. Segment operating income of \$11 million and \$25 million for the three and six months ended June 30, 2011, respectively, were transferred from Aerospace Systems to Technical Services.

Intersegment Eliminations

As of December 31, 2011, the company revised its reporting of intersegment operating costs and expenses, whereby intersegment costs are now reported based on the predominant attributes of the customer contract, rather than the attributes of the intersegment work performed. As a result, in the condensed consolidated statements of earnings and comprehensive income, product costs have been retrospectively increased by \$198 million and \$359 million for the three and six months ended June 30, 2011, respectively, and service costs have been retrospectively decreased by the same amounts, while consolidated sales, operating costs and expenses, segment operating income and operating income remain unchanged.

The following table presents sales and operating income by segment:

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------------------|----------------------------|---------------|--------------------------|-----------------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales | | | | |
| Aerospace Systems | \$2,404 | \$2,473 | \$ 4,787 | \$ 5,066 |
| Electronic Systems | 1,744 | 1,791 | 3,468 | 3,599 |
| Information Systems | 1,856 | 2,031 | 3,700 | 4,056 |
| Technical Services | 783 | 776 | 1,533 | 1,607 |
| Intersegment eliminations | (513) | (511) | (1,016) | (1,034) |
| Total sales | 6,274 | 6,560 | 12,472 | 13,294 |
| Operating income | | | | |
| Aerospace Systems | 292 | 320 | 571 | 607 |
| Electronic Systems | 276 | 284 | 580 | 521 |
| Information Systems | 202 | 189 | 407 | 383 |
| Technical Services | 74 | 62 | 144 | 130 |
| Intersegment eliminations | (62) | (71) | (131) | (136) |
| Total segment operating income | 782 | 784 | 1,571 | 1,505 |
| Reconciliation to operating income: | | | | |
| Unallocated corporate expenses | (39) | (38) | (62) | (48) |
| Net pension adjustment | 35 | 99 | 67 | 202 |
| Royalty income adjustment | (4) | (4) | (6) | (7) |
| Total operating income | \$ 774 | \$ 841 | \$ 1,570 | \$ 1,652 |

Unallocated Corporate Expenses

Unallocated corporate 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. Such costs consist of management and administration, legal, environmental, certain compensation costs, certain 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. The decreases in net pension adjustment for the three and six months ended June 30, 2012, as compared to the same periods in 2011, are

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primarily due to increased GAAP pension expense resulting from amortization of prior year actuarial losses.

Royalty Income Adjustment

Royalty income is included in segment operating income and reclassified to other income for financial reporting purposes.

5. INCOME TAXES

The company's effective tax rate on earnings from continuing operations was 34.0 percent and 33.5 percent for the three and six months ended June 30, 2012, respectively, compared to 34.0 percent and 34.3 percent for the three and six months ended June 30, 2011, respectively. The company's lower effective tax rate for the six months ended June 30, 2012, reflects increased deductions for current year domestic manufacturing and additional deductions from filing amended tax returns for certain open tax years which generated additional domestic manufacturing benefit, partially offset by the absence of research tax credits, which expired at the end of 2011.

The company recognizes accrued interest and penalties related to uncertain tax positions in federal and foreign income tax expense. The company files income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. The Internal Revenue Service is currently conducting an examination of the company's tax returns for the years 2007 through 2010. Open tax years related to state and foreign jurisdictions remain subject to examination, but are not considered material.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents fair value information for those assets and liabilities measured at fair value on a recurring basis:

| <i>\$ in millions</i> | June 30, 2012 | | December 31, 2011 | |
|---|----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets (Liabilities) | | | | |
| Marketable securities | | | | |
| Trading | \$ 238 | \$ 238 | \$ 219 | \$ 219 |
| Available-for-sale | 4 | 4 | 4 | 4 |
| Held-to-maturity time deposits | — | — | 250 | 250 |
| Derivatives | 4 | 4 | 7 | 7 |
| Long-term debt, including current portion | (3,937) | (4,794) | (3,940) | (4,675) |

There were no transfers of financial instruments between the three levels of fair value hierarchy during the six months ended June 30, 2012.

The carrying amounts of all other financial instruments not shown above approximate fair value due to their short-term nature.

Investments in Marketable Securities

The company holds a portfolio of marketable securities, consisting of equity securities that are classified as either trading or available-for-sale, which can be liquidated without restriction. These assets are recorded at fair value and are valued using Level 1 inputs (quoted market prices). In addition, the company occasionally holds short-term investments classified as held-to-maturity that are recorded at cost. Marketable securities as of June 30, 2012, were included in other non-current assets in the condensed consolidated statements of financial position. As of December 31, 2011, marketable securities of \$250 million were included in prepaid expenses and other current assets and \$223 million were included in other non-current assets in the condensed consolidated statements of financial position.

Derivative Financial Instruments and Hedging Activities

The company's derivative portfolio consists solely of foreign currency forward contracts. The notional values at June 30, 2012, and December 31, 2011, were \$161 million and \$233 million, respectively.

Derivative financial instruments are recognized as assets or liabilities in the financial statements and measured at fair value, and substantially all of these instruments are valued using Level 2 inputs.

Unrealized gains or losses on the effective portion of cash flow hedges are reclassified from other comprehensive

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income to earnings from continuing operations upon the settlement of the underlying transactions. Hedge contracts not designated for hedge accounting and the ineffective portion of cash flow hedges are recorded in other income. The derivative fair values and related unrealized gains/losses at June 30, 2012, and December 31, 2011, were not material.

Long-term Debt

The fair value of long-term debt is calculated using Level 2 inputs based on interest rates available for debt with terms and maturities similar to the company's existing debt arrangements.

7. LITIGATION, INVESTIGATIONS AND CLAIMS

Litigation

On June 22, 2007, a putative class action, *Skinner et al. v. Northrop Grumman Pension Plan, etc., et al.*, was filed against the Northrop Grumman Pension Plan and the Northrop Grumman Retirement Plan B and their corresponding administrative committees in the U.S. District Court for the Central District of California. The putative class representatives alleged violations of Employee Retirement Income Security Act of 1974 (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 U.S. Court of Appeals for 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 employer-funded component of the pension benefit. After the remand, the plaintiffs filed a motion to certify a 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 the plaintiffs' motion for summary judgment. The District Court also denied the plaintiffs' motion for class certification and struck the trial date of March 23, 2010, as unnecessary given the District Court's grant of summary judgment for the Plan. The plaintiffs appealed the District Court's order to the Ninth Circuit. On March 16, 2012, the Ninth Circuit affirmed the district court. On March 30, 2012, the plaintiffs moved for rehearing or rehearing en banc, which the Ninth Circuit denied on April 30, 2012. The plaintiffs did not seek review by the U.S. Supreme Court.

On May 4, 2012, the company commenced an action, *Northrop Grumman Systems Corp. v. United States*, in the U.S. Court of Federal Claims. This lawsuit relates to an approximately \$875 million firm fixed price contract awarded to the company in 2007 by the U.S. Postal Service (USPS) for the construction and delivery of flats sequencing systems (FSS) as part of the postal automation program. The FSS have now been delivered. Over the past two years, the company has submitted three certified claims to the USPS related to this program seeking approximately \$179 million. Some of the company's claims are for unpaid portions of the contract price (approximately \$63 million) and direct costs incurred. Other claims are based on the company's assertions that through various acts and omissions over the life of the contract, the USPS adversely affected the cost and schedule of performance and materially altered the company's obligations under the contract. With limited exceptions, the USPS Contracting Officer denied the company's three certified claims. On April 13, 2012, when the Contracting Officer denied most of the company's last two claims, he also asserted claims against the company in the net amount of approximately \$341 million. The USPS claims appear to the company to be primarily that, due to delays in performance, the USPS was damaged because it did not realize certain cost savings it expected from deploying the systems earlier. The company's lawsuit seeks damages up to approximately \$179 million under various theories of liability; it also disputes the claims asserted by the USPS Contracting Officer. The United States has not yet responded to the company's complaint. Although the ultimate outcome of this litigation, including any possible loss, cannot be predicted or estimated at this time, the company intends vigorously to pursue this matter.

The company is a party to various investigations, lawsuits, claims and other legal proceedings, including government investigations and claims, that arise in the ordinary course of our business. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter. However, based on information available to the company to date and other than with respect to the FSS matter, which is discussed separately above, the company does not believe that the outcome of any matter pending against the company is likely to have a material adverse effect on the company's consolidated financial position as of June 30, 2012, or its annual results of operations or cash flows.

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8. 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 settlements in the process of negotiation, contract changes, claims and requests for equitable adjustment for previously unanticipated contract costs. As of June 30, 2012, the recognized amounts related to claims and requests for equitable adjustment are not material individually or in the aggregate.

Contract Terminations

The company's U.S. government contracts generally contain provisions that enable the customer to terminate a contract for default, or for the convenience of the government. If the contract is terminated for default, the contractor may not be entitled to recover any of its costs on partially completed work and may be liable to the government for any excess re-procurement costs of acquiring similar products or services from another contractor, and for certain other damages. Termination of a contract for the convenience of the government may occur when the government concludes it is in the best interests of the U.S. government that the contract be terminated. Under a termination for convenience, the contractor is typically entitled to be paid in accordance with the contract's terms for costs incurred under the contract prior to the effective date of termination, plus a reasonable profit and settlement expenses. The company does not have any contract terminations in process that would have a material effect on our consolidated financial position or results of operations at June 30, 2012.

Guarantees of Subsidiary Performance Obligations

From time to time, in the ordinary course of business, the company guarantees obligations of its subsidiaries under certain contracts. Generally, the company is liable under such an arrangement only if its subsidiary is unable to perform under its contract. Historically, the company has not incurred any substantial liabilities as a result of these guarantees.

In addition, the company's subsidiaries may enter into joint ventures, teaming and other business arrangements (collectively, 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 Business Arrangements, or to the extent of such subsidiary's obligations under the applicable contract. In some cases, however, the company is required to guarantee the performance of the Business Arrangements and, in such cases, the company generally obtains cross-indemnification from the other members of the Business Arrangements.

At June 30, 2012, the company is not aware of any existing event of default that would require it to satisfy any of these guarantees.

U.S. Government Cost Claims

From time to time, the company is advised of claims by the U.S. government concerning certain potential disallowed costs, plus, at times, penalties and interest. 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. Where appropriate, provisions are made to reflect the company's expected exposure to the matters raised by the U.S. government. Such provisions are reviewed on a quarterly basis for sufficiency based on the most recent information available. The company believes that it has adequately reserved for any disputed amounts and that the outcome of any such matters would not have a material adverse effect on its consolidated financial position as of June 30, 2012, or its annual results of operations or cash flows.

Environmental Matters

The estimated cost to complete remediation has been accrued where the company believes, based on the facts and circumstances known to the company, that it is probable that the company will incur costs 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 by the Environmental Protection Agency, or similarly designated by other environmental agencies. As of June 30, 2012, management estimates that the range of reasonably possible future costs for environmental remediation is between \$312 million and \$732 million, before considering the amount recoverable through overhead charges on U.S. government contracts. At June 30, 2012, the amount accrued for probable environmental remediation costs was \$338 million, of which \$86 million is accrued in other current liabilities and \$252 million is accrued in other non-current liabilities. A portion of the environmental remediation costs is expected to be recoverable through overhead charges on government contracts and, accordingly, such amounts are deferred in inventoried costs and other non-current assets. As of June 30, 2012, \$56 million is deferred in inventoried costs and \$142 million is deferred in other non-current assets. These amounts are evaluated for recoverability on a routine basis. Although management cannot predict whether new information gained as projects

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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 as of June 30, 2012, or its annual results of operations or cash flows.

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 principally by insurance companies to guarantee the performance on certain obligations. At June 30, 2012, there were \$205 million of stand-by letters of credit, \$229 million of bank guarantees, and \$99 million of surety bonds outstanding.

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 as of June 30, 2012, or its annual results of operations or cash flows.

Operating Leases

Rental expense for operating leases, excluding discontinued operations, for the three and six months ended June 30, 2012, was \$97 million and \$181 million, respectively, and was \$110 million and \$215 million for the three and six months ended June 30, 2011, respectively. These amounts are net of immaterial amounts of sublease rental income.

Guarantee of Former Subsidiary

A subsidiary of the company has guaranteed HII's outstanding \$84 million Economic Development Revenue Bonds (Ingalls Shipbuilding, Inc. Project), Taxable Series 1999A, which mature in 2024. The immaterial fair value of this guarantee was recorded in other long-term liabilities. In addition, HII has assumed the responsibility for the payment and performance of all outstanding indebtedness, obligations and liabilities of the company under this guarantee, and has agreed to indemnify the company against all liabilities that may be incurred in connection with this guarantee.

9. RETIREMENT BENEFITS

The cost of the company's pension plans and post-retirement medical and life benefit plans are shown in the following table:

| <i>\$ in millions</i> | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|--|----------------------------|-------------|---------------------------|-------------|--------------------------|--------------|---------------------------|-------------|
| | Pension Benefits | | Medical and Life Benefits | | Pension Benefits | | Medical and Life Benefits | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Components of net periodic benefit cost | | | | | | | | |
| Service cost | \$130 | \$130 | \$9 | \$8 | \$261 | \$260 | \$17 | \$16 |
| Interest cost | 296 | 305 | 27 | 29 | 592 | 610 | 54 | 58 |
| Expected return on plan assets | (427) | (423) | (17) | (16) | (854) | (846) | (34) | (32) |
| Amortization of: | | | | | | | | |
| Prior service cost (credit) | (14) | 6 | (13) | (13) | (29) | 12 | (25) | (26) |
| Net loss from previous years | 107 | 41 | 5 | 3 | 214 | 82 | 10 | 6 |
| Other | — | — | — | — | 2 | — | — | — |
| Net periodic benefit cost | \$92 | \$59 | \$11 | \$11 | \$186 | \$118 | \$22 | \$22 |

Employer Contributions

The company's required minimum funding in 2012 for its defined benefit pension plans and its post-retirement medical and life benefit plans is approximately \$65 million and \$120 million, respectively. For the six months ended June 30, 2012, contributions of \$33 million have been made to the company's defined benefit pension plans, and contributions of \$46 million have been made to the company's post-retirement medical and life benefit plans. The company also sponsors defined contribution plans, and for the three months ended June 30, 2012 and 2011, contributions of \$76 million were made to these plans in each period. For the six months ended June 30, 2012 and 2011, contributions of \$152 million and \$161 million, respectively, were made to these plans.

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10. STOCK COMPENSATION PLANS AND OTHER COMPENSATION ARRANGEMENTS

Stock Awards

On February 15, 2012, the company granted certain employees 0.5 million restricted stock rights (RSRs) and 1.2 million restricted performance stocks rights (RPSRs) under the company's long-term incentive stock plan with a grant date aggregate fair value of \$102 million. The RSRs will vest on the third anniversary of the grant date, while the RPSRs will vest and pay out based on the achievement of financial metrics for the three-year period ending December 31, 2014.

Cash Awards

On February 15, 2012, the company granted certain employees 0.6 million cash units (CUs) and 1.3 million cash performance units (CPUs) with a minimum aggregate payout amount of \$34 million and a maximum aggregate payout amount of \$190 million. The CUs will vest and settle in cash on the third anniversary of the grant date, while the CPUs will vest and pay out based on the achievement of financial metrics for the three-year period ending December 31, 2014.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Northrop Grumman Corporation
Falls Church, Virginia

We have reviewed the accompanying condensed consolidated statement of financial position of Northrop Grumman Corporation and subsidiaries as of June 30, 2012, and the related condensed consolidated statements of earnings and comprehensive income for the three-month and six-month periods ended June 30, 2012 and 2011, and cash flows and changes in shareholders' equity for the six-month periods ended June 30, 2012 and 2011. These interim financial statements are the responsibility of the Corporation's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Northrop Grumman Corporation and subsidiaries as of December 31, 2011, and the related consolidated statements of operations, cash flows, and changes in shareholders' equity for the year then ended (not presented herein); and in our report dated February 7, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 2011, is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

/s/ Deloitte & Touche LLP
McLean, Virginia
July 24, 2012

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Northrop Grumman Corporation (herein referred to as "Northrop Grumman," the "company," "we," "us," or "our") provides technologically advanced, innovative products, services, and integrated solutions to global customers through four sectors: Aerospace Systems, Electronic Systems, Information Systems and Technical Services. We participate in many high-priority defense and government services technology programs in the United States (U.S.) and abroad as a prime contractor, principal subcontractor, partner, or preferred supplier. We conduct the majority of our business with the U.S. government, principally the Department of Defense (DoD). We also conduct business with foreign, state, and local governments, as well as domestic and international commercial customers.

The following discussion should be read along with the unaudited condensed consolidated financial statements included in this Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2011. The Form 10-K provides a more thorough discussion of our products and services, environment, industry outlook, and business trends. See further discussions in the Consolidated Operating Results and Segment Operating Results sections that follow.

Political and Economic Environment

The fiscal year 2012 defense budget increased base funding (excluding Overseas Contingency Operations funding) over fiscal year 2011 levels. The President's Budget for Fiscal Year 2013 has been submitted to Congress and includes a slight decline from fiscal year 2012 levels. During the ongoing Congressional budget process, we expect significant debate within the government regarding fiscal year 2013 defense spending, and the upcoming general election in November may also generate significant dialogue around the federal deficit and potential cuts in government spending. Budget decisions made in this environment could have long-term consequences for our company and the entire defense industry. In particular, should sequestration as currently mandated by the Budget Control Act of 2011 be implemented in January 2013, absent any other changes, it would have serious negative consequences for the security of our country, the defense industrial base, and the customers, employees, suppliers, investors, and communities that rely on the companies in the defense industrial base, including Northrop Grumman. There is currently no official planning guidance from the government regarding how sequestration would be implemented, if it were to go into effect. There are many variables in how the law could be implemented that will determine the specific impacts; however, we expect that sequestration, as currently provided for under the Budget Control Act, would result in lower revenues, profits and cash flows for our company. While members of Congress are discussing various options to prevent or defer sequestration and the automatic spending cuts scheduled to begin in January 2013, we cannot predict whether any such efforts will succeed.

In addition, we expect continued draw down of U.S. force levels and budget resources tied to current major deployments. As overall defense spending declines, the DoD is re-evaluating the role and structure of the military. Earlier this year, the DoD released a new defense strategy intended to guide its priorities and budgeting decisions. The new guidance indicates the U.S. military needs to project power globally and operate effectively in all domains, including cybersecurity, and it places particular emphasis on the Asia Pacific region as an area of strategic focus.

In January 2012, the Secretary of Defense proposed a number of program changes and cancellations that are scheduled to take place over the next several years, in part to comply with certain provisions of the Budget Control Act. Certain of these announced program changes and cancellations would have an impact on programs in which we participate (such as announcements regarding the Block 30 Global Hawk and the F-35 program).

We believe that spending on recapitalization, modernization and maintenance of defense, intelligence, and homeland security assets will continue to be a national priority. Future defense spending is expected to include the development and procurement of new manned and unmanned military platforms and systems along with advanced electronics and software to enhance the capabilities of existing individual systems and provide real-time integration of individual surveillance, information management, strike, and battle management platforms. We expect significant new competitive opportunities to include long range strike, missile defense, command and control, network communications, enhanced situational awareness, satellite systems, restricted programs, cybersecurity, technical services and information technology contracts, as well as numerous international and homeland security programs.

Recent Developments in U.S. Government Cost Accounting Standards (CAS) Pension Recovery Rules

On December 27, 2011, the CAS Board published a final rule revising Cost Accounting Standard (CAS) 412, "Composition and Measurement of Pension Cost," and CAS 413, "Adjustment and Allocation of Pension Cost." These revisions partially harmonize the measurement and period of assignment of defined benefit pension plan costs allocable to U.S. government contracts, and the minimum required contribution under the Employee Retirement

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Income Security Act of 1974 (ERISA), as amended, as required by the Pension Protection Act (PPA) of 2006. The rule should better align, but not eliminate, mismatches between ERISA funding requirements and CAS pension costs for government CAS covered contracts. Under the final rule, there is a five-year transition period, during which an increasing percentage of the harmonization effect is recognized, starting from 0 percent in the first year of applicability (when relatively minor changes in amortization periods for gains and losses become applicable) to 100 percent in the fifth year and thereafter. The rule became effective on February 27, 2012, (the "effective date") with 2013 being the first year of applicability of the revised rule for any of the changes to the company's cost accounting practices required by the rule. Price proposals for CAS covered contracts awarded on or after the effective date consider the effects of the rule. For CAS covered contracts that were awarded prior to the effective date, contractors are entitled to an equitable adjustment for any additional CAS basis contract costs resulting from implementation of the final rule. We currently are assessing the amounts and timing of equitable adjustments due to the Company. Such adjustments will be subject to negotiation and cannot be determined with certainty at this time.

Operating Performance Assessment and Reporting

We manage and assess the performance of our business based on our performance on contracts and programs (two or more closely-related contracts), with consideration given to the Critical Accounting Policies, Estimates and Judgments described in Part II, Item 7 of our 2011 Annual Report on Form 10-K. Our portfolio of long-term contracts is largely flexibly-priced, which means that sales tend to fluctuate in concert with costs across our large portfolio of contracts. Due to Federal Acquisition Regulations (FAR) rules that govern our business, most types of costs are allowable, and we do not focus on individual cost groupings (such as manufacturing, engineering, and design labor costs, subcontractor costs, material costs, overhead costs, and general and administrative costs), as much as we do on total contract costs, which is the key driver of both sales and operating income.

Our contract management process involves the use of contract estimates-at-completion (EACs) that are generally prepared and evaluated on a bottoms-up basis at least annually and reviewed on a quarterly basis over the performance period of the contract. These EACs include an estimated contract operating income margin based initially on the contract award amount, adjusted to reflect estimated risks related to contract performance. These risks typically include technical risk, schedule risk and performance risk based upon our evaluation of the contract effort. Similarly, the EACs include identified opportunities for operating income margin rate improvement. Over the performance period of the contract, our program management organizations perform evaluations of contract performance and adjust the contract revenue and cost estimates to reflect the latest reliable information available. Our business and program management organizations are comprised of skilled professional managers whose objective is to satisfy the customer's expectations, deliver high quality products and services, and manage contract risks and opportunities to achieve an appropriate operating income margin rate on the contract. Our comprehensive business and contract management process involves personnel from the planning, production control, contracts, cost management, supply chain and program and business management functions. As part of this overall contract management function, these personnel monitor compliance with our critical accounting policies related to contract accounting and compliance with U. S. government regulations. As a result, contract operating income and period-to-period contract operating income margin rates are adjusted over the contract performance period to reflect changes in the risks and opportunities affecting the contract, and adjustments may have a favorable or unfavorable effect on operating income margin depending upon the specific conditions affecting each contract.

In evaluating our operating performance, we look primarily at changes in sales and operating income, including the effects of meaningful changes in operating income as a result of changes in contract estimates and the use of the cumulative catch-up method of accounting in accordance with GAAP. Where applicable, significant fluctuations in operating performance attributable to individual contracts or programs, or changes in a specific cost element across multiple contracts are described in our analysis. Based on this approach and the nature of our operations, the discussion of results of operations first focuses around our four segments before distinguishing between products and services. Changes in sales are generally described in terms of volume, deliveries or other indicators of sales activity. For purposes of this discussion, volume generally refers to increases or decreases in cost or sales from production/service activity levels or delivery rates. Performance refers to changes in contract margin rates for the period, primarily related to the changes in estimates referred to above.

Consolidated Financial Summary

Current Quarter

Sales for the three months ended June 30, 2012, were \$6.3 billion, a decrease of \$286 million, or 4 percent, as compared with the same period in 2011.

Segment operating income for the three months ended June 30, 2012, was comparable with the prior period at \$782

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million. Segment operating margin rate increased 50 basis points to 12.5 percent, driven by improved segment performance on lower revenue. Refer to the Operating Income section under Consolidated Operating Results for a reconciliation of segment operating income to operating income.

Operating income for the three months ended June 30, 2012, decreased \$67 million, or 8 percent, as a result of lower volume and a \$64 million decrease in net FAS/CAS pension adjustment. Operating margin rate decreased 50 basis points from 12.8 percent to 12.3 percent primarily due to a lower FAS/CAS pension adjustment.

Year to Date

Sales for the six months ended June 30, 2012, were \$12.5 billion, a decrease of \$822 million, or 6 percent, as compared with the same period in 2011.

Segment operating income increased \$66 million, or 4 percent, and segment operating margin rate increased 130 basis points to 12.6 percent, driven by a number of factors including improved segment performance, mitigation of contract risks, cost reduction initiatives and portfolio shaping efforts.

Operating income for the six months ended June 30, 2012, decreased \$82 million, or 5 percent, as a result of lower FAS/CAS pension adjustment, which was partially offset by higher segment operating income. Operating margin rate increased 20 basis points from 12.4 percent to 12.6 percent, due to improved performance at three of the four segments.

Backlog

Total backlog at June 30, 2012, and December 31, 2011, was \$41.5 billion and \$39.5 billion, respectively. The value of contract awards booked during the six months ended June 30, 2012, was \$14.6 billion.

CONSOLIDATED OPERATING RESULTS

Selected financial highlights are presented in the table below:

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------|--------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales | \$6,274 | \$6,560 | \$12,472 | \$13,294 |
| Operating costs and expenses | 5,500 | 5,719 | 10,902 | 11,642 |
| Operating income | 774 | 841 | 1,570 | 1,652 |
| Operating margin rate | 12.3% | 12.8% | 12.6% | 12.4% |
| Interest expense | (52) | (53) | (105) | (111) |
| Federal and foreign income tax expense | 247 | 268 | 497 | 530 |
| Cash provided by (used in) continuing operations | 876 | (34) | 771 | 78 |

Sales

Sales for the three and six months ended June 30, 2012, decreased \$286 million, or 4 percent, and \$822 million, or 6 percent, respectively, as compared with the same periods in 2011.

The table below shows the variances from the prior year period, by sector:

| <i>\$ in millions</i> | Three Month Variance | | Six Month Variance | |
|-----------------------|----------------------|------|--------------------|------|
| Aerospace Systems | (\$69) | (3%) | (\$279) | (6%) |
| Electronic Systems | (47) | (3%) | (131) | (4%) |
| Information Systems | (175) | (9%) | (356) | (9%) |
| Technical Services | 7 | 1% | (74) | (5%) |

For further information by segment refer to Segment Operating Results, and for product and service detail, refer to the Product and Service Analysis section that follows.

Operating Costs and Expenses

Operating costs and expenses are primarily comprised of labor, material, subcontractor, and overhead costs, and are generally allocated to contracts as they are incurred. In accordance with industry practice and the regulations that govern cost accounting requirements for government contracts, most general corporate expenses incurred at the segment and corporate locations are considered allowable and allocable costs. For most components of the company,

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these general and administrative costs are allocated to contracts in progress on a systematic basis and contract performance factors include this cost component as an element of cost. Operating costs and expenses consist of the following:

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|------------------------------|----------------------------|---------|--------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Product and service cost | \$4,920 | \$5,163 | \$ 9,761 | \$10,518 |
| General and administrative | 580 | 556 | 1,141 | 1,124 |
| Operating costs and expenses | \$5,500 | \$5,719 | \$10,902 | \$11,642 |

Product and service costs for the three months ended June 30, 2012, decreased \$243 million, or 5 percent, as compared with the same period in 2011. The primary driver of the reduction in product and service costs was reduced volume at Aerospace Systems, Electronic Systems, and Information Systems. This decrease was partially offset by higher pension costs in 2012. General and administrative expenses as a percentage of total sales increased to 9.2 percent for the three months ended June 30, 2012, from 8.5 percent for the same period in 2011, primarily due to increased bid and proposal costs of \$22 million, while sales decreased from prior year.

Product and service costs for the six months ended June 30, 2012, decreased \$757 million, or 7 percent, as compared with the same period in 2011. The primary driver of the reduction in product and service costs is reduced volume at all four of our segments, with Aerospace Systems and Information Systems driving the majority of the decrease. This decrease was partially offset by higher pension costs in 2012. General and administrative expenses as a percentage of total sales increased to 9.1 percent for the six months ended June 30, 2012, from 8.5 percent for the same period in 2011, primarily due to increased bid and proposal costs of \$38 million, while sales decreased from prior year.

For the product and service costs detail, see the Product and Service Analysis section that follows.

Operating Income

We define operating income as sales less operating costs and expenses, including general and administrative expenses. We also further evaluate operating income for each of the business segments in which we operate. Segment operating income reflects the aggregate performance results of contracts within a business area or segment. Excluded from this measure are certain corporate-level expenses that are not considered allowable or allocable under applicable CAS and FAR.

Changes in estimated sales, operating costs and expenses and resulting operating income related to our contracts accounted for using the percentage-of-completion method are recorded using the cumulative catch-up method of accounting. The aggregate effects of these favorable and unfavorable changes in estimates across our portfolio of contracts can have a significant effect upon our reported sales and operating income in each of our reporting periods. For the three and six months ended June 30, 2012 and 2011, we recognized operating income adjustments as follows:

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|----------------------------------|----------------------------|-------|--------------------------|-------|
| | 2012 | 2011 | 2012 | 2011 |
| Favorable adjustments | \$299 | \$288 | \$609 | \$505 |
| Unfavorable adjustments | (77) | (87) | (122) | (160) |
| Net operating income adjustments | \$222 | \$201 | \$487 | \$345 |

Contributing to the net favorable operating income adjustments was the impact of cost reduction initiatives to increase our competitiveness, including reduced 2012 pension costs for CAS purposes from a pension plan design change.

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The table below reconciles segment operating income to total operating income:

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------------------|----------------------------|-------|--------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Segment operating income | \$782 | \$784 | \$1,571 | \$1,505 |
| Segment operating margin rate | 12.5% | 12.0% | 12.6% | 11.3% |
| Unallocated corporate expenses | (39) | (38) | (62) | (48) |
| Net pension adjustment | 35 | 99 | 67 | 202 |
| Royalty income adjustment | (4) | (4) | (6) | (7) |
| Total operating income | \$774 | \$841 | \$1,570 | \$1,652 |

Segment Operating Income

Segment operating income for the three months ended June 30, 2012, was comparable with the prior period at \$782 million, and for the six months ended June 30, 2012, increased \$66 million, or 4 percent. The segment operating margin rate increase was driven by improved segment performance on lower revenue.

The table below shows the variances from the prior year period, by sector:

| <i>\$ in millions</i> | Three Month Variance | | Six Month Variance | |
|-----------------------|----------------------|------|--------------------|------|
| Aerospace Systems | (\$28) | (9%) | (\$36) | (6%) |
| Electronic Systems | (8) | (3%) | 59 | 11% |
| Information Systems | 13 | 7% | 24 | 6% |
| Technical Services | 12 | 19% | 14 | 11% |

The segment operating income increase for the six months ended June 30, 2012, was driven by a number of factors including improved performance, mitigation of contract risks, cost reduction initiatives and portfolio shaping efforts, partially offset by lower sales volume. The increase in segment operating margin rate reflects this improved segment performance on lower revenue.

Unallocated Corporate Expenses

Unallocated corporate expenses generally include the portion of corporate expenses not considered allowable or allocable under applicable CAS and FAR rules, and therefore not allocated to the segments, such as 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. For the three months ended June 30, 2012 and 2011, the net pension adjustment resulted in an increase to operating income of \$35 million and \$99 million, respectively. For the six months ended June 30, 2012 and 2011, the net pension adjustment resulted in an increase to operating income of \$67 million and \$202 million, respectively. The decrease in net pension adjustment for the three and six months ended June 30, 2012, as compared with the same periods in 2011, is primarily due to increased GAAP pension expense resulting from amortization of prior year actuarial losses and decreased pension expense allocated to the operating segments due to the design change in the company's defined benefit pension plans adopted in December 2011.

Royalty Income Adjustment

Royalty income is included in segment operating income and reclassified to other income for financial reporting purposes.

Interest Expense

Interest expense for the three months and six months ended June 30, 2012, decreased \$1 million and \$6 million, respectively, as compared with the same periods in 2011. The decrease for the six months is primarily due to the debt repayment of \$750 million in the first quarter of 2011.

Federal and Foreign Income Tax Expense

The company's effective tax rate on earnings from continuing operations for the three and six months ended June 30, 2012, was 34.0 percent and 33.5 percent, compared with 34.0 percent and 34.3 percent for the three and six months ended June 30, 2011. The company's lower effective tax rate for the six months ended June 30, 2012 reflects

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increased deductions for current year domestic manufacturing and additional deductions from filing amended tax returns for certain open tax years, which generated additional domestic manufacturing benefit, partially offset by the absence of research tax credits, which expired at the end of 2011.

Cash Provided By Continuing Operations

For the three months ended June 30, 2012, cash provided by continuing operations was \$876 million, as compared with cash used in continuing operations of \$34 million in the same period in 2011. For the six months ended June 30, 2012, cash provided by continuing operations was \$771 million, as compared with \$78 million in the same period in 2011. For both periods, the increase reflects the \$500 million voluntary pension contribution in the second quarter of 2011, and lower working capital, primarily driven by increased collections on units-of-delivery contracts and timing of payments on accounts payable and accruals.

SEGMENT OPERATING RESULTS**Basis of Presentation**

We are aligned into four reportable segments: Aerospace Systems, Electronic Systems, Information Systems, and Technical Services. This section discusses sales, segment operating income and margin rates by segment. The reconciliation of segment sales to total sales is provided in Note 4 to the condensed consolidated financial statements, with the difference being intersegment sales eliminations. The reconciliation of segment operating income to total operating income, as well as a discussion of the reconciling items, is included in the Operating Income section of the Consolidated Operating Results section above. On January 1, 2012, we transferred our missile business (primarily the Intercontinental Ballistic Missile (ICBM) program) from the Aerospace Systems segment to our Technical Services segment. The segment sales and segment operating income for the three and six months ended June 30, 2011, have been recast to reflect the missile business transfer. Sales of \$119 million and \$262 million, and segment operating income of \$11 million and \$25 million, were transferred from Aerospace Systems to Technical Services for the three and six months ended June 30, 2011, respectively.

AEROSPACE SYSTEMS**Business Description**

Aerospace Systems, headquartered in Redondo Beach, California, is a leader in the design, development, integration and production of: manned and unmanned aircraft, spacecraft, high-energy laser systems, microelectronics and other systems and subsystems. Aerospace Systems' customers, primarily U.S. government agencies, use these systems in many different mission areas, including: intelligence, surveillance and reconnaissance (ISR); communications; battle management; strike operations; electronic warfare; earth observation; space science; and space exploration. The segment consists of four business areas: Military Aircraft Systems; Unmanned Systems; Space Systems; and Advanced Programs & Technology.

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|------------------------------|----------------------------|---------|--------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales | \$2,404 | \$2,473 | \$4,787 | \$5,066 |
| Operating income | 292 | 320 | 571 | 607 |
| <i>Operating margin rate</i> | 12.1% | 12.9% | 11.9% | 12.0% |

Current Quarter

Aerospace Systems sales for the three months ended June 30, 2012, decreased \$69 million, or 3 percent, as compared with the same period in 2011. The decrease was primarily due to lower sales at Space Systems of \$84 million and Military Aircraft Systems of \$53 million, partially offset by higher sales at Advanced Programs & Technology and Unmanned Systems. The decline at Space Systems was primarily due to lower volume on restricted programs and the termination of a weather satellite program. The Military Aircraft Systems decrease was primarily related to the B-2, F-35 and F/A-18 programs. F-35 transitioned to the units-of-delivery revenue recognition method beginning with low rate initial production (LRIP) lot 5 in the second half of 2011. Lower volume on these programs was partially offset by higher volume on the E-2D Advanced Hawkeye aircraft program. The increase in Unmanned Systems revenue was primarily related to the Fire Scout and NATO AGS programs.

Operating income at Aerospace Systems for the three months ended June 30, 2012, decreased \$28 million, or 9 percent, and operating margin rate totaled 12.1 percent, compared with 12.9 percent. Lower operating income and margin rate reflect lower sales volume described above, as well as the effect of the F/A-18 program's transition from the multi-year 2 contract to the lower margin multi-year 3 contract, and the favorable performance adjustment in the

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prior period related to the National Polar-orbiting Operational Environmental Satellite System program restructure.

Year to Date

Aerospace Systems sales for the six months ended June 30, 2012, decreased \$279 million, or 6 percent. The decrease is primarily due to lower sales at Military Aircraft Systems of \$205 million and Space Systems of \$177 million, partially offset by higher sales at Unmanned Systems and Advanced Programs & Technology. The Military Aircraft Systems decrease is primarily related to the F-35 program, as discussed above, and lower volume on the B-2 and F/A-18 programs, partially offset by higher volume on the E-2D Advanced Hawkeye program. The decline at Space Systems was primarily due to lower volume on restricted programs and the termination of a weather satellite program. The increase in Unmanned Systems revenue was primarily related to the Fire Scout and NATO AGS programs.

Operating income at Aerospace Systems for the six months ended June 30, 2012, decreased \$36 million, or 6 percent, due to the lower sales volume described above, and operating margin rate of 11.9 percent was comparable to the prior year period.

ELECTRONIC SYSTEMS**Business Description**

Electronic Systems, headquartered in Linthicum, Maryland, is a leader in the design, development, manufacture, and support of solutions for sensing, understanding, anticipating, and controlling the operating environment for our global military, civil, and commercial customers and their operations. Electronic Systems provides a variety of defense electronics and systems, airborne fire control radars, situational awareness systems, early warning systems, airspace management systems, navigation systems, communications systems, marine systems, space systems, and logistics services. The segment consists of four business areas: Intelligence, Surveillance, Reconnaissance & Targeting Systems; Land & Self Protection Systems; Naval & Marine Systems; and Navigation Systems.

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|------------------------------|----------------------------|---------|--------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales | \$1,744 | \$1,791 | \$3,468 | \$3,599 |
| Operating income | 276 | 284 | 580 | 521 |
| <i>Operating margin rate</i> | 15.8% | 15.9% | 16.7% | 14.5% |

Current Quarter

Electronic Systems sales for the three months ended June 30, 2012, decreased \$47 million, or 3 percent, as compared with the same period in 2011. The decrease reflects the company's previously announced decision to de-emphasize its domestic postal automation business. Sales were also impacted by lower volume for international postal automation, laser systems and infrared countermeasures. Declines in these programs were partially offset by \$77 million higher volume for space systems programs.

Operating income at Electronic Systems for the three months ended June 30, 2012, decreased \$8 million, or 3 percent, consistent with the change in volume. Segment operating margin rate of 15.8 percent was comparable to the prior year period.

Year to Date

Electronic Systems sales for the six months ended June 30, 2012, decreased \$131 million, or 4 percent. The decrease was primarily due to \$106 million lower domestic postal automation sales resulting from our decision to de-emphasize that business, as well as lower volume for international postal automation, laser systems and tactical communications. This decline was partially offset by higher volume on space systems programs.

Operating income at Electronic Systems for the six months ended June 30, 2012, increased \$59 million, or 11 percent and segment operating margin rate increased to 16.7 percent from 14.5 percent. The higher operating income and operating margin rate are primarily the result of \$60 million of increased performance improvements on several programs at Intelligence, Surveillance, Reconnaissance & Targeting Systems and Land & Self Protection Systems in the first quarter of 2012.

INFORMATION SYSTEMS**Business Description**

Information Systems, headquartered in McLean, Virginia, is a leading provider of advanced solutions for the Department of Defense, intelligence, federal civilian, state and local agencies, and international customers. Products

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and services are focused on the fields of command, control, communications, computers and intelligence; cybersecurity; air and missile defense; airborne reconnaissance; intelligence processing; decision support systems; information technology; and systems engineering and integration. The segment consists of three business areas: Defense Systems; Intelligence Systems; and Civil Systems.

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|------------------------------|----------------------------|---------|--------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales | \$1,856 | \$2,031 | \$3,700 | \$4,056 |
| Operating income | 202 | 189 | 407 | 383 |
| <i>Operating margin rate</i> | 10.9% | 9.3% | 11.0% | 9.4% |

Current Quarter

Information Systems sales for the three months ended June 30, 2012, decreased \$175 million, or 9 percent, as compared with the same period in 2011. The decrease was driven by lower sales in all three business areas. The majority of the decrease in sales was from lower sales at Defense Systems of \$104 million, primarily due to lower volume for the F-22 program and termination of the Joint Tactical Radio Systems Airborne, Maritime and Fixed (JTRS AMF) program, as well as timing of customer orders. Sales at Civil Systems were down primarily due to the sale of the County of San Diego contract, which reduced sales by \$21 million. Lower sales at Intelligence Systems was primarily driven by program completions.

Operating income at Information Systems for the three months ended June 30, 2012, increased \$13 million, or 7 percent, and operating margin rate increased to 10.9 percent from 9.3 percent. The higher operating income and operating margin rate were primarily due to performance improvements in Civil Systems, partially offset by the lower volume discussed above.

Year to Date

Information Systems sales for the six months ended June 30, 2012, decreased \$356 million, or 9 percent. The decrease was driven by lower sales in all business areas. The majority of the decrease in sales was from lower sales of \$199 million at Defense Systems, primarily due to the JTRS AMF program termination, lower in-theater funding on existing programs due to troop draw downs and lower volume on programs nearing completion. Sales at Civil Systems were down primarily due to the sale of the County of San Diego contract, which reduced sales by \$51 million as compared with the same period in 2011.

Operating income at Information Systems for the six months ended June 30, 2012, increased \$24 million, or 6 percent, and operating margin rate increased to 11.0 percent from 9.4 percent. The higher operating income and operating margin rate are primarily due to performance improvements in Civil Systems and Intelligence Systems, partially offset by the lower volume discussed above.

TECHNICAL SERVICES**Business Description**

Technical Services, headquartered in Herndon, Virginia, is a leading provider of innovative and affordable logistics, modernization, and sustainment support, and also provides a wide array of other high technology services, including space, missile defense, nuclear security, training and simulation. The segment consists of three business areas: Defense & Government Services; Training Solutions; and Integrated Logistics & Modernization.

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|------------------------------|----------------------------|-------|--------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales | \$783 | \$776 | \$1,533 | \$1,607 |
| Operating income | 74 | 62 | 144 | 130 |
| <i>Operating margin rate</i> | 9.5% | 8.0% | 9.4% | 8.1% |

Current Quarter

Technical Services sales for the three months ended June 30, 2012, increased \$7 million, or 1 percent, as compared with the same period in 2011. The increase was due to higher sales at Integrated Logistics & Modernization of \$37 million, partially offset by lower sales at Defense & Government Services of \$27 million due to portfolio shaping

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and lower volume on the ICBM program.

Operating income for the three months ended June 30, 2012, increased \$12 million, or 19 percent, and operating margin rate increased to 9.5 percent from 8.0 percent. The higher operating income and operating margin rate were primarily due to risk reduction on a Department of Homeland Security (DHS) contract.

Year to Date

Technical Services sales for the six months ended June 30, 2012, decreased \$74 million, or 5 percent. The decrease was primarily due to lower sales at Defense & Government Services of \$79 million, due to portfolio shaping and lower volume on the ICBM program.

Operating income at Technical Services for the six months ended June 30, 2012, increased \$14 million, or 11 percent, and operating margin rate increased to 9.4 percent from 8.1 percent. The higher operating income and operating margin rate were primarily due to improved performance on the KC-10 aircraft logistics and support contract and a risk reduction on a DHS contract, partially offset by lower sales volume as described above.

PRODUCT AND SERVICE ANALYSIS

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------|----------------------------|---------|--------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Product sales | \$3,399 | \$3,709 | \$6,740 | \$7,572 |
| Product costs | 2,604 | 2,860 | 5,131 | 5,863 |
| <i>% of product sales</i> | 76.6% | 77.1% | 76.1% | 77.4% |
| Service sales | 2,875 | 2,851 | 5,732 | 5,722 |
| Service costs | 2,316 | 2,303 | 4,630 | 4,655 |
| <i>% of service sales</i> | 80.6% | 80.8% | 80.8% | 81.4% |

As of December 31, 2011, the company revised its reporting of intersegment operating costs and expenses. See Note 4 to the condensed consolidated financial statements.

Current Quarter

Product costs as a percentage of product sales decreased 50 basis points for the three months ended June 30, 2012, as compared with the same period in 2011. The reduction in costs as a percentage of product sales relates to performance improvements in the Aerospace Systems and Electronic Systems sectors, substantially all of which relate to product sales.

Service costs as a percentage of service sales decreased 20 basis points for the three months ended June 30, 2012, as compared with the same period in 2011. The reduction in costs as a percentage of service sales relates to performance improvements in the Information Systems and Technical Services sectors, substantially all of which relate to service sales.

Year to Date

Product costs as a percentage of product sales decreased 130 basis points for the six months ended June 30, 2012, as compared with the same period in 2011. The reduction in costs as a percentage of product sales relates to performance improvements in the Aerospace Systems and Electronic Systems sectors, substantially all of which relate to product sales.

Service costs as a percentage of service sales decreased 60 basis points for the six months ended June 30, 2012, as compared with the same period in 2011. The reduction in costs as a percentage of service sales relates to performance improvements in the Information Systems and Technical Services sectors, substantially all of which relate to service sales.

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The following table presents sales and operating costs and expenses by segment between product and service:

| <i>\$ in millions</i> | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|------------------------------------|----------------------------|------------------------------|----------------|------------------------------|--------------------------|------------------------------|-----------------|------------------------------|
| | 2012 | | 2011 | | 2012 | | 2011 | |
| Segment Information: | Sales | Operating Costs and Expenses | Sales | Operating Costs and Expenses | Sales | Operating Costs and Expenses | Sales | Operating Costs and Expenses |
| Aerospace Systems | | | | | | | | |
| Product | \$2,118 | \$1,875 | \$2,160 | \$1,903 | \$ 4,192 | \$ 3,718 | \$ 4,440 | \$ 3,944 |
| Service | 286 | 237 | 313 | 250 | 595 | 498 | 626 | 515 |
| Electronic Systems | | | | | | | | |
| Product | 1,351 | 1,127 | 1,480 | 1,246 | 2,699 | 2,220 | 2,961 | 2,527 |
| Service | 393 | 341 | 311 | 261 | 769 | 668 | 638 | 551 |
| Information Systems | | | | | | | | |
| Product | 68 | 57 | 140 | 132 | 138 | 118 | 254 | 236 |
| Service | 1,788 | 1,597 | 1,891 | 1,710 | 3,562 | 3,175 | 3,802 | 3,437 |
| Technical Services | | | | | | | | |
| Product | 2 | 1 | 115 | 104 | 7 | 5 | 261 | 236 |
| Service | 781 | 708 | 661 | 610 | 1,526 | 1,384 | 1,346 | 1,241 |
| Segment Totals | | | | | | | | |
| Total Product | \$3,539 | \$3,060 | \$3,895 | \$3,385 | \$ 7,036 | \$ 6,061 | \$ 7,916 | \$ 6,943 |
| Total Service | 3,248 | 2,883 | 3,176 | 2,831 | 6,452 | 5,725 | 6,412 | 5,744 |
| Intersegment eliminations | (513) | (451) | (511) | (440) | (1,016) | (885) | (1,034) | (898) |
| Total segment⁽¹⁾ | \$6,274 | \$5,492 | \$6,560 | \$5,776 | \$12,472 | \$10,901 | \$13,294 | \$11,789 |

(1) For the three months ended June 30, 2012, sales of \$6.3 billion less segment operating costs and expenses of \$5.5 billion equals segment operating income of \$782 million. For the six months ended June 30, 2012, sales of \$12.5 billion less segment operating costs and expenses of \$10.9 billion equals segment operating income of \$1.6 billion. The reconciliation of segment operating income to total operating income, as well as a discussion of the reconciling items, is included in the Operating Income section of the Consolidated Operating Results.

Segment Product Sales and Segment Product Costs

Current Quarter

Segment product sales for the three months ended June 30, 2012, decreased \$356 million, as compared with the same period in 2011, primarily due to lower sales volume at the Electronic Systems and Information Systems segments, as well as the change in classification of the ICBM program at Technical Services as that contract has transitioned from modernization to predominantly sustainment services. The reduction in product sales at Electronic Systems and Information Systems is the result of the items described in the Segment Operating Results section above.

Segment product costs for the three months ended June 30, 2012, decreased by \$325 million, as compared with the same period in 2011. The decrease in segment product costs drove the overall decline in product sales as discussed above. The majority of the decrease in product costs was at Electronic Systems, a reduction of \$119 million, with the next largest decrease being at Technical Services, a reduction of \$103 million. The decrease at Electronic Systems was mainly the reduced domestic and international postal automation costs and winding down of the F-22 program and lower volume on the C4ISR Network Systems (CNS) Army program. The reduction at Technical Services was due to the change in the classification of the ICBM program, as described above.

Year to Date

Segment product sales for the six months ended June 30, 2012, decreased \$880 million, as compared with the same period in 2011, primarily due to lower sales volume at the Aerospace Systems and Electronic Systems segments, as well as the change in classification of the ICBM program at Technical Services as that contract has transitioned from modernization to predominantly sustainment services. The reductions in product sales at Aerospace Systems and Electronic Systems are the result of the items described in the Segment Operating Results section above.

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Segment product costs for the six months ended June 30, 2012, decreased by \$882 million, as compared to the same period in 2011. The decrease in segment product costs drove the overall decline in product sales as discussed above. The decrease in product costs is primarily due to the following sectors: Electronic Systems, a reduction of \$307 million, with the next largest decrease at Technical Services, a reduction of \$231 million, and Aerospace Systems with a reduction of \$226 million. The decrease at Electronic Systems was mainly due to reduced domestic and international postal automation costs, winding down of the F-22 program and lower volume on the CNS Army program. The reduction at Technical Services was due to the change in the classification of the ICBM program, as described above. The reduction at Aerospace Systems was primarily due to lower volume on F-35, B-2 and F/A-18 aircraft programs and restricted space systems, as well as the termination of a weather satellite program.

Segment Service Sales and Segment Service Costs*Current Quarter*

Segment service sales for the three months ended June 30, 2012, increased \$72 million, as compared with the same period in 2011, and segment service costs for the three months ended June 30, 2012, increased \$52 million. The increases were primarily due to the transitioning of the ICBM program from product to service at Technical Services and an increase at Electronic Systems due to an increase in classified space and targeting systems. These increases were offset partially by a decrease in service sales at Information Systems.

Year to Date

Segment service sales for the six months ended June 30, 2012, increased \$40 million, as compared with the same period in 2011, and segment service costs for the six months ended June 30, 2012, decreased \$19 million. The increases were primarily due to higher sales volume at Electronic Systems and the change in classification of the ICBM program at Technical Services, partially offset by lower sales volume at Information Systems.

BACKLOG

Total backlog includes both funded backlog (firm orders for which funding is contractually obligated by the customer) and unfunded backlog (firm orders for which, as of the reporting date, funding is not contractually obligated by the customer). Unfunded backlog excludes unexercised contract options and unfunded IDIQ orders (except for authorized task orders, which are included up to the authorized value). For multi-year service contracts with non-federal government customers having no stated contract values, backlog includes only the amounts committed by the customer. Backlog is converted into sales as work is performed or deliveries are made and is adjusted routinely to represent the amount expected to result in future revenues.

On January 1, 2012, the company transferred its missile business, previously reported in Aerospace Systems to Technical Services. As a result of this realignment, \$599 million of backlog was transferred from Aerospace Systems to Technical Services. Total backlog as of December 31, 2011, reflects this transfer.

Backlog consisted of the following at June 30, 2012, and December 31, 2011:

| <i>\$ in millions</i> | June 30, 2012 | | December 31, 2011 | |
|-----------------------|----------------------|-----------------|--------------------------|----------------------|
| | Funded | Unfunded | Total Backlog | Total Backlog |
| Aerospace Systems | \$11,855 | \$ 9,139 | \$20,994 | \$18,638 |
| Electronic Systems | 7,770 | 1,509 | 9,279 | 9,123 |
| Information Systems | 3,984 | 4,412 | 8,396 | 8,563 |
| Technical Services | 2,336 | 542 | 2,878 | 3,191 |
| Total backlog | \$25,945 | \$15,602 | \$41,547 | \$39,515 |

New Awards

The estimated value of contract awards booked during the six months ended June 30, 2012, was \$14.6 billion. Significant new awards during this period include \$1.6 billion for NATO AGS, \$1.4 billion for the James Webb Space Telescope (JWST), \$1.0 billion for E-2D Advanced Hawkeye and \$623 million for Global Hawk.

LIQUIDITY AND CAPITAL RESOURCES

We endeavor to ensure the most efficient conversion of operating results into cash for deployment in our business and to maximize shareholder value. We actively manage our capital resources through working capital improvements, capital expenditures, strategic business acquisitions and divestitures, debt issuance and repayment,

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required and voluntary pension contributions, and returning cash to shareholders through dividend payments and repurchases of common stock. In addition to our cash position, 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 and condition.

Cash generated from continuing operations, supplemented by borrowings under credit facilities and/or in the capital markets, if needed, is expected to be sufficient to service debt and contractual obligations, finance capital expenditures, fund required and voluntary pension contributions, continue acquisition of shares under our share repurchase program, and continue paying dividends to our shareholders for at least the next 12 months.

The table below summarizes key components of cash flow provided by operating activities from continuing operations:

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------|--------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Net earnings | \$480 | \$520 | \$986 | \$1,050 |
| Net earnings from discontinued operations | — | — | — | (34) |
| Non-cash items ⁽¹⁾ | 150 | 215 | 269 | 379 |
| Retiree benefit funding less than expense | 60 | (474) | 137 | (440) |
| Trade working capital change | 186 | (295) | (621) | (877) |
| Cash provided by (used in) continuing operations | \$876 | (\$ 34) | \$771 | \$ 78 |

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

Free Cash Flow from Continuing Operations

Free cash flow from continuing operations is defined as cash provided by operating activities from continuing operations less capital expenditures. Free cash flow is a key factor in our planning for and consideration of strategic acquisitions, stock repurchases and the payment of dividends.

Free cash flow from continuing operations 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, as a measure of residual cash flow available for discretionary purposes, or as an alternative to operating results presented in accordance with GAAP as indicators of performance.

The table below reconciles cash provided by continuing operations to free cash flow from continuing operations:

| <i>\$ in millions</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------|--------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Cash provided by (used in) continuing operations | \$876 | (\$ 34) | \$771 | \$ 78 |
| Less: capital expenditures | (51) | (94) | (132) | (217) |
| Free cash flow provided by (used in) continuing operations | \$825 | (\$128) | \$639 | (\$139) |

Cash Flows

The following is a discussion of our major operating, investing and financing cash flows from continuing operations for the six months ended June 30, 2012 and 2011, as classified in the condensed consolidated statements of cash flows in Part I, Item 1.

Operating Activities

For the six months ended June 30, 2012, cash provided by continuing operations was \$771 million, as compared with \$78 million in the same period in 2011. The increase reflects the \$500 million voluntary pension contribution in the second quarter of 2011, and lower working capital, primarily driven by increased collections on units-of-delivery contracts and timing of payments on accounts payable and accruals.

Investing Activities

Net cash provided by investing activities from continuing operations for the six months ended June 30, 2012, was \$162 million, as compared with \$1.3 billion in the same period of 2011. The \$1.1 billion decrease in net cash provided by investing activities from continuing operations was primarily due to the \$1.4 billion contribution

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received from the spin-off of the shipbuilding business in 2011, partially offset by maturities of short-term investments in the first quarter of 2012.

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2012, was \$787 million, as compared with \$1.9 billion in the same period of 2011. The \$1.1 billion decrease in net cash used in financing activities was primarily due to debt repayments of \$750 million in the first quarter 2011 and higher share repurchases in 2011.

CRITICAL ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

There have been no material changes to our critical accounting policies, estimates, or judgments from those discussed in our 2011 Annual Report on Form 10-K.

ACCOUNTING STANDARDS UPDATES

Accounting standards updates effective after June 30, 2012, are not expected to have a material effect on the company's consolidated financial position or results of operations.

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This Form 10-Q and the information we are incorporating by reference contain statements, other than statements of historical fact, that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expect," "intend," "may," "could," "plan," "project," "forecast," "believe," "estimate," "outlook," "anticipate," "trends" and similar expressions generally identify these forward-looking statements. Forward-looking statements are based upon assumptions, expectations, plans and projections that we believe to be reasonable 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 our Form 10-K for the year ended December 31, 2011, as well as those identified in this report under Part II, 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. The 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.

CONTRACTUAL OBLIGATIONS

On July 6, 2012, the President signed the Moving Ahead for Progress in the 21st Century Act. This Act includes a provision that increases the interest rates used to determine plan sponsors' pension contributions for required funding purposes. Although the IRS has not yet released the new interest rates, we expect the new rates will significantly reduce our required pre-tax pension contributions for 2013 through 2016 by approximately \$1.5 billion in the aggregate, as compared to the amount disclosed in our 2011 Annual Report on Form 10-K. Although the required pension contributions are decreasing through 2016, we may elect to make voluntary contributions, depending upon plan funded status, tax planning or other factors. Our analysis indicates that required pension contributions would rise subsequent to 2016, resulting in little net impact to cumulative required contributions over a 10-year period.

There have been no additional material changes to our contractual obligations from those discussed in our 2011 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risks from those discussed in our 2011 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our principal executive officer (Chairman, 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 defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities and Exchange Act of 1934, as

NORTHROP GRUMMAN CORPORATION

amended) and have concluded that, as of June 30, 2012, these controls and procedures were effective.

Changes in Internal Controls over Financial Reporting

During the three months ended June 30, 2012, no change occurred in our internal controls over financial reporting that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

NORTHROP GRUMMAN CORPORATION

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about certain legal proceedings in which we are involved in Note 7 to the condensed consolidated financial statements in Part I, Item 1 and in our 2011 Annual Report on Form 10-K.

We are a party to various investigations, lawsuits, claims and other legal proceedings, including government investigations and claims, that arise in the ordinary course of our business. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary relief. United States (U.S.) government regulations also provide that certain allegations against a contractor may lead to suspension or debarment from future U.S. government contracts or involving the loss of export privileges for the company or one or more of its components. Suspension or debarment could have a material adverse effect on the company because of the company's reliance on government contracts and authorizations. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter. However, based on information available to us to date and other than as noted in Note 7 to the condensed consolidated financial statements, we do not believe that the outcome of any matter pending against the Company, is likely to have a material adverse effect on the company's consolidated financial position as of June 30, 2012, or its annual results of operations or cash flows. 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 our 2011 Annual Report on Form 10-K.

Item 1A. Risk Factors

The following is an update to a risk factor described in our 2011 Annual Report on Form 10-K and should be read in conjunction with the risk factors therein.

Significant delays or reductions in appropriations for our programs and federal government funding more broadly may negatively impact our business and programs and could have a material adverse effect on our financial position, results of operations or cash flows.

The funding of U.S. government programs is subject to an annual congressional budget authorization and appropriation processes. For many programs, Congress appropriates funds on a fiscal year basis even though the program performance period may extend typically several years. Consequently, programs are often partially funded initially and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds committed on a contract, we may be at risk for reimbursement of those costs until additional funds are appropriated. 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 annual budget process ultimately approved by Congress or in separate supplemental appropriations or continuing resolutions, as applicable. The impact, severity and duration of the current U.S. economic situation and economic plans adopted or to be adopted by the U.S. government, along with pressures on, and uncertainty surrounding, the federal budget, could adversely affect the funding for individual programs and delay purchasing or payment decisions by our customers. In the event that government funding for any 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 or the prime contractor, which could have a material adverse effect on our financial position, results of operations, and/or cash flows.

In August 2011, Congress enacted the Budget Control Act of 2011 (the Budget Control Act) which, while raising the existing statutory limit on the amount of permissible federal debt, also committed the U.S. government to significantly reducing the federal deficit over ten years. The Budget Control Act established caps on discretionary spending through 2021, reducing federal spending by approximately \$940 billion relative to the fiscal year 2012 Presidential Budget submission. It also established a Joint Committee of Congress (the Joint Committee) that was responsible for identifying an additional \$1.2 to \$1.5 trillion in deficit reductions by November 23, 2011. The Joint Committee was unable to identify the additional deficit reductions by this deadline thereby triggering a second provision of the Budget Control Act called "sequestration," which calls for very substantial automatic spending cuts split between defense and non-defense programs scheduled to start in 2013 and continue over a nine-year period. While members of Congress are discussing various options to prevent or defer sequestration and the automatic spending cuts scheduled to begin in January 2013, we cannot predict whether any such efforts will succeed.

We are unable to predict the impact that either identified or automatic cuts would have on funding for our individual programs. Long-term funding for certain programs in which we participate is likely to be reduced, delayed or canceled. In addition, these cuts could adversely affect the viability of the suppliers and

NORTHROP GRUMMAN CORPORATION

subcontractors under our programs. While we believe that our business is well-positioned in areas that the Department of Defense (DoD) has indicated are areas of focus for future defense spending, the impact of the Budget Control Act remains uncertain and our business and industry could be materially adversely affected. In January 2012, the Secretary of Defense announced a number of program changes and cancellations that are scheduled to take place over the next several years, in part to comply with certain provisions of the Budget Control Act. Certain of these program changes and cancellations are expected to have an impact on programs in which we participate.

The President's Budget for Fiscal Year 2013 has been submitted to Congress and includes a slight decline from fiscal year 2012 levels. During the ongoing Congressional budget process, we expect significant debate within the government regarding fiscal year 2013 defense spending, and the upcoming general election in November may also generate significant dialogue around the federal deficit and potential cuts in government spending. Budget decisions made in this environment could have long-term consequences for our company and the entire defense industry. In particular, should sequestration as currently mandated be implemented in January 2013, absent any other changes, it would have serious negative consequences for the security of our country, the defense industrial base, and the customers, employees, suppliers, investors, and communities that rely on the companies in the defense industrial base, including Northrop Grumman. There is currently no official planning guidance from the government regarding how sequestration would be implemented, if it were to go into effect. There are many variables in how the law could be implemented that will determine the specific impacts; however, we expect that sequestration, as currently provided for under the Budget Control Act, would result in lower revenues, profits and cash flows for our company.

There are no additional material changes to the risk factors previously disclosed in our 2011 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities – The table below summarizes our repurchases of common stock during the three months ended June 30, 2012:

| Period | Number of Shares Purchased⁽¹⁾ | Average Price Paid per Share⁽²⁾ | 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) |
|--------------------------------|---|---|--|--|
| April 1 through April 30, 2012 | 1,126,200 | \$61.28 | 1,126,200 | \$1,373 |
| May 1 through May 31, 2012 | 936,800 | 58.69 | 936,800 | 1,318 |
| June 1 through June 30, 2012 | 2,879,700 | 60.03 | 2,879,700 | 1,145 |
| Total | 4,942,700 | \$60.06 | 4,942,700 | \$1,145 |

(1) On June 16, 2010, the company's board of directors authorized a share repurchase program of up to \$2.0 billion of the company's common stock. On April 25, 2011, after the company had repurchased \$245 million of shares, the company's board of directors authorized an increase to the remaining share repurchase authorization to \$4.0 billion. As of June 30, 2012, the company had \$1.1 billion remaining under this authorization for share repurchases.

(2) Calculated as the average price paid per share under the respective repurchase program, including commissions paid.

Share repurchases take place at management's discretion 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 program authorizations. In connection with the spin-off of HII, the company obtained a Private Letter Ruling from the Internal Revenue Service that generally limits our share repurchases to approximately 88 million shares within two years of the spin-off. The limitation expires on March 31, 2013. Due to share repurchases subsequent to the spin-off, the remaining number of shares that we can repurchase under this share repurchase limitation as of June 30, 2012, was approximately 38 million shares. Cash available from unusual transactions, such as the disposition of significant assets, should they arise, can be used to repurchase additional shares.

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Item 3. Defaults Upon Senior Securities

No information is required in response to this item.

Item 4. Mine Safety Disclosures

No information is required in response to this item.

Item 5. Other Information

No information is required in response to this item.

Item 6. Exhibits

2.1 Agreement and Plan of Merger among Titan II, Inc. (formerly Northrop Grumman Corporation), Northrop Grumman Corporation (formerly New P, Inc.) and Titan Merger Sub Inc., dated March 29, 2011 (incorporated by reference to Exhibit 10.1 to Form 8-K dated March 29, 2011 and filed April 4, 2011)

2.2 Separation and Distribution Agreement dated as of March 29, 2011, among Titan II, Inc. (formerly Northrop Grumman Corporation), Northrop Grumman Corporation (formerly New P, Inc.), Huntington Ingalls Industries, Inc., Northrop Grumman Shipbuilding, Inc. and Northrop Grumman Systems Corporation (incorporated by reference to Exhibit 10.2 to Form 8-K dated March 29, 2011 and filed April 4, 2011)

*3.1 Amended and Restated Certificate of Incorporation of Northrop Grumman Corporation dated May 29, 2012 (replaces Amended and Restated Certificate of Incorporation filed as Exhibit 3.1 to Form 8-K filed May 17, 2012)

*3.2 Amended and Restated Bylaws of Northrop Grumman Corporation dated May 29, 2012 (replaces Amended and Restated Bylaws filed as Exhibit 3.2 to Form 8-K filed May 17, 2012)

*+10.1 Northrop Grumman Savings Excess Plan (Amended and Restated Effective as of May 1, 2012)

*+10.2 Non-Employee Director Compensation Term Sheet, effective May 15, 2012

*+10.3 Northrop Grumman Corporation Equity Grant Program for Non-Employee Directors under the Northrop Grumman 2011 Long-Term Incentive Stock Plan, effective January 1, 2012

*+10.4 Retirement and Separation Agreement dated July 23, 2012 between Northrop Grumman Systems Corporation and Gary W. Ervin

*12(a) Computation of Ratio of Earnings to Fixed Charges

*15 Letter from Independent Registered Public Accounting Firm

*31.1 Rule 13a-14(a)/15d-14(a) Certification of Wesley G. Bush (Section 302 of the Sarbanes-Oxley Act of 2002)

*31.2 Rule 13a-14(a)/15d-14(a) 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

**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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL (Extensible Business Reporting Language); (i) the Condensed Consolidated Statements of Earnings and Comprehensive Income, (ii) Condensed Consolidated Statements of Financial Position, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statements of Changes in Shareholders' Equity, and (v) Notes to Condensed Consolidated Financial Statements

+ Management contract or compensatory plan or arrangement

* Filed with this report

** Furnished with this report

NORTHROP GRUMMAN CORPORATION

SIGNATURES

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

NORTHROP GRUMMAN CORPORATION
(Registrant)

By:

/s/ Kenneth L. Bedingfield

Kenneth L. Bedingfield
Corporate Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)

Date: July 24, 2012

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
NORTHROP GRUMMAN CORPORATION**
(Originally incorporated on August 4, 2010
under the name New P, Inc.)

FIRST: The name of the corporation is Northrop Grumman Corporation (the “Corporation”).

SECOND: The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name and address of the Corporation’s registered agent in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware 19801.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the General Corporation Law of the State of Delaware.

FOURTH: 1. The total number of shares of stock which the Corporation shall have authority to issue is Eight Hundred Ten Million (810,000,000), consisting of Eight Hundred Million (800,000,000) shares of Common Stock, par value One Dollar (\$1.00) per share (the “Common Stock”), and Ten Million (10,000,000) shares of Preferred Stock, par value One Dollar (\$1.00) per share (the “Preferred Stock”).

2. Shares of Preferred Stock may be issued from time to time in one or more classes or series, each of which class or series shall have such distinctive designation or title as shall be fixed by resolution of the Board of Directors of the Corporation (the “Board of Directors”) prior to the issuance of any shares thereof. Each such class or series of Preferred Stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in such resolution providing for the issuance of such class or series of Preferred Stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof pursuant to the authority hereby expressly vested in it, all in accordance with the laws of the State of Delaware. The Board of Directors is further authorized to increase or decrease (but not below the number of shares of such class or series then outstanding) the number of shares of any class or series subsequent to the issuance of shares of that class or series.

FIFTH: In furtherance and not in limitation of the powers conferred by statute and subject to Article Sixth hereof, the Board of Directors is expressly authorized to adopt, repeal, rescind, alter or amend in any respect the bylaws of the Corporation (the “Bylaws”).

SIXTH: Notwithstanding Article Fifth hereof, the Bylaws may be adopted, repealed, rescinded, altered or amended in any respect by the stockholders of the Corporation, but only by the affirmative vote of the holders of not less than a majority of the voting power of all outstanding shares of capital stock entitled to vote thereon, voting as a single class, and by the holders of any one or more classes or series of capital stock entitled to vote thereon as a separate class pursuant to one or more resolutions adopted by the Board of Directors in accordance with Section 2 of Article Fourth hereof.

SEVENTH: The business and affairs of the Corporation shall be managed by and under the direction of the Board of Directors. Except as may otherwise be provided pursuant to Section 2 of Article Fourth hereof in connection with rights to elect additional directors under specified circumstances

which may be granted to the holders of any class or series of Preferred Stock, the exact number of directors of the Corporation shall be fixed from time to time by the Board of Directors.

EIGHTH: All directors of the Corporation shall be of one class and shall serve for a term ending at the annual meeting following the annual meeting at which the director was elected. Notwithstanding the foregoing sentence of this Article Eighth: each director shall serve until his or her successor is elected and qualified or until his or her death, resignation or removal; no decrease in the authorized number of directors shall shorten the term of any incumbent director; and additional directors, elected pursuant to Section 2 of Article Fourth hereof in connection with rights to elect such additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, shall serve for such term or terms and pursuant to such other provisions as are specified in the resolution of the Board of Directors establishing such class or series.

NINTH: Except as may otherwise be provided pursuant to Section 2 of Article Fourth hereof in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, newly created directorships resulting from any increase in the number of directors, or any vacancies on the Board of Directors resulting from death, resignation, removal or other causes, shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for a term that shall end at the first annual meeting following his or her election and shall remain in office until such director's successor shall have been elected and qualified or until such director's death, resignation or removal, whichever first occurs.

TENTH: RESERVED.

ELEVENTH: The holders of Common Stock of the Corporation may take action by written consent in lieu of a meeting of stockholders if, in accordance with and subject to the conditions and restrictions set forth in this Amended and Restated Certificate of Incorporation and the Bylaws (as amended from time to time), (i) record holders of at least 25% of the outstanding Common Stock of the Corporation have submitted written requests to the Secretary of the Corporation asking that the Board of Directors fix a record date to determine the stockholders entitled to deliver written consents for the action or actions proposed to be taken; (ii) such written requests include all of the required information with respect to such action or actions and with respect to such holders and the beneficial owners (if any) on whose behalf such written requests are made; (iii) the Board of Directors fixes such a record date or has failed to do so within ten days after the Secretary certifies to the Board of Directors that he or she has received written requests from the requisite holders of Common Stock; (iv) written consents are solicited from all stockholders entitled to deliver a written consent by one or more of the stockholders delivering such written requests, and the solicitation materials delivered by such stockholders include a description of the action or actions proposed to be taken by written consent and, with respect to each person or entity directing such solicitation or on whose behalf such solicitation is made, a description of any material interest of such entity or person in the action or actions proposed to be taken by written consent, as well as any other required information; and (v) written consents setting forth the action or actions to be taken are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and are delivered to the Corporation in the manner required by Section 228 of the Delaware General Corporation Law (as amended from time to time). The holders of Common Stock of the Corporation may not act by written consent in lieu of a meeting of stockholders except (a) in accordance with the preceding sentence or (b) pursuant to a resolution adopted by the Board of Directors

authorizing one or more actions to be taken by written consent. Any written consent to take action in lieu of a meeting of stockholders may be revoked prior to the effectiveness of the stockholder action or actions set forth in such written consent. References in this Article and the Bylaws to a written consent shall be deemed to include a telegram, cablegram or other electronic transmission consenting to an action to be taken if such transmission complies with Section 228(d) of the Delaware General Corporation Law (as amended from time to time).

TWELFTH: Subject to the terms of any class or series of Preferred Stock, special meetings of the stockholders of the Corporation may be called by the Board of Directors (or an authorized committee thereof) or the Chairperson of the Board of Directors and shall be called by the Secretary of the Corporation following the Secretary's receipt of written requests to call a meeting from the holders of at least 25% of the voting power of the outstanding capital stock of the Corporation who have delivered such requests in accordance with and subject to the provisions of the Bylaws (as amended from time to time), including any limitations set forth in the Bylaws on the ability to make such a request for such a special meeting. Except as otherwise required by law or provided by the terms of any class or series of Preferred Stock, special meetings of stockholders of the Corporation may not be called by any other person or persons.

THIRTEENTH: Meetings of stockholders of the Corporation may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision of applicable law) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws.

FOURTEENTH: The Corporation reserves the right to adopt, repeal, rescind, alter or amend in any respect any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed by applicable law, and all rights conferred on stockholders herein are granted subject to this reservation.

FIFTEENTH: A director of the Corporation shall not be personally liable to the Corporation or to its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or to its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derives any improper personal benefit. If, after approval of this Article by the stockholders of the Corporation, the General Corporation Law of the State of Delaware is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

Any repeal or modification of this Article by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

**AMENDED AND RESTATED
BYLAWS OF
NORTHROP GRUMMAN CORPORATION**

(A Delaware Corporation)

**ARTICLE I
OFFICES**

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

Section 1.02. Principal Executive Office. The principal executive office of the Corporation shall be located at 2980 Fairview Park Drive, Falls Church, Virginia 22042. The Board of Directors of the Corporation (the “Board of Directors”) may change the location of said principal executive office from time to time.

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

**ARTICLE II
MEETINGS OF STOCKHOLDERS**

Section 2.01. Annual Meetings. The annual meeting of stockholders of the Corporation shall be held on such date and at such time as the Board of Directors shall determine. At each annual meeting of stockholders, directors shall be elected in accordance with the provisions of Section 3.04 hereof and any proper business may be transacted in accordance with the provisions of Section 2.08 hereof.

Section 2.02. Special Meetings.

(a) Subject to the terms of any class or series of Preferred Stock, special meetings of the stockholders of the Corporation may be called by the Board of Directors (or an authorized committee thereof) or the Chairperson of the Board of Directors and shall be called by the Secretary of the Corporation following the Secretary’s receipt of written requests to call a meeting from the holders of at least 25% of the voting power (the “Required Percentage”) of the outstanding capital stock of the Corporation (the “Voting Stock”) who shall have delivered such requests in accordance with this bylaw. Except as otherwise required by law or provided by the terms of any class or series of Preferred Stock, special meetings of stockholders of the Corporation may not be called by any other person or persons.

(b) A stockholder may not submit a written request to call a special meeting unless such stockholder is a holder of record of Voting Stock on the record date fixed to determine the stockholders entitled to request the call of a special meeting. Any stockholder seeking to call a special meeting to transact business shall, by written notice to the Secretary, request that the Board of Directors fix a record date. A written request to fix a record date shall include all of the information that must be included in a written request to call a special meeting from a stockholder who is not a Solicited Stockholder, as set forth in the succeeding paragraph (c) of this bylaw. The Board of Directors may, within 10 days of the Secretary's receipt of a request to fix a record date, fix a record date to determine the stockholders entitled to request the call of a special meeting, which date shall not precede, and shall not be more than 10 days after, the date upon which the resolution fixing the record date is adopted. If a record date is not fixed by the Board of Directors, the record date shall be the date that the first written request to call a special meeting is received by the Secretary with respect to the proposed business to be conducted at a special meeting.

(c) Each written request for a special meeting shall include the following: (i) the signature of the stockholder of record signing such request and the date such request was signed, (ii) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, and (iii) for each written request submitted by a person or entity other than a Solicited Stockholder, as to the stockholder signing such request and the beneficial owner (if any) on whose behalf such request is made (each, a "party"):

(1) the name and address of such party;

(2) the class, series and number of shares of the Corporation that are owned beneficially and of record by such party (which information set forth in this clause shall be supplemented by such party not later than 10 days after the record date for determining the stockholders entitled to notice of the special meeting to disclose such ownership as of such record date);

(3) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such party, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such party with respect to shares of stock of the Corporation (which information set forth in this clause shall be supplemented by such party not later than 10 days after the record date for determining the stockholders entitled to notice of the special meeting to disclose such ownership as of such record date);

(4) any other information relating to each such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to Section 14 of the Securities

Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the “Exchange Act”);

(5) any material interest of such party in one or more of the items of business proposed to be transacted at the special meeting; and

(6) a statement whether or not any such party will deliver a proxy statement and form of proxy to holders of at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to carry the proposal (such statement, a “Solicitation Statement”).

For purposes of this bylaw, “Solicited Stockholder” means any stockholder that has provided a request in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A.

A stockholder may revoke a request to call a special meeting by written revocation delivered to the Secretary at any time prior to the special meeting; provided, however, that if any such revocation(s) are received by the Secretary after the Secretary’s receipt of written requests from the holders of the Required Percentage of Voting Stock, and as a result of such revocation(s), there no longer are unrevoked requests from the Required Percentage of Voting Stock to call a special meeting, the Board of Directors shall have the discretion to determine whether or not to proceed with the special meeting. A business proposal shall not be presented for stockholder action at any special meeting if (i) any stockholder or beneficial owner who has provided a Solicitation Statement with respect to such proposal does not act in accordance with the representations set forth therein or (ii) the business proposal appeared in a written request submitted by a stockholder who did not provide the information required by the preceding clause (c)(2) or (c)(3) of this bylaw in accordance with such clauses.

(d) The Secretary shall not accept, and shall consider ineffective, a written request from a stockholder to call a special meeting (i) that does not comply with the preceding provisions of this bylaw, (ii) that relates to an item of business that is not a proper subject for stockholder action under applicable law, (iii) if such request is delivered between the time beginning on the 61st day after the earliest date of signature on a written request that has been delivered to the Secretary relating to an identical or substantially similar item (such item, a “Similar Item”) and ending on the one-year anniversary of such earliest date, (iv) if a Similar Item will be submitted for stockholder approval at any stockholder meeting to be held on or before the 90th day after the Secretary receives such written request, or (v) if a Similar Item has been presented at the most recent annual meeting or at any special meeting held within one year prior to receipt by the Secretary of such request to call a special meeting.

(e) The Board of Directors shall determine in good faith whether the requirements set forth in subparagraphs (d) (ii) through (v) have been satisfied. Either the

Secretary or the Board of Directors shall determine in good faith whether all other requirements set forth in this bylaw have been satisfied. Any determination made pursuant to this paragraph shall be binding on the Corporation and its stockholders.

(f) The Board of Directors shall determine the place, and fix the date and time, of any special meeting called at the request of one or more stockholders, and, with respect to all other special meetings, the date and time of a special meeting shall be determined by the person or body calling the meeting. The Board of Directors may submit its own proposal or proposals for consideration at a special meeting called by the Chairperson of the Board of Directors or called at the request of one or more stockholders. The record date or record dates for a special meeting shall be fixed in accordance with Section 213 (or its successor provision) of the Delaware General Corporation Law (the "DGCL"). Business transacted at any special meeting shall be limited to the purposes stated in the notice of such meeting.

Section 2.03. Place of Meetings.

(a) Each annual or special meeting of stockholders shall be held at such location as may be determined by the Board of Directors or, if no such determination is made, at such place as may be determined by the Chairperson of the Board of Directors. If no location is so determined, the annual or special meeting shall be held at the principal executive office of the Corporation. Notwithstanding the foregoing, the Board of Directors may, in its sole discretion, determine that an annual meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 2.03(b).

(b) If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication:

(1) participate in a meeting of stockholders; and

(2) be deemed present in person and vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication; provided that (A) the Corporation implements reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder, (B) the Corporation implements reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (C) if any stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action is maintained by the Corporation.

Section 2.04. Notice of Meetings.

(a) Unless otherwise required by law, written notice of each annual or special meeting of stockholders stating the date and time of such meeting, the place, if any, where it is to be held, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the information required to gain access to the list of stockholders entitled to vote, if such list is to be open for examination only on a reasonably accessible electronic network, and the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, shall be given not less than 10 nor more than 60 days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. The purpose or purposes for which the meeting is called may, in the case of an annual meeting, and shall, in the case of a special meeting, also be stated. If mailed, notice is given when it is deposited in the United States mail, postage prepaid, directed to a stockholder at such stockholder's address as it shall appear on the records of the Corporation.

(b) Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation of the Corporation (the "Certificate") or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent, and (ii) such inability becomes known to the Secretary or an assistant secretary of the Corporation or to the transfer agent or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given pursuant to this Section 2.04(b) shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice, (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice, (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (1) such posting and (2) the giving of such separate notice, and (iv) if by any other form of electronic transmission, when directed to the stockholder. For purposes of these Bylaws, "electronic transmission" means any form of communication not directly involving the physical transmission of paper that creates a record the recipient may retain, retrieve and review and directly reproduce in paper form through an automated process.

(c) Without limiting the manner by which notice otherwise may be given effectively to stockholders, but subject to Section 233(d) of the DGCL (or any successor provision thereof), any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate or these Bylaws shall be effective if given by a single written

notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within 60 days of having been given written notice by the Corporation of its intention to send the single notice described in the preceding sentence, shall be deemed to have consented to receiving such single written notice.

Section 2.05. Waiver of Notice. Whenever notice is required to be given under any provision of the DGCL or the Certificate or these Bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein (and whether or not stating the business transacted at, or the purpose of, any meeting) shall be deemed equivalent to notice. Attendance of a person at a meeting will constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 2.06. Adjourned Meetings. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communication, if any, by which the stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; provided, however, that if the adjournment is for more than 30 days then notice of the place, if any, date and time of the adjourned meeting and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the DGCL, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 2.07. Conduct of Meetings. All annual and special meetings of stockholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine subject to the requirements of applicable law and, as to matters not governed by such rules and procedures, as the chairperson of such meeting shall determine. Such rules or procedures, whether adopted by the Board of Directors or prescribed by the chairperson of such meeting, may include without limitation the following: (a) the establishment of an agenda or order of business for the meeting, (b) rules and procedures for maintaining order at the meeting and the safety of those present, (c) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairperson of the

meeting shall determine, (d) restrictions on entry to the meeting after the time fixed for commencement thereof, and (e) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairperson of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The chairperson of the meeting may adjourn or recess the meeting.

The chairperson of any annual or special meeting of stockholders shall be either the Chairperson of the Board of Directors or any person designated by the Chairperson of the Board of Directors. The Secretary, or in the absence of the Secretary, a person designated by the chairperson of the meeting, shall act as secretary of the meeting.

Section 2.08. Notice of Stockholder Business and Nominations. Nominations of persons for election to the Board of Directors and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's proxy materials with respect to such meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of record of the Corporation (the "Record Stockholder") at the time of the giving of the notice required in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this section. For the avoidance of doubt, the foregoing clause (c) shall be the exclusive means for a stockholder to bring nominations or business (other than business included in the Corporation's proxy materials pursuant to Rule 14a-8 under the Exchange Act) at an annual meeting of stockholders. .

For nominations or business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, (1) the Record Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) any such business must be a proper matter for stockholder action under applicable law, and (3) the Record Stockholder and the beneficial owner, if any, on whose behalf any such proposal or nomination is made, must have acted in accordance with the representations set forth in the Solicitation Statement required by these Bylaws. To be timely, a Record Stockholder's notice shall be received by the Secretary at the principal executive offices of the Corporation not less than 90 or more than 120 days prior to the one-year anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that, subject to the last sentence of this paragraph, if the annual meeting is convened more than 30 days prior to or delayed by more than 30 days after the one year anniversary of the preceding year's annual meeting, or if no annual meeting was held in the preceding year, notice by the Record Stockholder to be timely must be so received not later than the close of business on the later of (i) the 135th day before such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. Notwithstanding anything in the preceding sentence to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board made by the Corporation

at least 10 days before the last day a Record Stockholder may deliver a notice of nomination in accordance with the preceding sentence, a Record Stockholder's notice required by this bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation. In no event shall an adjournment of an annual meeting, or the postponement of an annual meeting for which notice has been given, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described herein.

Such Record Stockholder's notice shall set forth: (a) if such notice pertains to the nomination of directors, as to each person whom the Record Stockholder proposes to nominate for election or reelection as a director (i) all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominee as directors pursuant to Regulation 14A under the Exchange Act and such person's written consent to be named in the proxy statement as a nominee and to serve as a director if elected, and (ii) a statement whether such person, if elected, intends to tender, promptly following such person's election, an irrevocable resignation effective upon such person's failure to receive the required vote for reelection at any future meeting at which such person would face reelection and upon acceptance of such resignation by the Board of Directors, in accordance with the Corporation's Principles of Corporate Governance; (b) as to any business that the Record Stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such Record Stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to (1) the Record Stockholder giving the notice and (2) the beneficial owner, if any, on whose behalf the nomination or proposal is made (each, a "party") (i) the name and address of each such party; (ii) the class, series and number of shares of the Corporation that are owned, directly or indirectly, beneficially and of record by each such party (which information set forth in this clause shall be supplemented by such stockholder or such beneficial owner, as the case may be, not later than 10 days after the record date for determining the stockholders entitled to notice of the meeting to disclose such ownership as of such record date); (iii) a description of any agreement, arrangement or understanding with respect to the nomination between or among such stockholder and such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing; (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such Record Stockholder or such beneficial owners, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder and such beneficial owner, with respect to shares of stock of the Corporation (which information set forth in this clause shall be supplemented by such party not later than 10 days after the record date for determining the stockholders entitled to notice of the special meeting to disclose such ownership as of such record date); (v) any other information relating to each such party that would be required to be disclosed in a proxy

statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act; (vi) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting; and (vii) a statement whether or not each such party will deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to carry the proposal or, in the case of a nomination or nominations, at least the percentage of voting power of all of the shares of capital stock of the Corporation reasonably believed by the Record Stockholder or the beneficial holder, as the case may be, to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder and/or intends otherwise to solicit proxies from stockholders in support of such proposal or nomination (such statement, a "Solicitation Statement").

Only persons nominated in accordance with the procedures set forth in this Section 2.08 shall be eligible to serve as directors at an annual meeting of stockholders and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.08. The chairperson of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defectively proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting in accordance with Section 2.02. The notice of such special meeting shall include the purpose for which the meeting is called. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (a) by or at the direction of the Board of Directors or (b) by any stockholder of record of the Corporation at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who delivers a written notice to the Secretary setting forth the information set forth in clauses (a) and (c) of the third paragraph of this Section 2.08. Nominations by stockholders of persons for election to the Board of Directors may be made at a special meeting of stockholders only if such stockholder's notice required by the preceding sentence shall be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 135th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall an adjournment of a special meeting, or a postponement of a special meeting for which notice has been given, commence a new time period for the giving of a Record Stockholder's notice. A person shall not be eligible for election or reelection as a director at a special meeting unless the person is nominated (i) by or at the direction of the Board of Directors or (ii) by a Record Stockholder in accordance with the notice

procedures set forth in this Section 2.08.

For purposes of this Section 2.08, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed with or furnished to, the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Section 2.08, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.08. Nothing in this Section 2.08 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.09. Quorum. Unless or except to the extent that the presence of a larger number may be required by law, by the rules of any stock exchange upon which the Corporation’s securities are traded, the Certificate or these Bylaws, at any meeting of stockholders, the presence, in person or by proxy, of the holders of record of a majority of the voting power of all the shares of the Corporation’s capital stock then issued and outstanding and entitled to vote at the meeting shall constitute a quorum for the transaction of business. Where a separate vote by a class or classes or series is required, a majority of the voting power of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to the vote on that matter. The chairperson of the meeting may adjourn the meeting (whether or not a quorum is present) from time to time. At any reconvened meeting following such an adjournment at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting.

Section 2.10. Votes Required. When a quorum is present at a meeting, a matter submitted for stockholder action shall be approved if the votes cast “for” the matter exceed the votes cast “against” such matter, unless a greater or different vote is required by statute, any applicable law or regulation (including the applicable rules of any stock exchange), the rights of any authorized class of stock, the Certificate or these Bylaws. Unless the Certificate or a resolution of the Board of Directors adopted in connection with the issuance of shares of any class or series of stock provides for a greater or lesser number of votes per share, or limits or denies voting rights, each outstanding share of stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders.

Section 2.11. Proxies. A stockholder may vote the shares owned of record by such stockholder either in person or by proxy in any manner permitted by law, including by execution of a proxy in writing or by telex, telegraph, cable, facsimile or electronic transmission, by the stockholder or by the duly authorized officer, director, employee or agent of such stockholder. No proxy shall be voted or acted upon after 3 years from its date, unless the proxy provides for a longer period. A duly executed proxy will be irrevocable if

it states it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to the immediately preceding paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 2.12. Stockholder Action by Written Consent. (a) The holders of Common Stock of the Corporation may take action by written consent in lieu of a meeting of stockholders if, in accordance with and subject to the conditions and restrictions set forth in the Certificate and these Bylaws (as amended from time to time), (i) record holders of at least 25% of the outstanding Common Stock of the Corporation have submitted written requests to the Secretary of the Corporation asking that the Board of Directors fix a record date to determine the stockholders entitled to deliver written consents for the action or actions proposed to be taken (the "Soliciting Stockholders"); (ii) such written requests include all of the required information with respect to such action or actions and with respect to such Soliciting Stockholder(s) and the beneficial owners (if any) on whose behalf such written requests are made; (iii) the Board of Directors fixes such a record date or has failed to do so within ten days after the Secretary certifies to the Board of Directors that he or she has received written requests from the requisite holders of Common Stock; (iv) written consents are solicited from all stockholders entitled to deliver a written consent by one or more of the Soliciting Stockholder(s), and the solicitation materials delivered by such Soliciting Stockholder(s) include a description of the action or actions proposed to be taken by written consent and, with respect to each person or entity directing such solicitation or on whose behalf such solicitation is made, a description of any material interest of such Soliciting Stockholder in the action or actions proposed to be taken by written consent, as well as any other required information; and (v) written consents setting forth the action or actions to be taken are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and are delivered to the Corporation in the manner required by Section 228 of the Delaware General Corporation Law (as amended from time to time). The holders of Common Stock of the Corporation may not act by written consent in lieu of a meeting of stockholders except (a) in accordance with the preceding sentence or (b) pursuant to a resolution adopted by the Board of Directors authorizing one or more actions to be taken by written consent. Any written consent to take action in lieu of a meeting of stockholders may be revoked prior to the effectiveness of the stockholder action or actions set forth in such written consent. References in this bylaw to a written consent shall be deemed to include a telegram, cablegram or other electronic transmission consenting to an action to be taken if such transmission complies with Section 228(d) of the Delaware General Corporation Law (as amended from time to time).

(b) Each written request of a Soliciting Stockholder(s) asking that the Board of Directors fix a record date to determine the stockholders entitled to deliver written consents shall include the following: (i) the signature of the stockholder of record signing such written request and the date such written request was signed; (ii) the action or actions proposed to be taken by written consent and the reasons for seeking stockholder approval of such actions; and (iii) for each written request submitted by a person or entity other than a Solicited Stockholder, as to the stockholder signing such written request and the beneficial owner (if any) on whose behalf such written request is made (each, a “party”):

(1) the name and address of such Soliciting Stockholder(s);

(2) the class, series and number of shares of the Corporation that are owned beneficially and of record by such Soliciting Stockholder(s) (which information set forth in this clause shall be supplemented by such Soliciting Stockholder(s) not later than 10 days after the record date for determining the stockholders entitled to act by written consent to disclose such ownership as of such record date);

(3) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the Soliciting Stockholder’s written request by, or on behalf of, such Soliciting Stockholder(s), the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Soliciting Stockholder(s) with respect to shares of stock of the Corporation (which information set forth in this clause shall be supplemented by such Soliciting Stockholder(s) not later than 10 days after the record date for determining the stockholders entitled to act by written consent to disclose such ownership as of such record date);

(4) any other information relating to each such Soliciting Stockholder(s) that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to Section 14 of the Exchange Act;

(5) any material interest of such Soliciting Stockholder(s) in any of the actions to be taken by written consent;

(6) if directors are to be elected by written consent, with respect to each person proposed to be elected by written consent: (i) all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Exchange Act and such person’s written consent to serve as a director if elected; and (ii) a statement whether such person, if elected, intends to tender an irrevocable resignation consistent with the Corporation’s Principles of Corporate Governance; and

(7) a statement whether or not any such Soliciting Stockholder(s) will deliver a proxy statement and form of proxy to all stockholders entitled to deliver a written consent (such statement hereinafter for purposes of this Section 2.12, a “Solicitation Statement”).

For purposes of this bylaw, “Solicited Stockholder” means any stockholder that has provided a written request in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A.

(c) For purposes of this bylaw and Certificate, Soliciting Stockholder(s) shall have fulfilled the requirement to solicit written consents from all stockholders entitled to deliver a written consent if they have undertaken all reasonable efforts to solicit written consents from all stockholders entitled to deliver a written consent.

(d) The Secretary shall not accept, and shall consider ineffective, a written request pursuant to Section 2.12(a)(i) asking that the Board of Directors fix a record date (i) that does not comply with the preceding provisions of this bylaw; (ii) that relates to an item of business that is not a proper subject for stockholder action under applicable law; (iii) if such written request is delivered between the time beginning on the 31st day after the earliest date of signature on a written request that has been delivered to the Secretary relating to an identical or substantially similar item (hereinafter for purposes of this Section 2.12, a “Similar Item”) and ending on the one-year anniversary of such earliest date; (iv) if a Similar Item will be submitted for stockholder approval at any stockholder meeting to be held on or before the 120th day after the Secretary receives such written request; or (v) if a Similar Item has been presented at the most recent annual meeting or at any special meeting held within one year prior to the receipt by the Secretary of such written request. The Board of Directors may fix a record date to determine the stockholders entitled to deliver written requests, whether or not the Corporation has already received one or more written requests pursuant to Section 2.12(a) of this bylaw. A written request may be revoked prior to the receipt of written requests from the holders of 25% of the outstanding Common Stock of the Corporation.

(e) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. The Board of Directors shall promptly, but in all events within 10 days after the Secretary certifies to the Board of Directors that the Secretary has received the requisite number of valid written requests in accordance with the foregoing provisions of this bylaw, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to the first sentence of this Section 2.12(e)). If no record date has been fixed by the Board of Directors within such 10-day period, the record date for determining stockholders entitled to consent to corporate action in writing

without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action proposed to be taken is delivered to the Corporation in the manner permitted by Section 228 of the Delaware General Corporation Law (as amended from time to time). If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(f) In addition to the other requirements set forth in this bylaw and the Certificate, no written consent with respect to one or more stockholder actions shall be valid or effective if the stockholders who delivered written requests asking the Board of Directors to fix a record date do not comply with (i) clause (iv) of Article ELEVENTH of the Certificate and (ii) the supplemental disclosure requirements set forth in Sections 2.12(b)(2) and (3) of this bylaw.

(g) In the event of the delivery, in the manner provided by Section 228 of the Delaware General Corporation Law (as amended from time to time), to the Corporation of the requisite written consent or consents to take corporate action after giving effect to any related revocation or revocations, the Corporation shall engage independent inspector or inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspector or inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspector or inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with applicable law represent at least the minimum number of votes that would be necessary to take the corporate action. The action by written consent will take effect as of the date and time of the certification of the written consents and will not relate back to the date the written consents were delivered to the Corporation. In conducting the review required by this paragraph, the independent inspector or inspectors may, at the expense of the Corporation, retain legal counsel and any other necessary or appropriate professional advisors and such other personnel as they may deem necessary or appropriate to assist them and shall be fully protected in relying in good faith upon the opinion of such counsel or advisors. Nothing contained in this bylaw shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspector or inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation). If after such review the independent inspector or inspectors shall determine that the written consent or consents are valid and that the action specified therein has been validly authorized, that fact shall forthwith be certified on the records of the Corporation kept for the purpose of recording the proceedings of meetings of stockholders, and the written consent or consents shall be filed in such records.

(h) Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders entitled thereto, in accordance with Section 228(e) of the Delaware General Corporation Law (as amended from time to time) and other applicable law.

(i) The Board of Directors shall determine in good faith whether the requirements set forth in this bylaw and the Certificate have been satisfied. If the Board of Directors shall determine that any written request asking the Board of Directors to fix a record date to take action by written consent was not properly made in accordance with this bylaw or the Certificate, or if the Board of Directors shall determine that the stockholder or stockholders seeking to take such action do not otherwise comply with this bylaw and the Certificate, then the Board of Directors shall not be required to fix a record date and any such purported action by written consent shall be null and void to the fullest extent permitted by applicable law. In addition to the requirements of this bylaw and the Certificate with respect to stockholders seeking to take an action by written consent, any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall comply with all requirements of applicable law, including all requirements of the Exchange Act, with respect to such action.

Section 2.13. List of Stockholders. The Secretary of the Corporation shall, in the manner provided by law, prepare and make (or cause to be prepared and made) a complete list of stockholders entitled to vote at any meeting of stockholders, provided, however, that if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the 10th day before the meeting date, arranged in alphabetical order and showing the address of, and the number of shares registered in the name of, each stockholder. Nothing contained in this section shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting in the manner provided by law. If a meeting is to be held at a place, then a list of the stockholders entitled to vote at the meeting shall also be produced and kept at the time and place of the meeting during the duration thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list will also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list will be provided with the notice of the meeting.

The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders or to vote in person or by proxy at any meeting of stockholders.

Section 2.14. Inspectors of Election. In advance of any meeting of stockholders, the Corporation may, and to the extent required by law shall, appoint Inspectors of Election to act at such meeting or at any adjournment or postponement thereof. The Corporation

may designate one or more alternate inspectors to replace any inspector who fails to act. If such inspectors, or alternate inspectors, are not so appointed or fail or refuse to act, the chairperson of any such meeting may (and, to the extent required by law, shall) make such an appointment. The number of Inspectors of Election shall be one (1) or three (3). If there are three Inspectors of Election, the decision, act or certificate of a majority shall be effective and shall represent the decision, act or certificate of all. No such inspector need be a stockholder of the Corporation. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability.

The Inspectors of Election shall have such duties and responsibilities as required under Section 231 of the DGCL (or any successor provision thereof).

ARTICLE III DIRECTORS

Section 3.01. Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 3.02. Number. Except as otherwise fixed pursuant to the provisions of Section 2 of Article Fourth of the Certificate in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, the exact number of directors of the Corporation shall be fixed from time to time by a resolution duly adopted by the Board of Directors.

Section 3.03. Lead Independent Director. If at any time the Chairperson of the Board of Directors is not independent as that term is defined under the then applicable rules and regulations of each national securities exchange upon which shares of the stock of the Corporation are listed for trading and of the Securities and Exchange Commission, the independent directors may designate from among them a Lead Independent Director having the duties and responsibilities set forth in the applicable rules of each such national securities exchange and as otherwise determined by the Board of Directors from time to time.

Section 3.04. Election and Term of Office. Except as provided in Section 3.07 hereof and subject to the right to elect additional directors under specified circumstances which may be granted, pursuant to the provisions of Section 2 of Article Fourth of the Certificate, to the holders of any class or series of Preferred Stock, directors shall be elected by the stockholders of the Corporation for a term expiring at the annual meeting of stockholders following their election. A nominee for director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which (i) the Secretary of the Corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors in compliance with Section 2.08 of these Bylaws and (ii) such nomination has not

been withdrawn by such stockholder on or before the 10th day before the Corporation first mails its notice of meeting for such meeting to the stockholders. If directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote against a nominee.

Section 3.05. Resignations. Any director may resign at any time by submitting a resignation to the Corporation in writing or by electronic transmission. Such resignation shall take effect at the time of its receipt by the Corporation unless such resignation is effective at a future time or upon the happening of a future event or events in which case it shall be effective at such time or upon the happening of such event or events. Unless the resignation provides otherwise, the acceptance of a resignation shall not be required to make it effective.

Section 3.06. Removal. Subject to the right to elect directors under specified circumstances which may be granted pursuant to Section 2 of Article Fourth of the Certificate to the holders of any class or series of Preferred Stock, any director may be removed from office with or without cause.

Section 3.07. Vacancies and Additional Directorships. Except as otherwise provided pursuant to Section 2 of Article Fourth of the Certificate in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for a term that shall end at the first annual meeting following his or her election and shall remain in office until such director's successor shall have been elected and qualified or until such director's death, resignation or removal, whichever comes first. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.08. Meetings. Promptly after, and on the same day as, each annual election of directors by the stockholders, the Board of Directors shall, if a quorum be present, meet in a meeting (the "Organizational Meeting") to elect a Chairperson of the Board of Directors, elect a Lead Independent Director, if any, appoint members of the standing committees of the Board of Directors, elect officers of the Corporation and conduct other business as appropriate. Additional notice of such meeting need not be given if such meeting is conducted promptly after the annual meeting to elect directors and if the meeting is held in the same location where the election of directors was conducted. Regular meetings of the Board of Directors shall be held at such times and places as the Board of Directors shall determine and as shall be publicized among all directors.

Directors may participate in regular or special meetings of the Board of Directors or any committee designated by the Board of Directors by means of conference telephone

or other communications equipment by means of which all other persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

A special meeting of the Board of Directors may be called by the Chairperson or the Lead Independent Director of the Board of Directors, the Chief Executive Officer or a majority of the directors then in office and shall be held at such place, if any, on such date and at such time as the person or persons calling such meeting may fix.

Section 3.09. Notice of Meetings. A notice of each regular meeting of the Board of Directors shall not be required. Notice of special meetings shall be either (i) mailed to each director at least 5 days before the meeting, addressed to the director's usual place of business or to his or her residence address or to an address specifically designated by the director or (ii) given by telephone, telegraph, telex, facsimile or electronic transmission not less than 24 hours before the meeting. The notice need not specify the place of the meeting (if the meeting is to be held at the Corporation's principal executive office) nor the purpose of the meeting, unless otherwise required by law. Unless otherwise indicated in the notice of a meeting, any and all business may be transacted at a meeting of the Board of Directors. Notice of any meeting of the Board of Directors may be waived by a director in writing, or by electronic transmission, at any time before or after the meeting (and whether or not stating the business transacted at, or the purpose of, any meeting), and such a waiver shall be deemed to be equivalent to notice, and attendance of any director at a meeting shall constitute a waiver of notice of such meeting, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.10. Action without Meeting. Unless otherwise restricted by the Certificate, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing, or by electronic transmission and such writing or writings or electronic transmission filed with the minutes of the proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 3.11. Quorum. At all meetings of the Board of Directors, directors constituting a majority of the total number of directors shall constitute a quorum for the transaction of business. In the absence of a quorum, the directors present, by majority vote and without notice or waiver thereof, may adjourn the meeting to another date, place, if any, and time. At any reconvened meeting following such an adjournment at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 3.12. Votes Required. Except as otherwise required by applicable law,

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

Section 3.13. Place and Conduct of Meetings. Other than the Organizational Meeting, each meeting of the Board of Directors shall be held at the location determined by the person or persons calling such meeting. At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board of Directors may from time to time determine. The chairperson of any regular or special meeting shall be the Chairperson of the Board of Directors, or in the absence of the Chairperson a person designated by the Board of Directors. The Secretary, or in the absence of the Secretary a person designated by the chairperson of the meeting, shall act as secretary of the meeting.

Section 3.14. Fees and Compensation. Directors shall be paid such compensation as may be fixed from time to time by resolutions of the Board of Directors. Compensation may be in the form of an annual retainer fee or a fee for attendance at meetings, or both, or in such other form or on such basis as the resolutions of the Board of Directors shall fix. Directors shall be reimbursed for all reasonable expenses incurred by them in attending meetings of the Board of Directors and committees appointed by the Board of Directors and in performing compensable extraordinary services. Nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity, such as an officer, agent, employee, consultant or otherwise, and receiving compensation therefor.

Section 3.15. Committees of the Board of Directors. The Board of Directors may from time to time designate committees of the Board of Directors, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 3.16. Meetings of Committees. Each committee of the Board of Directors shall fix its own rules of procedure and shall act in accordance therewith, except as otherwise provided herein or required by applicable law and any resolutions of the Board of Directors governing such committee. A majority of the members of each committee shall constitute a quorum thereof, except that when a committee consists of one or two members then one member shall constitute a quorum.

Section 3.17. Subcommittees. Unless otherwise provided in the Certificate or the resolutions of the Board of Directors establishing a committee, or in the charter of a committee, a committee may create one or more subcommittees, which consist of one or

more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

ARTICLE IV OFFICERS

Section 4.01. Designation, Election and Term of Office. The Corporation shall have a Chairperson of the Board of Directors, a Chief Executive Officer, a Secretary and a Treasurer and such other officers as the Board of Directors deems appropriate, including to the extent deemed appropriate by the Board of Directors, a President, a Chief Financial Officer, a Chief Legal Officer and one or more Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. These corporate officers shall be elected annually by the Board of Directors at the Organizational Meeting immediately following the annual meeting of stockholders and each such corporate officer shall hold office until a successor is elected or until his or her earlier resignation, death or removal. Any vacancy in any of the above corporate offices may be filled for an unexpired portion of the term by the Board of Directors at any meeting thereof. The Chief Executive Officer may, by a writing filed with the Secretary, designate titles for employees and agents, as, from time to time, may appear necessary or advisable in the conduct of the affairs of the Corporation and, in the same manner, terminate or change such titles.

Section 4.02. Chairperson of the Board of Directors. The Board of Directors shall designate the Chairperson of the Board of Directors from among its members. The Chairperson of the Board of Directors shall preside at all meetings of the Board of Directors, and shall perform such other duties as shall be delegated to him or her by the Board of Directors.

Section 4.03. Chief Executive Officer. Subject to the direction of the Board of Directors, the Chief Executive Officer shall be responsible for the general supervision, direction and control of the business and affairs of the Corporation.

Section 4.04. President. The President shall perform such duties and have such responsibilities as may from time to time be delegated or assigned to him or her by the Board of Directors or the Chief Executive Officer.

Section 4.05. Chief Financial Officer. The Chief Financial Officer of the Corporation shall be responsible to the Chief Executive Officer for the management and supervision of all financial matters and to provide for the financial stability of the Corporation. The Chief Financial Officer shall also perform such additional duties as may be assigned to the Chief Financial Officer from time to time by the Board of Directors or the Chief Executive Officer.

Section 4.06. Chief Legal Officer. The Chief Legal Officer of the Corporation shall be the General Counsel who shall be responsible to the Chief Executive Officer for

the management and supervision of all legal matters. The Chief Legal Officer shall also perform such additional duties as may be assigned to the Chief Legal Officer from time to time by the Board of Directors or the Chief Executive Officer.

Section 4.07. Secretary. The Secretary shall keep the minutes of the meetings of the stockholders, the Board of Directors and all committee meetings. The Secretary shall be the custodian of the corporate seal and shall have the power to affix it to all documents that the Secretary is authorized by law or the Board of Directors to sign and seal. The Secretary also shall perform such other duties as may be assigned to the Secretary from time to time by the Board of Directors, the Chief Executive Officer or the General Counsel.

Section 4.08. Treasurer. The Treasurer shall be accountable to the Chief Financial Officer, and shall perform such duties as may be assigned to the Treasurer from time to time by the Board of Directors, the Chief Executive Officer, the Chief Financial Officer or the Senior Vice President, Finance.

Section 4.09. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. Executive vice presidents, senior vice presidents, vice presidents and other officers of the Corporation that are elected by the Board of Directors shall perform such duties as may be assigned to them from time to time by the Chief Executive Officer.

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

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

Section 4.12. Officers Holding Two or More Offices. The same person may hold any two or more of the above-mentioned offices except that the Secretary shall not be the same person as the Chief Executive Officer or the President.

Section 4.13. Compensation. The Board of Directors shall have the power to fix the compensation of all officers and employees of the Corporation and to delegate such power to a committee of the Board of Directors or to management.

Section 4.14. Resignations. Any officer may resign at any time by submitting a resignation to the Corporation in writing or by electronic transmission. Any such resignation shall take effect at the time of receipt by the Corporation unless such resignation is effective

at a future time or upon the happening of a future event or events, in which case it shall be effective at such time or upon the happening of such event or events. Unless the resignation provides otherwise, the acceptance of a resignation shall not be required to make it effective.

Section 4.15. Removal. The Board of Directors may remove any elected officer of the Corporation, with or without cause. Any appointed officer of the Corporation may be removed, with or without cause, by the Chief Executive Officer or the Board of Directors.

Section 4.16. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer, employee or agent, notwithstanding any provisions hereof.

**ARTICLE V
INDEMNIFICATION OF DIRECTORS, OFFICERS,
EMPLOYEES AND AGENTS**

Section 5.01. Right to Indemnification. Each person who was or is made a party, or is threatened to be made a party, to any pending or threatened action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a “proceeding”), by reason of the fact that (i) he or she is or was a director, officer, employee or agent of the Corporation or (ii) he or she is or was serving at the request of the Board of Directors or an executive officer (as such term is defined in Section 16 of the Exchange Act) of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (any person described in clause (i) or (ii) of this sentence, an “indemnitee”), shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), or by other applicable law as then in effect, against all expense, liability, and loss (including attorneys’ fees, costs and charges, judgments, fines, ERISA excise taxes or penalties, penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith. The right to indemnification provided by this Article V shall apply whether or not the basis of such proceeding is alleged action in an official capacity as such a director, officer, employee or agent or in any other capacity while serving as such a director, officer, employee or agent. Notwithstanding anything in this Article V to the contrary, except as provided in Section 5.03 with respect to proceedings to enforce rights to indemnification or advancement, the Corporation shall indemnify and/or provide advancement of expenses to an indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Corporation.

Section 5.02. Advancement of Expenses. The right to indemnification conferred in Section 5.01 shall include the right to have the expenses (including attorneys’ fees)

incurred in defending or preparing for any such proceeding in advance of its final disposition paid by the Corporation; provided, however, that if the DGCL requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is to be rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking containing such terms and conditions, including the requirement of security, as the Board of Directors deems appropriate (hereinafter an “undertaking”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Article V or otherwise. Except as provided in Section 5.03, and notwithstanding the foregoing, the Corporation shall not be obligated to advance fees and expenses to an indemnitee in connection with a proceeding against such person that is instituted by the Corporation pursuant to an authorization from the Board of Directors, a committee of the Board of Directors or an officer or employee of the Corporation.

Section 5.03. Right of Indemnitee to Bring Suit. If a claim under Section 5.01 or 5.02 is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses under Section 5.02, in which case the applicable period shall be 30 days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If the indemnitee is successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article V or otherwise shall be on the Corporation. In addition to the foregoing rights of an indemnitee, if an indemnitee becomes a party to, or is involved in,

any proceeding initiated by the Corporation or any governmental or regulatory body to require the indemnitee to repay an advancement of expenses from the Corporation or to obtain a determination from a judicial or regulatory body that indemnification is prohibited by applicable law, the Corporation shall, to the fullest extent permitted by law, indemnify the indemnitee for the expenses the indemnitee incurs in such suit and advance expenses to the indemnitee prior to the final disposition of such suit.

Section 5.04. Nonexclusivity of Rights. (a) The rights to indemnification and to the advancement of expenses conferred in this Article V shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provisions of the Certificate, Bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. (b) The Corporation may maintain insurance, at its expense, to protect itself and any past or present director, officer, employee or agent of the Corporation or any person who is or was serving at the request of the Board of Directors or an executive officer (as that term is defined in Section 16 of the Exchange Act) of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL. The Corporation may enter into contracts with any indemnitee in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article. (c) The Corporation may without reference to Sections 5.01 through 5.04 (a) and (b) hereof, pay the expenses, including attorneys' fees, incurred by any director, officer, employee or agent of the Corporation who is subpoenaed, interviewed or deposed as a witness or otherwise incurs expenses in connection with any civil, arbitration, criminal or administrative proceeding or governmental or internal investigation to which the Corporation is a party, target, or potentially a party or target, or of any such individual who appears as a witness at any trial, proceeding or hearing to which the Corporation is a party, if the Corporation determines that such payments will benefit the Corporation and if, at the time such expenses are incurred by such individual and paid by the Corporation, such individual is not a party, and is not threatened to be made a party, to such proceeding or investigation.

Section 5.05. Indemnification of Employees and Agents of the Corporation. The Corporation may grant additional rights to indemnification and to the advancement of expenses to any director, officer, employee or agent of the Corporation to the fullest extent permitted by law. The Corporation may, by action of its Board of Directors, authorize one or more officers to grant additional rights for indemnification or the advancement of expenses to employees and agents of the Corporation on such terms and conditions as such officers deem appropriate.

Section 5.06. Nature of Rights. The rights conferred upon indemnitees in this Article V shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the

indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article V or any amendment, alteration or repeal of the DGCL or any other applicable laws that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit, eliminate or impair any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE VI STOCK

Section 6.01. Shares of Stock. The Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the capital stock of the Corporation shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation (or, if such certificate has been lost, stolen or destroyed, the procedures required by the Corporation in Section 6.07 shall have been followed). To the extent shares of capital stock are represented by certificates, such certificates shall be signed by the Chairperson of the Board of Directors, the President or a vice president, together with the Secretary or assistant secretary, or the Treasurer or assistant treasurer. Any or all of the signatures on any certificate may be facsimile. A stockholder that holds a certificate representing shares of any class or series of the capital stock of the Corporation for which the Board of Directors has authorized uncertificated shares may request that the Corporation cancel such certificate and issue such shares in an uncertificated form, provided that the Corporation shall not be obligated to issue any uncertificated shares of capital stock to such stockholder until such certificate representing such shares of capital stock shall have been surrendered to the Corporation (or, if such certificate has been lost, stolen or destroyed, the procedures required by the Corporation in Section 6.07 shall have been followed).

With respect to certificated shares of capital stock, the Secretary or an assistant secretary of the Corporation or the transfer agent thereof shall mark every certificate exchanged, returned or surrendered to the Corporation with "Cancelled" and the date of cancellation.

In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Corporation shall not have power to issue a certificate in bearer form.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to

represent such class or series of stock, provided that, except as otherwise provided in Section 6.04 or Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. In the case of uncertificated shares, within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this Section 6.01, Sections 6.02(b), 6.04 and 6.05 of these Bylaws and Sections 156, 202(a) and 218(a) of the DGCL, or with respect to this section and Section 151 of the DGCL a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 6.02. Issuance of Stock; Lawful Consideration.

(a) Shares of stock may be issued for such consideration, having a value not less than the par value thereof, as determined from time to time by the Board of Directors. Treasury shares may be disposed of by the Corporation for such consideration as may be determined from time to time by the Board of Directors. The consideration for subscriptions to, or the purchase of, the capital stock to be issued by the Corporation shall be paid in such form and in such manner as the Board of Directors shall determine. The Board of Directors may authorize capital stock to be issued for consideration consisting of cash, any tangible or intangible property or any benefit to the Corporation, or any combination thereof. In the absence of actual fraud in the transaction, the judgment of the Board of Directors as to the value of such consideration shall be conclusive. The capital stock so issued shall be deemed to be fully paid and nonassessable stock upon receipt by the Corporation of such consideration; provided, however, nothing contained herein shall prevent the Board of Directors from issuing partly paid shares in accordance with Section 6.02(b) and Section 156 of the DGCL.

(b) The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

Section 6.03. Transfer Agents and Registrars. The Corporation may have one

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

Section 6.04. Restrictions on Transfer and Ownership of Securities. A written restriction or restrictions on the transfer or registration of transfer of a security of the Corporation, or on the amount of the Corporation's securities that may be owned by any person or group of persons, if permitted by Section 202 of the DGCL and noted conspicuously on the certificate or certificates representing the security or securities so restricted or, in the case of uncertificated shares, contained in the notice or notices sent pursuant to Section 6.02 of these Bylaws and Section 151(f) of the DGCL, may be enforced against the holder of the restricted security or securities or any successor or transferee of the holder including an executor, administrator, trustee, guardian or other fiduciary entrusted with like responsibility for the person or estate of the holder. Unless noted conspicuously on the certificate or certificates representing the security or securities so restricted or, in the case of uncertificated shares, contained in the notice or notices sent pursuant to Section 6.02 of these Bylaws and Sections 151(f) of the DGCL, a restriction, even though permitted by Section 202 of the DGCL, is ineffective except against a person with actual knowledge of the restriction.

Section 6.05. Voting Trusts and Voting Agreements. One stockholder or two or more stockholders may by agreement in writing deposit capital stock of the Corporation of an original issue with or transfer capital stock of the Corporation to any person or persons, or entity or entities authorized to act as trustee, for the purpose of vesting in such person or persons, entity or entities, who may be designated voting trustee, or voting trustees, the right to vote thereon for any period of time determined by such agreement, upon the terms and conditions stated in such agreement. The agreement may contain any other lawful provisions not inconsistent with such purpose. After the filing of a copy of the agreement in the registered office of the Corporation in the State of Delaware, which copy shall be open to the inspection of any stockholder of the Corporation or any beneficiary of the trust under the agreement daily during business hours, certificates of stock or uncertificated stock shall be issued to the voting trustee or trustees to represent any stock of an original issue so deposited with such voting trustee or trustees, and any certificates of stock or uncertificated stock so transferred to the voting trustee or trustees shall be surrendered and cancelled and new certificates or uncertificated stock shall be issued therefor to the voting trustee or trustees. In the certificate so issued, if any, it shall be stated that it is issued pursuant to such agreement, and that fact shall also be stated in the stock ledger of the Corporation. The voting trustee or trustees may vote the stock so issued or transferred during the period specified in the agreement. Stock standing in the name of the voting trustee or trustees may be voted either in person or by proxy, and in voting the stock, the voting trustee or trustees shall incur no responsibility as stockholder, trustee or otherwise, except for their own individual malfeasance. In any case where two or more persons or entities are designated as voting trustees, and the right and method of voting any stock standing in their names at any meeting of the Corporation are not fixed by the agreement appointing the trustees, the

right to vote the stock and the manner of voting it at the meeting shall be determined by a majority of the trustees, or if they be equally divided as to the right and manner of voting the stock in any particular case, the vote of the stock in such case shall be divided equally among the trustees.

Section 6.06. Transfer of Shares. Registration of transfer of shares of stock of the Corporation may be effected on the books of the Corporation in the following manner:

(a) ***Certificated Shares.*** In the case of certificated shares, upon authorization by the registered holder of share certificates representing such shares of stock, or by his attorney authorized by a power of attorney duly executed and filed with the Secretary or with a designated transfer agent or transfer clerk, and upon surrender to the Corporation or any transfer agent of the corporation of the certificate being transferred, which certificate shall be properly and fully endorsed or accompanied by a duly executed stock transfer power, and otherwise in proper form for transfer, and the payment of all transfer taxes thereon. Whenever a certificate is endorsed by or accompanied by a stock power executed by someone other than the person or persons named in the certificate, evidence of authority to transfer shall also be submitted with the certificate. Notwithstanding the foregoing, such surrender, proper form for transfer or payment of taxes shall not be required in any case in which the officers of the Corporation determine to waive such requirement.

(b) ***Uncertificated Shares.*** In the case of uncertificated shares of stock, upon receipt of proper and duly executed transfer instructions from the registered holder of such shares, or by his attorney authorized by a power of attorney duly executed and filed with the Secretary or with a designated transfer agent or transfer clerk, the payment of all transfer taxes thereon, and compliance with appropriate procedures for transferring shares in uncertificated form. Whenever such transfer instructions are executed by someone other than the person or persons named in the books of the Corporation as the holder thereof, evidence of authority to transfer shall also be submitted with such transfer instructions. Notwithstanding the foregoing, such payment of taxes or compliance shall not be required in any case in which the officers of the Corporation determine to waive such requirement.

No transfer of shares of capital stock shall be made on the books of this Corporation if such transfer is in violation of a lawful restriction noted conspicuously on the certificate. No transfer of shares of capital stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 6.07. Lost, Stolen or Destroyed Share Certificates. The Corporation may issue a new certificate of stock or uncertificated shares in place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such

certificate or the issuance of such new certificate or uncertificated shares.

Section 6.08. Stock Ledgers. Original or duplicate stock ledgers, containing the names and addresses of the stockholders of the Corporation and the number of shares of each class of stock held by them, shall be kept at the principal executive office of the Corporation or at the office of its transfer agent or registrar.

Section 6.09. Record Dates. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may, except as otherwise required by law, fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determining the stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determining the stockholders entitled to vote at such adjourned meeting in accordance with the foregoing provisions of this Section 6.09 at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action (other than stockholder action by written consent) the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE VII SUNDRY PROVISIONS

Section 7.01. Fiscal Year. The fiscal year of the Corporation shall end on the 31st day of December of each year.

Section 7.02. Seal. The seal of the Corporation shall bear the name of the Corporation, the year of incorporation and the word “Delaware.”

Section 7.03. Securities in Other Entities. Any shares of stock or other interests in other corporations, associations or entities, which may from time to time be held by the Corporation, may be represented and voted in person or by proxy, at any of the stockholders’, or other interestholders’, as applicable, meetings thereof by the Chief Executive Officer or the designee of the Chief Executive Officer and the Chief Executive Officer or the designee thereof may otherwise act on behalf of the Corporation with respect to such shares or interests. The Board of Directors, however, may by resolution appoint some other person or persons to vote, or otherwise act on behalf of the Corporation with respect to such shares or interests, in which case such person or persons shall be entitled to vote, or act in behalf of the Corporation with respect to, such shares or interests.

Section 7.04. Amendments. These Bylaws may be adopted, repealed, rescinded, altered or amended only as provided in Articles Fifth and Sixth of the Certificate.

Section 7.05. Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device, or method provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records under the DGCL.

As amended and restated, May 29, 2012.

NORTHROP GRUMMAN
SAVINGS EXCESS PLAN

(Amended and Restated Effective as of May 1, 2012)

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INTRODUCTION

The Northrop Grumman Savings Excess Plan (the "Plan") was last amended and restated effective as of January 1, 2012. This restatement amends that version of the Plan, and is effective May 1, 2012.

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%, and shall address distribution of the deferred amounts as described in Section 6.1. 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.

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 Maximum Contributions

Effective January 1, 2011, the total amount of contributions under Sections 3.2(a) and (b) made to the Plan on behalf of each Corporate Policy Council member ("CPC Participant") shall not exceed \$5 million (the "Lifetime Cap"). The following items will not count toward the Lifetime Cap: (a) investment gains or earnings, and (b) amounts originally contributed to other plans that have been or are merged into the Plan. Notwithstanding the foregoing, Company Contributions shall continue to be made to a CPC Participant's Account until the end of the Plan Year in which the CPC Participant reaches the Lifetime Cap, and any deferral election made by a CPC Participant that is irrevocable under Code section 409A on the date the Lifetime Cap is reached shall remain effective.

3.5 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.

(e) Effective January 13, 2011, Participant investment elections involving a Company stock investment fund (e.g., transfers into or out of the fund) may be restricted, including in accordance with Company policies generally applicable to employee transactions in Company stock.

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 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) A Participant whose original date of hire with the Affiliated Companies is after April 30, 2012 shall become vested in his Company matching contributions under Section 3.2(b)(1) and (3) and earnings thereon 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).

- (c) Forfeitures on account of a lost payee. See Section 6.6.
- (d) Forfeitures under an escheat law.
- (e) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.
- (f) Expenses charged to a Participant's Account.
- (g) 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.

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, this Section 6.1 does not apply to these pre-2005 deferrals, but does apply to all other amounts deferred under the Plan.

- (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 vested 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 vested 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 vested Account balance is \$50,000 or less or the Participant is under age 55 at the time the Participant Separates from Service, the full vested 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 vested 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 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.

6.6 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.

6.7 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, 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 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.

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.

8.11 Liabilities Transferred to HII

Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. ("HII") to its shareholders on March 31, 2011 (the "HII Distribution Date"). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Plan and the liabilities for these participants' benefits under the Plan were transferred to HII. On and after the HII Distribution Date, the Company and the Plan, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Plan.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 26th day of June, 2012.

NORTHROP GRUMMAN CORPORATION

By: /s/ Christopher McGee
Christopher McGee
Vice President, Compensation and Benefits

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 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 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. 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) **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.

(5) **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.

(6) **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.

(7) **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)(5) 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.

APPENDIX D – COMMITTEES AND APPOINTMENTS

Notwithstanding anything to the contrary in this Plan, effective October 25, 2011, the Chief Executive Officer of Northrop Grumman Corporation shall appoint, and shall have the power to remove, the members of (1) an Administrative Committee that shall have responsibility for administering the Plan (including as such responsibilities are described in Article VII of the Plan) and (2) an Investment Committee that shall have responsibility for overseeing any rabbi trusts or other informal funding for the Plan.

Board of Director Compensation

(effective as of May 15, 2012)

| | | |
|-------------------------|--|-----------|
| <i>Retainer:</i> | Retainer fees are paid quarterly, at the end of each quarter. Fees are as follows: | |
| | Annual cash retainer: | \$115,000 |
| | Additional retainer for Lead Independent Director: | \$25,000 |
| | Additional retainer for Audit Committee: | \$10,000 |
| | Additional retainer for Audit Committee chair: | \$20,000 |
| | Additional retainer for Comp Committee chair: | \$15,000 |
| | Additional retainer for Gov Committee chair: | \$10,000 |
| | Additional retainer for Policy Committee chair: | \$7,500 |
| <i>Equity Grant:</i> | Directors are awarded an annual equity grant of \$130,000 in deferred stock units, awarded quarterly. The deferred stock units will be paid at the conclusion of board service, or earlier, as specified by the director, if he has five or more years of service. Directors may elect to defer payment of all or a portion of their cash retainer fees and other annual committee retainer fees into the deferred stock unit account. | |
| <i>Stock Ownership:</i> | All directors are required to own Company stock in an amount equal to five times the annual cash retainer, with such ownership to be achieved within five years of the later of (i) May 18, 2011 or (ii) the director's election to the Board. Deferred stock units and Company stock owned outright by the director will count towards this requirement. | |
| <i>Expenses:</i> | <u>Transportation</u> Ordinary and necessary business expenses will be reimbursed to traveling directors after presentation of original receipts to the company. Directors will be reimbursed for round trip first class air travel from the director's regular place of business or residence. Whenever possible, directors will be transported to board meetings by our own company aircraft. Surface travel will be reimbursed at the current mileage allowance for traveling executives. Currently, that rate is 55 cents per mile, if the director is driving locally. Taxi service will be reimbursed upon presentation of a receipt. Northrop Grumman arranges drivers from an executive security service to transport directors between the airport and the hotel currently in use and Northrop Grumman drivers transport directors from the hotel to the meeting location. <u>Hotels</u> The Corporate Secretary's office will make hotel arrangements for directors in connection with the board and committee meetings. Drivers are available to transport directors to the board and committee meetings. Directors may bill their room charges directly to the Northrop Grumman master account that has been established for director visits. | |

**NORTHROP GRUMMAN CORPORATION
EQUITY GRANT PROGRAM FOR NON-EMPLOYEE DIRECTORS
UNDER THE
NORTHROP GRUMMAN 2011 LONG-TERM INCENTIVE STOCK PLAN**

1. Purpose

(a) The purpose of the Northrop Grumman Corporation Equity Grant Program for Non-Employee Directors (the “Program”) is to promote the long-term growth and financial success of Northrop Grumman Corporation (the “Company”) by attracting and retaining non-employee directors of outstanding ability and assisting the Company in promoting a greater identity of interest between the Company’s non-employee directors and its stockholders.

(b) The Program is adopted and maintained under the Company’s 2011 Long-Term Incentive Stock Plan and any successor equity compensation plan of the Company (as each such plan may be amended from time to time, the “Equity Plan”). The Program sets forth terms and conditions previously approved by the Company’s Board of Directors (the “Board”) with respect to the compensation of Eligible Directors (as defined below) for 2012 and will continue in effect for 2012 and subsequent years unless and until otherwise provided by the Company’s Board of Directors (the “Board”). The term “Stock Units” as used in the Program and any provisions of the Program applicable to such Stock Units refers only to Stock Units that are credited under the Program on or after January 1, 2012 (the “Effective Date”). The Program constitutes the award agreement evidencing the terms and conditions of the awards of Stock Units contemplated hereby. This Program does not affect any stock units or other awards granted prior to the Effective Date. Unless otherwise provided by the Board, no awards will be granted to Eligible Directors under the Equity Plan on or after the Effective Date other than as provided under this Program.

2. Term

The Program shall operate and shall remain in effect until terminated by action of the Board.

3. Program Operation

The Program and transactions hereunder in respect of Company equity securities are intended to be exempt from Section 16(b) of the Securities Exchange Act of 1934 (the “1934 Act”) to the maximum extent possible under Rule 16b-3 promulgated thereunder. Except as specifically provided for herein, the Program requires no discretionary action by any administrative body with regard to any transaction under the Program. To the extent, if any, that any administrative or interpretive actions are required under the Program, such actions shall be undertaken by the Board or by the Compensation

Committee of the Board (the “Compensation Committee”).

4. Eligibility

Only directors of the Company who are not employees of the Company or any subsidiary of the Company (“Eligible Directors”) shall participate in the Program.

5. Shares of Common Stock Subject to the Program

Shares of common stock of the Company (“Common Stock”) that are paid in settlement of Stock Units awarded under the Program shall be applied to reduce the maximum number of shares of Common Stock remaining available for issuance under the Equity Plan then in effect and giving effect to any applicable fungible or premium share-counting rules of such plan.

6. Adjustments and Reorganizations

(a) Upon (or, as may be necessary to effect the adjustment, immediately prior to): any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split; any merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock; or any exchange of shares of Common Stock or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; then the Board or Compensation Committee shall equitably and proportionately adjust (1) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of Stock Units, (2) the number, amount and type of shares of Common Stock (or other securities or property) subject to any outstanding Stock Units, and/or (3) the securities, cash or other property deliverable upon payment of any outstanding Stock Units, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by this Program and the then-outstanding Stock Units. The Board or Compensation Committee may also prospectively make such similar appropriate adjustment in the calculation of Fair Market Value (as defined in Section 7) as it deems necessary to preserve (but not increase) Eligible Directors’ rights under the Program.

(b) It is intended that, if possible, any adjustments contemplated by the preceding Section 6(a) be made in a manner that satisfies applicable legal, tax (including, without limitation and as applicable in the circumstances, Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”)) and accounting (so as to not trigger any charge to earnings with respect to such adjustment) requirements. Any good faith determination by the Board or Compensation Committee as to whether an adjustment is required in the circumstances pursuant to Section 6(a), and the extent and nature of any such adjustment, shall be conclusive and binding on all persons.

7. Fair Market Value

Fair Market Value for all purposes under the Program shall mean the NYSE closing price of a share of Common Stock on the last trading day of the applicable quarter.

8. Grants of Stock Units

(a) The annual retainer payable to each Eligible Director for services as a director (the “Annual Retainer”) and, for any Eligible Director who so elects pursuant to Section 8(b), any fees payable for service on Board committees, for service as lead independent director or for extraordinary services (the “Other Annual Retainers”) shall be payable in the form of a credit of Stock Units under the Program pursuant to and to the extent provided below. As used herein, a “Stock Unit” is a non-voting unit of measurement which is credited to a bookkeeping account and deemed for purposes of the Program to be equivalent in value to one outstanding share of Common Stock. The Stock Units shall be used solely as a device for the determination of any payment to eventually be made to the Eligible Director pursuant to Section 9. Prior to the beginning of each calendar year, the Board (or applicable committee thereof) shall establish what amount of the Annual Retainer payable for a particular quarter during that calendar year will be credited as Automatic Stock Units as provided in (b) below (the “Automatic Deferral Amount”). If the Board modifies the Annual Retainer, such modification will not change the Automatic Deferral Amount for the calendar year in which the modification is made. In such event, the Automatic Deferral Amount for the calendar year in which the modification is made will remain the same, and any modification in the Annual Retainer amount for that year will increase or reduce, as the case may be, the Annual Deferral that would be paid in cash for that year (before giving effect to Eligible Directors’ voluntary deferral elections pursuant to Section 8(b) below).

(b) As of the last day of each calendar quarter during the term of the Program (each, a “Crediting Date”), each Eligible Director’s account under the Program will be automatically credited with a number of Stock Units equal to the Automatic Deferral Amount for that particular quarter divided by the Fair Market Value of a share of Common Stock on that Crediting Date (the “Automatic Stock Units”). Any remaining amount of the Annual Retainer and one hundred percent (100%) of the amount of any Other Annual Retainers for such calendar quarter will be paid to the Eligible Director in cash; provided, however, that the Eligible Director may elect in advance to have all or any portion of the remaining Annual Retainer and all or any portion of such Other Annual Retainers for such calendar quarter credited as Stock Units to his or her account under the Program in lieu of such cash payment (the “Elective Stock Units”). Any such election to receive Elective Stock Units in lieu of a cash payment under the foregoing proviso must be made, on a form and in a manner prescribed by the Board (or applicable committee thereof), prior to the beginning of the calendar year to which such Annual Retainer or any Other Annual Retainers relate. The number of Elective Stock Units to be credited pursuant to such election on a Crediting Date shall be determined by dividing the portion

of the Annual Retainer and Other Annual Retainer that would have otherwise been paid in cash to the Eligible Director for the corresponding calendar quarter but for such an election by the Eligible Director, divided by the Fair Market Value of a share of Common Stock on that Crediting Date.

9. Payment of Stock Units

(a) All Stock Units shall be paid in an equivalent number of shares of Common Stock. All Stock Units shall be paid on or within 30 days after the Eligible Director's Separation from Service; provided, however, that the Eligible Director may elect in advance to have all or any portion of any Automatic Stock Units credited for calendar years following the calendar year in which the Eligible Director has received at least five (5) years worth of Automatic Stock Units and all or any portion of any Elective Stock Units paid upon the earlier of (i) the Eligible Director's Separation from Service or (ii) a calendar year specified by the Eligible Director in his or her election (which year may be no earlier than the year after the calendar year to which the deferred Annual Retainer or Other Annual Retainers, as the case may be, relate). Any such election to receive payment of an Annual Retainer or Other Annual Retainer upon the earlier of a Separation from Service or a specified calendar year under the foregoing proviso must be made, on a form and in a manner prescribed by the Board or Compensation Committee or its or their delegate, as the case may be, prior to the beginning of the calendar year to which such Annual Retainer or any Other Annual Retainers relate. If the Eligible Director makes such an election to receive payment upon the earlier of a Separation from Service or a specified calendar year and payment is triggered (1) by the occurrence of the specified calendar year, the applicable Stock Units will generally be paid in January of such calendar year, and shall in all cases be paid prior to the end of such calendar year, or (2) by the Separation from Service, the applicable Stock Units shall be paid on or within 30 days of the Separation from Service.

(b) Notwithstanding the foregoing Section 9(a), if an Eligible Director is a Key Employee as of his Separation from Service, any payment triggered by the Eligible Director's Separation from Service shall be made on the first day of the seventh month following the date of his or her Separation from Service (or, if earlier, the date of his or her death). Such payment shall be subject to adjustment as provided in Section 6 and shall be in complete satisfaction of such Stock Units. For the avoidance of doubt, an Eligible Director shall continue to be eligible to receive additional credits of Stock Units as dividend equivalents pursuant to Section 10 during any period of time payment of the Eligible Director's Stock Units is delayed pursuant to this Section 9(b).

(c) For purposes of this Program, the following terms shall have the meanings indicated below:

Affiliated Company. 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.

Key Employee. An employee treated as a “specified employee” under Code section 409A(a)(2)(B)(i) of the Company or an Affiliated Company (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 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.

Separation from Service. A “separation from service” within the meaning of Section 409A.

(d) Section 6 of the 2011 Long-Term Incentive Stock Plan (addressing certain change in control events) shall apply to the Stock Units; provided that no modification to the timing of payment of the Stock Units shall be made unless the requirements of Treas. Reg. Section 1.409A-3(j)(4)(ix) (“plan terminations and liquidations”), or any successor provision thereto, are satisfied and such modification would not result in any tax, penalty or interest under Section 409A.

10. Dividend Equivalents

No later than sixty (60) days following each date that the Company pays an ordinary cash dividend on its outstanding Common Stock (if any ordinary cash dividends are paid), for which the related record date occurs on or after the Effective Date and prior to all of the Eligible Director’s Stock Units being paid pursuant to Section 9, the Eligible Director’s Stock Unit account shall be credited with additional Stock Units equal to (i) the number of outstanding and unpaid Stock Units credited to such account as of such record date, multiplied by (ii) the amount of the ordinary cash dividend paid by the Company on a share of Common Stock, divided by (iii) the Fair Market Value of a share of the Common Stock as of such record date. Any Stock Units credited pursuant to the foregoing provisions of this Section 10 shall be subject to the same payment and other terms and conditions as the original Stock Units to which they relate.

11. Restrictions on Transfer

Stock Units shall be nontransferable and shall not be assignable, alienable, saleable or otherwise transferable by an Eligible Director other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order. An Eligible Director may designate a beneficiary or beneficiaries to receive any distributions under the Program upon the death of the Eligible Director.

12. Issuance of Certificates

(a) On each payment date described in Section 9, the Company shall deliver to the Eligible Director a number of shares of Common Stock (either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Company in its discretion) equivalent to the number of Stock Units which are payable under the Program with respect to such payment date.

(b) Whenever under the terms of the Program a fractional share would be required to be issued, the fractional share shall be rounded up to the next full share.

(c) All shares of Common Stock delivered under the Program shall be subject to such stop-transfer orders and other restrictions as the Company may deem advisable or legally necessary under any laws, statutes, rules, regulations and other legal requirements, including those of any stock exchange upon which the Common Stock is then listed and any applicable Federal, state or foreign securities law.

(d) Anything to the contrary herein notwithstanding, the Company shall not be required to issue any shares of Common Stock under the Program if, in the opinion of legal counsel, the issuance and delivery of such shares would constitute a violation by the Eligible Director or the Company of any applicable law or regulation of any governmental authority, including, without limitation, Federal and state securities laws, or the regulations of any stock exchange on which the Company's securities may then be listed.

13. Program Amendment

The Board may suspend or terminate the Program or any portion of the Program. The Board may also amend the Program if deemed to be in the best interests of the Company and its stockholders; provided, however, that (a) no such amendment may impair any Eligible Director's right regarding any outstanding grants or Stock Units or other right to receive shares or cash payments under the Program without his or her consent, and (b) no such amendment may cause the Program not to comply with Rule 16b-3, or any successor rule, under the 1934 Act.

14. Unfunded Program

The Program shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Program shall not establish any fiduciary relationship between the Company and any Eligible Director or other person. To the extent any person holds any rights by virtue of an award granted under the Program, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured general creditor of the Company.

15. Future Rights

Neither the Program, nor the granting of Common Stock nor any other action taken pursuant to the Program, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain an Eligible Director for any period of time, or at any particular rate of compensation. Nothing in this Program shall in any way limit or affect the right of the Board or the stockholders of the Company to remove any Eligible Director or otherwise terminate his or her service as a director of the Company.

16. Governing Law

The Program and all rights and obligations under the Program shall be governed by, and construed in accordance with, the laws of the State of Delaware and applicable Federal law.

17. Successors and Assigns

The Program shall be binding on all successors and assigns of an Eligible Director, including, without limitation, the estate of such Eligible Director and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Eligible Director's creditors.

18. Rights as a Stockholder

The Eligible Director in whose name any shares of Common Stock have been issued pursuant to this Program shall have all of the rights of a stockholder with respect to such shares, including the right to vote the Common Stock and receive dividends and other distributions made on the Common Stock. Shares of Common Stock issued in respect of Stock Units credited under the Program shall be fully paid and non-assessable.

19. Construction

The Program shall be construed and interpreted to comply with, and avoid any tax or penalty or interest under, Section 409A. Notwithstanding Section 13 above, the Company reserves the right to amend the Program and any outstanding grants under the Program to the extent it reasonably determines is consistent with and necessary in order to preserve the intended tax consequences of the Stock Units, in light of Section 409A and any regulations or other guidance promulgated thereunder.

RETIREMENT AND SEPARATION AGREEMENT

1. **PARTIES:** The parties to this Retirement and Separation Agreement (“Agreement”) are Gary W. Ervin (“Mr. Ervin”) and NORTHROP GRUMMAN SYSTEMS CORPORATION (“Northrop Grumman” or “the Company”).
2. **RECITALS:** The parties to this Agreement mutually agree that the following facts underlie this Agreement:
 - 2.1 Mr. Ervin is currently an elected officer of Northrop Grumman, a member of the Company’s Corporate Policy Council (“CPC”), and Corporate Vice President and President, Northrop Grumman Aerospace Systems. He currently reports directly to the Chairman, President and Chief Executive Officer of the Company (“CEO”).
 - 2.2 Northrop Grumman is a Delaware corporation headquartered in the State of Virginia.
 - 2.3 As a member of the CPC, Mr. Ervin is involved in managing the global operations of Northrop Grumman. He is involved in the most sensitive and proprietary matters affecting the Company, including from a technical, strategic and financial perspective. Mr. Ervin has been widely exposed to confidential, sensitive and proprietary information concerning Northrop Grumman’s global operations, at the headquarters and each of the operating sectors, including in the areas of manned and unmanned aircraft, space, C4ISR, cyber, sensors, electronics, through-life support and technical services.
 - 2.4 Mr. Ervin’s job responsibilities have required him to spend substantial time in Virginia; among other things, attending CPC and other leadership meetings, and managing operations and employees in Virginia.
 - 2.5 Mr. Ervin has decided to retire from Northrop Grumman as of February 28, 2013. In connection with his retirement and separation from the Company, transition services he will provide, and execution of this Agreement, Mr. Ervin has been offered additional compensation and benefits as described in Section 3 of this Agreement. The compensation and benefits are provided pursuant to this Agreement and are subject to the terms and conditions of, and full compliance with, this Agreement (including Exhibit A).
 - 2.6 Mr. Ervin has decided to accept the Company’s offer of the compensation and benefits described in Section 3 and to enter into this Agreement, including Exhibit A.
3. **COMPENSATION AND BENEFITS:** The Company agrees to provide Mr. Ervin the compensation and benefits specified in this Section 3, pursuant to the terms and conditions of this Agreement:
 - 3.1 **Transition Project and Special Incentive Bonus.** During the transition period, Mr. Ervin will assist the CEO in such duties as the CEO assigns, including ensuring an effective transition to new sector leadership. In recognition of these duties, the terms of this Agreement, and Mr. Ervin’s significant contributions, the Company will pay Mr. Ervin a Transition Project and Special Incentive Bonus (“Bonus”) equal to the sum of two million five hundred thousand dollars (\$2,500,000) less applicable taxes and withholdings. This Bonus will be eligible compensation for purposes of the Company’s qualified and nonqualified pension plans in which Mr. Ervin currently participates, pursuant to the terms of such plans. This amount will be paid to Mr. Ervin in a lump sum within ten (10) days of the Separation Date. This Bonus is in lieu of: (i) any bonus otherwise payable for any

service performed during 2013 pursuant to any bonus or incentive plan, arrangement or agreement of the Company or an affiliate, and (ii) any grant that would otherwise be issued in 2013 pursuant to the Company's long term incentive plan or other equity arrangement.

- 3.2 Medical and Dental Coverage Continuation. Mr. Ervin may elect to continue his medical and dental coverage in effect as of the Separation Date for **eighteen** months, provided he pays his portion of the cost of such coverage with after-tax dollars. The Company will continue to pay its portion of the cost of Mr. Ervin's medical and dental benefits for the **eighteen** month continuation period. If rates for active employees increase during this continuation period, Mr. Ervin's contribution will increase proportionately. Also, if medical and dental benefits are modified or terminated for active employees during this continuation period, Mr. Ervin's benefits shall be subject to this modification or termination. Mr. Ervin's medical and dental benefits shall be reduced to the extent Mr. Ervin is eligible for benefits or payments for the same occurrence under another employer-sponsored plan to which Mr. Ervin is entitled because of his employment after the Separation Date. Mr. Ervin shall notify the Company's Chief Human Resources Officer immediately upon becoming eligible for any such coverage. This continuation coverage shall run concurrently with coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) (or similar state law coverage) and shall be in lieu of such coverage.
- 3.3 Financial Planning. Pursuant to the terms of the Executive Perquisite Program for officers (the "Program"), Mr. Ervin will be reimbursed for any eligible financial planning fees incurred during 2013, subject to a maximum reimbursement of \$15,000. Except as provided in this Section 3.3, all perquisites shall cease as of the Separation Date.
- 3.4 Equity Consideration. Mr. Ervin's outstanding equity awards will be treated as provided in this Section 3.4.

3.4.1 With respect to Mr. Ervin's Restricted Performance Stock Rights (RPSRs) granted by Northrop Grumman Corporation ("NGC") in 2011 and 2012, Mr. Ervin's RPSRs will vest and be paid in the same manner as if he remained employed by the Company for the entire Performance Period, notwithstanding his Separation Date. Consequently, in addition to the prorated RPSRs that will vest at his Separation Date in accordance with the original terms and conditions applicable to these grants, the terms and conditions are hereby modified so that the remaining RPSRs will also vest on the same terms as if he had remained employed through the remainder of the respective Performance Period.

3.4.2 Except as expressly provided above in this Section 3.4, Mr. Ervin's outstanding equity awards will be treated in accordance with the terms of the applicable grant certificates or award agreements, and Mr. Ervin will not be entitled to receive any other vesting of his outstanding equity awards. Any outstanding unvested equity awards on the Separation Date, including without limitation unvested 2011 RSRs and unvested 2012 RSRs, will not vest and are forfeited.

3.4.3 In recognition of Mr. Ervin's forfeiture of the 2011 and 2012 unvested RSRs and subject to the terms and conditions of this Agreement, the Company will pay Mr. Ervin a cash payment equal to the sum of two million seven hundred thousand dollars (\$2,700,000), less applicable taxes and withholding, within ten (10) days of February 15, 2015. This payment is calculated based on the value of the forfeited 2011 and 2012 RSR awards, at a current stock price of \$63.79, payable on or about when those RSRs would have otherwise vested on February 15, 2015. This payment is not pension eligible compensation under any

Company retirement, pension or benefit plan.

3.5 Provision of the compensation and benefits described in this Section 3 is contingent upon: (i) Mr. Ervin's execution of this Agreement (without revocation), (ii) his execution of the attached Exhibit A (General Release Agreement) on his Separation Date, as defined in Section 4 (without revocation), and (iii) full compliance with the terms and conditions of this Agreement including Section 14. The terms and conditions of the General Release Agreement are incorporated into this Agreement as if fully set forth herein.

4. **SEPARATION FROM EMPLOYMENT:** Mr. Ervin's retirement and separation from employment will be effective February 28, 2013. This shall be his Separation Date.

5. **COMPLETE RELEASE:** Mr. Ervin RELEASES the Company from liability for any claims, demands or causes of action, known or unknown, against the Company and the Released Parties, on account of or arising out of anything that has happened, developed, or occurred on or before the date Mr. Ervin signs this Agreement (except as described in Section 5.5). This Release applies not only to the "Company" itself, but also to all Northrop Grumman parents, subsidiaries, affiliates, related companies, predecessors, successors, its or their employee benefit plans, trustees, fiduciaries and administrators, and any and all of its and their respective past or present officers, directors, agents and employees ("Released Parties"). For purposes of this Release, the term "Mr. Ervin" includes not only Mr. Ervin himself, but also his heirs, spouses or former spouses, domestic partners or former domestic partners, executors and agents. Except as described in Section 5.5, this Release extinguishes all of Mr. Ervin's claims, demands or causes of action, known or unknown, against the Company and the Released Parties, on account of or arising out of anything that has happened, developed, or occurred on or before the date Mr. Ervin signs this Agreement.

5.1 This Release includes, but is not limited to, claims relating to Mr. Ervin's employment or termination of employment by the Company and any Released Party, any rights of continued employment, reinstatement or reemployment by the Company and any Released Party, claims relating to or arising under Company or Released Party dispute resolution procedures, claims for any costs or attorneys' fees incurred by Mr. Ervin, and claims for severance benefits other than those listed herein. Mr. Ervin acknowledges and agrees that payment to him of the benefits set forth in this Agreement will fully satisfy any rights he may have for benefits under any severance plan of any of the Released Parties.

5.2 This Release includes, but is not limited to, claims arising under the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the False Claims Act, Executive Order No. 11246, the Civil Rights Act of 1991, and 42 U.S.C. § 1981. It also includes, but is not limited to, claims under Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, religion, sex or national origin, as well as retaliation and harassment; the Americans with Disabilities Act, which prohibits discrimination in employment based on disability, as well as retaliation and harassment; any laws prohibiting discrimination in employment based on veteran status; any state human rights statutes that may be applicable including the California Fair Employment and Housing Act, which prohibits discrimination in employment based on race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, or sexual orientation; the Virginia Human Rights Act, which prohibits discrimination based on race, color, religion, national origin, sex, pregnancy, childbirth or related medical conditions, age, marital status, or disability; and the Fairfax County Human Rights Ordinance, which

prohibits discrimination based on race, color, sex, religion, national origin, marital status, age, familial status, or disability; and any other federal, state or local laws, ordinances, regulations and common law, to the fullest extent permitted by law.

5.3 This Release also includes, but is not limited to, any rights, claims, causes of action, demands, damages or costs arising under or in relation to the personnel policies or employee handbooks of the Company and any Released Party, or any oral or written representations or statements made by the Company and any Released Party, past and present, or any claim for wrongful discharge, breach of contract (including any employment agreement), breach of the implied covenant of good faith and fair dealing, intentional or negligent infliction of emotional distress, intentional or negligent misrepresentation, or defamation.

5.4 Mr. Ervin waives and gives up all rights he may have under Section 1542 of the California Civil code, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Notwithstanding the provisions of Section 1542, Mr. Ervin agrees that his Release includes claims which he did not know of or suspect to exist at the time he signed this Agreement, and that this Release extinguishes all known and unknown claims.

5.5 However, this Release does not include any rights Mr. Ervin may have: (1) to enforce this Agreement and his rights to receive the compensation and benefits described in Section 3 of this Agreement; (2) to any indemnification rights Mr. Ervin may have for expenses or losses incurred in the course and scope of his employment; (3) to test the knowing and voluntary nature of this Agreement under The Older Workers Benefit Protection Act; (4) to workers' compensation benefits; (5) to earned, banked or accrued but unused vacation pay; (6) to rights under minimum wage and overtime laws; (7) to vested benefits under any qualified or non-qualified pension or savings plan; (8) to continued benefits in accordance with COBRA; (9) to government-provided unemployment insurance; (10) to file a claim or charge with any government administrative agency (although Mr. Ervin is releasing any rights he may have to recover damages or other relief in connection with the filing of such a claim or charge); (11) to claims that cannot lawfully be released; (12) to any rights Mr. Ervin may have for retiree medical coverage; (13) to any rights Mr. Ervin may have with respect to his existing equity grants under the Company's Long Term Incentive Stock Plan; or (14) to claims that arise from acts or omissions that occur after the date Mr. Ervin signs this Agreement.

6. **RETURN OF COMPANY PROPERTY:** Mr. Ervin agrees to return any and all property and equipment of the Company and any Released Party that he may have in his possession no later than the Separation Date, except to the extent this Agreement explicitly provides to the contrary.

7. **FULL DISCLOSURE:** Mr. Ervin acknowledges that he is not aware of, or has fully disclosed to the Company, any matters for which he was responsible or which came to his attention as an employee, which might give rise to any claim or cause of action against, or investigation or audit of the Company and/or any Released Party. Mr. Ervin has reported to the Company all work-related injuries, if any, that he has suffered or sustained during his employment with the Company and any Released Party.

Mr. Ervin has properly reported all hours he worked.

8. **NO UNRESOLVED CLAIMS:** This Agreement has been entered into with the understanding that there are no unresolved claims of any nature which Mr. Ervin has against the Company. Mr. Ervin acknowledges and agrees that except as specified in Section 3, all compensation, benefits, and other obligations due Mr. Ervin by the Company, whether by contract or by law, have been paid or otherwise satisfied in full.
9. **WITHHOLDING OF TAXES:** The Company shall be entitled to withhold from any amounts payable or pursuant to this Agreement all taxes as legally shall be required (including, without limitation, United States federal taxes, and any other state, city or local taxes).
10. **ADVICE OF COUNSEL; PERIOD FOR REVIEW AND CONSIDERATION OF AGREEMENT:** The Company encourages Mr. Ervin to seek and receive advice about this Agreement from an attorney of his choosing. Mr. Ervin has twenty-one (21) calendar days from his initial receipt of this Agreement to review and consider it. Mr. Ervin understands that he may use as much of this review period as he wishes before signing this Agreement. If Mr. Ervin has executed this Agreement before the end of such review period, he represents and agrees that he does so voluntarily and of his own free will.
11. **RIGHT TO REVOKE AGREEMENT:** Mr. Ervin may revoke this Agreement within seven (7) calendar days of his signature date. To do so, Mr. Ervin must deliver a written revocation notice to Ms. Denise Peppard, Chief Human Resources Officer, at 2980 Fairview Park Drive, Falls Church, Virginia 22042. Mr. Ervin must deliver the notice to Ms. Peppard no later than 4:30 p.m. ET on the seventh calendar day after Mr. Ervin's signature date. If Mr. Ervin revokes this Agreement, it shall not be effective or enforceable and Mr. Ervin will not receive the compensation and benefits described in Section 3 of this Agreement.
12. **DENIAL OF WRONGDOING:** Neither party, by signing this Agreement, admits any wrongdoing or liability to the other. Both the Company and Mr. Ervin deny any such wrongdoing or liability.
13. **COOPERATION:** Mr. Ervin agrees that, for at least thirty-six (36) months following the Separation Date, he will reasonably cooperate with Company and any Released Party regarding requests for assistance by serving as a witness or providing information about matters connected with Mr. Ervin's prior employment with the Company or any Released Party; provided, however, that any such cooperation in excess of 40 hours per year shall be subject to mutually agreeable compensation. The Company or the Released Party requesting assistance shall reimburse Mr. Ervin for any travel costs he incurs in connection with his cooperation, in accordance with its travel cost reimbursement policy for active appointed officers.
14. **NON-SOLICITATION, NON-COMPETITION, NON-DISPARAGEMENT:**
 - 14.1 For a period of **thirty-six (36)** months following the Separation Date, Mr. Ervin shall not, directly or indirectly, through aid, assistance, or counsel, on his own behalf or on behalf of another person or entity, by any means issue or communicate any public statement that is critical or disparaging of any Released Party or its/their products or services; provided that the foregoing shall not apply to any truthful statements made in compliance with legal process or governmental inquiry.
 - 14.2 For a period of **thirty-six (36)** months following the Separation Date, the Company shall

not by any means issue or communicate any public statement that is critical or disparaging of Mr. Ervin, provided that the foregoing shall not apply to truthful statements made in compliance with legal process, governmental inquiry, or as required by law, regulations or disclosure obligations.

- 14.3 During the term of his employment through his Separation Date, Mr. Ervin was exposed to and helped develop, evolve and guide various of Northrop Grumman's most valuable, unique and material trade secrets and confidential proprietary information, both within the Aerospace Systems Sector and across Northrop Grumman. Mr. Ervin occupies one of the most senior executive positions in the Company and has far-reaching access to highly confidential, valuable and sensitive information, customer, vendor and employee relationships, intellectual property, strategic and tactical plans, and financial information and plans. Northrop Grumman has a legitimate business interest in restricting Mr. Ervin's ability to compete in the specific manner set forth below.
- 14.4 Mr. Ervin agrees that for a period of **thirty-six (36)** months from his Separation Date, he will not engage in a Competitive Business (as defined in Section 14.5), including as director, member, partner, principal, proprietor, agent, consultant, officer, or employee.
- 14.5 For the purpose of Section 14, "Competitive Business" shall mean one that engages, directly and indirectly, in a business engaged in by the Company or any of its parents, subsidiaries or joint ventures, as of the Separation Date, including a business that provides products and/or services as a prime or sub contractor to government customers in the United States of America, United Kingdom, NATO, the European Union, Australia, South Korea, Japan, Singapore, India, the United Arab Emirates, Kuwait, Oman and/or the Kingdom of Saudi Arabia, in the areas of manned and unmanned aircraft, space, C4ISR, cyber, sensors, electronics, through-life support and technical services. Provided, however, that in no event will any of the following activities constitute a breach of the Section 14.4 covenant: (i) ownership for investment purposes of not more than five percent (5%) of the total outstanding equity securities (or other interests) of any entity; or (ii) serving as a principal, partner, director, employee, consultant or advisor to a Private Equity Firm, provided that such activities do not involve advising the Private Equity Firm in any way regarding the Company, its parents, subsidiaries or affiliates, or a Competitive Business.
- 14.6 For a period of thirty-six (36) months from his Separation Date, Mr. Ervin shall not solicit any customer, supplier, or teammate of Northrop Grumman with whom Mr. Ervin came into contact, either directly or indirectly, while employed by Northrop Grumman, for purposes of providing products or services in competition with Northrop Grumman.
- 14.7 For a period of thirty-six (36) months from his Separation Date, Mr. Ervin shall not, directly or indirectly, through aid, assistance, or counsel, on his own behalf or on behalf of another person or entity, solicit or offer to hire, any person who was within a period of six months prior to the Separation Date employed by any Released Party,
- 14.8 The company enters into this Agreement and provides the compensation and benefits set forth in Section 3 in significant part as consideration for the restrictive covenants set forth in Section 14.
- 14.9 Mr. Ervin may request an exception to the covenants in Section 14 by making a written request to the Company's Chief Human Resources Officer, with such exceptions being

considered at the sole discretion of the Company and communicated in writing to Mr. Ervin.

- 14.10 Mr. Ervin agrees that the restrictions set forth in Section 14 are (i) reasonable and necessary in all respects, including duration, territory and scope of activity, in order to protect Northrop Grumman's non-public trade secrets and proprietary information, (ii) that the parties have attempted to limit Mr. Ervin's right to compete only to the extent necessary to protect Northrop Grumman's legitimate business interests, and (iii) that he will be able to earn a livelihood without violating the restrictions in Section 14. It is the intent of the parties that the provisions of Section 14 shall be enforced to the fullest extent permissible under applicable law. However, if any portion of this covenant is deemed overbroad or unenforceable due to challenge by him, he will hereby forego all consideration provided in Section 3, and to the extent such consideration has already been paid, will return all consideration provided him under Section 3.
15. **SOLE AND ENTIRE AGREEMENT:** This Agreement expresses the entire understanding between the Company and Mr. Ervin on the matters it covers. It supersedes all prior discussions, agreements, understandings and negotiations between the parties on these matters; except that any writing between the Company and Mr. Ervin relating to protection of Company trade secrets or intellectual property or certifications made by Mr. Ervin shall remain in effect.
16. **MODIFICATION:** Once this Agreement takes effect, it may not be cancelled or changed, unless done so in a document signed by both Mr. Ervin and an authorized Company representative.
17. **GOVERNING LAW:** This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Commonwealth of Virginia, without regard to rules regarding conflicts of law.
18. **ARBITRATION, JURISDICTION, AND VENUE:**
- 18.1 Except as otherwise provided in this Section 18, any cause of action or claim arising out of or related to this Agreement (including any claim that either party has violated this Agreement or regarding its enforceability) will be determined through final and binding arbitration, including in accordance with Northrop Grumman Corporate Procedure H103A.
- 18.2 The Company and Mr. Ervin agree that any arbitration hearing and related proceedings shall be convened and conducted in Falls Church, VA.
- 18.3 The Company and Mr. Ervin agree that the prevailing party in the arbitration shall be entitled to receive from the losing party reasonably incurred attorneys' fees and costs, except in any challenge by Mr. Ervin to the validity of this Agreement under the Age Discrimination in Employment Act and/or Older Workers Benefit Protection Act.
- 18.4 If the Company or Mr. Ervin believes they require immediate relief to enforce or challenge this Agreement, before arbitration is commenced or concluded, either party may seek injunctive or other provisional equitable relief from state or federal court in the Commonwealth of Virginia. Either party may also proceed in state or federal court in the Commonwealth of Virginia to compel arbitration or to enforce an arbitration award under this Agreement. All court actions or proceedings arising under this Agreement shall be heard in state or federal court in the Commonwealth of Virginia. The Company and Mr. Ervin hereby waive any right to object to such actions on grounds of venue, jurisdiction

or convenience. The Company and Mr. Ervin stipulate that the state and federal courts located in **Fairfax County, Virginia** shall have in personam jurisdiction and venue for the purpose of litigating any such dispute, controversy, claim, or complaint arising out of or related to this Agreement. Mr. Ervin hereby agrees that service of process sufficient for personal jurisdiction in any action or proceeding involving him may be made by registered or certified mail, return receipt requested, to the address on file with the Company, or by electronic service of process through the Internet when authorized by a court of competent jurisdiction.

19. ADVICE OF COUNSEL; VOLUNTARY AGREEMENT:

MR. ERVIN ACKNOWLEDGES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS, CONFER WITH COUNSEL, AND CONSIDER ALL OF THE PROVISIONS OF THIS AGREEMENT BEFORE SIGNING IT. HE FURTHER AGREES THAT HE HAS READ THIS AGREEMENT **CAREFULLY**, THAT HE UNDERSTANDS IT, AND THAT HE IS VOLUNTARILY ENTERING INTO IT. MR. ERVIN UNDERSTANDS AND ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS HIS RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

Date: July 20, 2012__ By: Gary W. Ervin__

Date: July 23, 2012__ By: Denise M. Peppard__
Northrop Grumman Systems Corporation

Title: Corp VP and CHRO____

EXHIBIT A

GENERAL RELEASE AGREEMENT

This is an agreement (hereinafter “Release” or “Release Agreement”) between Gary W. Ervin (“Mr. Ervin”) and Northrop Grumman Systems Corporation (“Northrop Grumman” or “the Company”) regarding Mr. Ervin’s employment with the Company and his acceptance of certain benefits in exchange for valuable consideration; Mr. Ervin’s retirement and separation from the Company; and Mr. Ervin’s agreement to the terms contained in this Release Agreement and the previously executed Retirement and Separation Agreement, all the terms of which are incorporated by reference as if fully set forth herein. The purpose of this Release Agreement is to resolve fully and finally any and all matters concerning Mr. Ervin’s employment with the Company and his retirement and separation from the Company.

1. In exchange for this Release Agreement, the Company will provide Mr. Ervin with certain consideration as outlined in the Retirement and Separation Agreement dated _____, 2012 (“Retirement and Separation Agreement”).

2. This Release Agreement satisfies the requirement that Employee executes a General Release Agreement as set forth in Section 3.5 of the Retirement and Separation Agreement.

3. In exchange for the consideration exchanged between Mr. Ervin and the Company as set forth in the Retirement and Separation Agreement and this Release Agreement, Mr. Ervin RELEASES the Company from liability for any claims, demands or causes of action, known or unknown, against the Company and the Released Parties, on account of or arising out of anything that has happened, developed, or occurred on or before the date Mr. Ervin signs this Release Agreement (except as described in Section 3.5). This Release applies not only to the “Company” itself, but also to all Northrop Grumman parents, subsidiaries, affiliates, related companies, predecessors, successors, its or their employee benefit plans, trustees, fiduciaries and administrators, and any and all of its and their respective past or present officers, directors, agents and employees (“Released Parties”). For purposes of this Release, the term “Mr. Ervin” includes not only Mr. Ervin himself, but also his heirs, spouses or former spouses, domestic partners or former domestic partners, executors and agents. Except as described in Section 3.5, this Release extinguishes all of Mr. Ervin’s claims, demands or causes of action, known or unknown, against the Company and the Released Parties, on account of or arising out of anything that has happened, developed, or occurred on or before the date Mr. Ervin signs this Release Agreement.

3.1 This Release includes, but is not limited to, claims relating to Mr. Ervin’s employment or termination of employment by the Company and any Released Party, any rights of continued employment, reinstatement or reemployment by the Company and any Released Party, claims relating to or arising under Company or Released Party dispute resolution procedures, claims for any costs or attorneys’ fees incurred by Mr. Ervin, and claims for severance benefits other than those listed in the Retirement and Separation Agreement.

3.2 This Release includes, but is not limited to, claims arising under the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the False Claims Act, Executive Order No. 11246, the Civil Rights Act of 1991, and 42 U.S.C. § 1981. It also includes, but is not limited to, claims under Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, religion, sex or national origin, as well as retaliation and harassment; the Americans with Disabilities Act, which prohibits discrimination in employment based on

disability, as well as retaliation and harassment; any laws prohibiting discrimination in employment based on veteran status; any state human rights statutes that may be applicable including the California Fair Employment and Housing Act, which prohibits discrimination in employment based on race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, or sexual orientation; the Virginia Human Rights Act, which prohibits discrimination based on race, color, religion, national origin, sex, pregnancy, childbirth or related medical conditions, age, marital status, or disability; and the Fairfax County Human Rights Ordinance, which prohibits discrimination based on race, color, sex, religion, national origin, marital status, age, familial status, or disability; and any other federal, state or local laws, ordinances, regulations and common law, to the fullest extent permitted by law.

3.3 This Release also includes, but is not limited to, any rights, claims, causes of action, demands, damages or costs arising under or in relation to the personnel policies or employee handbooks of the Company and any Released Party, or any oral or written representations or statements made by the Company and any Released Party, past and present, or any claim for wrongful discharge, breach of contract (including any employment agreement), breach of the implied covenant of good faith and fair dealing, intentional or negligent infliction of emotional distress, intentional or negligent misrepresentation, or defamation.

3.4 Mr. Ervin waives and gives up all rights he may have under Section 1542 of the California Civil code, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Notwithstanding the provisions of Section 1542, Mr. Ervin agrees that his Release includes claims which he did not know of or suspect to exist at the time he signed this Agreement, and that this Release extinguishes all known and unknown claims.

3.5 However, this Release does not include any rights Mr. Ervin may have: (1) to enforce this Release Agreement or the Retirement and Separation Agreement and his rights to receive the compensation and benefits described in this Release Agreement or the Retirement and Separation Agreement; (2) to any indemnification rights Mr. Ervin may have for expenses or losses incurred in the course and scope of his employment; (3) to test the knowing and voluntary nature of this Release Agreement under The Older Workers Benefit Protection Act; (4) to workers' compensation benefits; (5) to earned, banked or accrued but unused vacation pay; (6) to rights under minimum wage and overtime laws; (7) to vested benefits under any qualified or non-qualified pension or savings plan; (8) to continued benefits in accordance with COBRA; (9) to government-provided unemployment insurance; (10) to file a claim or charge with any government administrative agency (although Mr. Ervin is releasing any rights he may have to recover damages or other relief in connection with the filing of such a claim or charge); (11) to claims that cannot lawfully be released; (12) to any rights Mr. Ervin may have for retiree medical coverage; (13) to any rights Mr. Ervin may have with respect to his existing equity grants under the Company's Long Term Incentive Stock Plan; or (14) to claims that arise from acts or omissions that occur after the date Mr. Ervin signs this Release Agreement.

4. Mr. Ervin acknowledges that he is not aware of, or has fully disclosed to the Company, any matters for which he was responsible or which came to his attention as an employee, which might give rise to any claim or cause of action against, or investigation or audit of the Company and/or any Released Party. Mr. Ervin has reported to the Company all work-related injuries, if any, that he has suffered or sustained during his employment with the Company and any Released Party. Mr. Ervin has properly reported all hours he worked.

5. This Release Agreement has been entered into with the understanding that there are no unresolved claims of any nature which Mr. Ervin has against the Company. Mr. Ervin acknowledges and agrees that except as specified in Section 3 of the Retirement and Separation Agreement, all compensation, benefits, and other obligations due Mr. Ervin by the Company, whether by contract or by law, have been paid or otherwise satisfied in full.

6. The Company encourages Mr. Ervin to seek and receive advice about this Release Agreement from an attorney of his choosing, and Mr. Ervin has had the opportunity to do so. Mr. Ervin has twenty-one (21) calendar days to consider this Release Agreement, which he agrees is a reasonable period of time.

7. The Company encourages Mr. Ervin to seek and receive advice about this Release Agreement from an attorney of his choosing. Mr. Ervin has twenty-one (21) calendar days from his initial receipt of this Release Agreement to review and consider it. Mr. Ervin understands that he may use as much of this review period as he wishes before signing this Release Agreement. If Mr. Ervin has executed this Release Agreement before the end of such review period, he represents and agrees that he does so voluntarily and of his own free will.

8. Mr. Ervin may revoke this Release Agreement within seven (7) calendar days of his signature date. To do so, Mr. Ervin must deliver a written revocation notice to Ms. Denise Peppard, Chief Human Resources Officer, at 2980 Fairview Park Drive, Falls Church, Virginia 22042. Mr. Ervin must deliver the notice to Ms. Peppard no later than 4:30 p.m. ET on the seventh calendar day after Mr. Ervin's signature date. If Mr. Ervin revokes this Release Agreement, it shall not be effective or enforceable and Mr. Ervin will not receive the compensation and benefits described in this Release Agreement or the Retirement and Separation Agreement.

MR. ERVIN ACKNOWLEDGES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS, CONFER WITH COUNSEL, AND CONSIDER ALL OF THE PROVISIONS OF THIS AGREEMENT BEFORE SIGNING IT. HE FURTHER AGREES THAT HE HAS READ THIS AGREEMENT **CAREFULLY**, THAT HE UNDERSTANDS IT, AND THAT HE IS VOLUNTARILY ENTERING INTO IT. MR. ERVIN UNDERSTANDS AND ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS HIS RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

Date: ___ By: ___

Date: ___ By: ___

Northrop Grumman Systems Corporation

Title: _____

NORTHROP GRUMMAN CORPORATION
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

| <i>\$ in millions</i> | Six Months Ended June 30 | | Year Ended December 31 | | | | |
|---|-----------------------------|----------|------------------------|----------|----------|----------|----------|
| | 2012 | 2011 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Earnings: | | | | | | | |
| Earnings from continuing operations before income taxes | \$ 1,483 | \$ 1,546 | \$ 3,083 | \$ 2,366 | \$ 2,070 | \$ 1,841 | \$ 2,158 |
| Fixed Charges: | | | | | | | |
| Interest expense, including amortization of debt premium | 105 | 111 | 221 | 269 | 269 | 271 | 312 |
| Portion of rental expenses on operating leases deemed to be representative of the interest factor | 60 | 72 | 140 | 149 | 167 | 177 | 177 |
| Earnings from continuing operations before income taxes and fixed charges | \$ 1,648 | \$ 1,729 | \$ 3,444 | \$ 2,784 | \$ 2,506 | \$ 2,289 | \$ 2,647 |
| Fixed Charges: | \$ 165 | \$ 183 | \$ 361 | \$ 418 | \$ 436 | \$ 448 | \$ 489 |
| Ratio of earnings to fixed charges | 10.0 | 9.4 | 9.5 | 6.7 | 5.7 | 5.1 | 5.4 |

NORTHROP GRUMMAN CORPORATION

Exhibit 15

LETTER FROM INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

July 24, 2012

Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, Virginia 22042

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Northrop Grumman Corporation and subsidiaries for the periods ended June 30, 2012 and 2011, as indicated in our report dated July 24, 2012; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, is incorporated by reference in Registration Statement Nos. 033-59815, 033-59853, 333-67266, 333-100179, 333-107734, 333-121104, 333-125120, 333-127317, and 333-175798 on Form S-8; and Registration Statement No. 333-175818 on Form S-3.

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

/s/ Deloitte & Touche LLP
McLean, Virginia

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) 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-Q 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: July 24, 2012

/s/ Wesley G. Bush

Wesley G. Bush

Chairman, Chief Executive Officer and President

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) 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-Q 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: July 24, 2012

/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 Quarterly Report of Northrop Grumman Corporation (the "company") on Form 10-Q for the period ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wesley G. Bush, Chairman, 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 13(a) or 15(d) 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: July 24, 2012

/s/ Wesley G. Bush

Wesley G. Bush
Chairman, 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 Quarterly Report of Northrop Grumman Corporation (the “company”) on Form 10-Q for the period ended June 30, 2012, 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 13(a) or 15(d) 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: July 24, 2012

/s/ James F. Palmer

James F. Palmer
Corporate Vice President and Chief Financial Officer

