

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 29549

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

For the quarterly period ended September 30, 1999
or

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

For the transition period from _____ to _____

Commission File Number 1-3229

NORTHROP GRUMMAN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE No. 95-1055798
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

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

(310) 553-6262

(Registrant's telephone number, including area code)

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

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Common Stock outstanding as of October 29, 1999 69,488,534 shares

Northrop Grumman Corporation and Subsidiaries

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

Dollars in millions	September 30, 1999	December 31, 1998

Assets:		
Cash and cash equivalents	\$ 37	\$ 44
Accounts receivable, net of progress payments of \$1,739 in 1999 and \$1,388 in 1998	1,352	1,507
Inventoried costs, net of progress payments of \$544 in 1999 and \$521 in 1998	1,424	1,373
Deferred income taxes	17	24
Prepaid expenses	46	85

Total current assets	2,876	3,033

Property, plant and equipment	2,972	3,058
Accumulated depreciation	(1,737)	(1,784)

	1,235	1,274

Goodwill, net of accumulated amortization of \$414 in 1999 and \$338 in 1998	3,534	3,381
Other purchased intangibles, net of accumulated amortization of \$363 in 1999 and \$295 in 1998	778	795
Prepaid pension cost, intangible pension asset and benefit trust fund	1,092	787
Deferred income taxes	34	166
Assets available for sale	26	37
Investments in and advances to affiliates and sundry assets	55	63

	5,519	5,229

	\$ 9,630	\$ 9,536
=====		

Northrop Grumman Corporation and Subsidiaries

Dollars in millions	September 30, 1999	December 31, 1998
<hr style="border-top: 1px dashed black;"/>		
Liabilities and Shareholders' Equity:		
Notes payable to banks	\$ 99	\$ 69
Current portion of long-term debt	200	200
Trade accounts payable	427	416
Accrued employees' compensation	355	337
Advances on contracts	255	354
Income taxes payable including deferred income taxes of \$590 in 1999 and \$527 in 1998	604	527
Other current liabilities	503	464
<hr style="border-top: 1px dashed black;"/>		
Total current liabilities	2,443	2,367
<hr style="border-top: 1px dashed black;"/>		
Long-term debt	2,300	2,562
Accrued retiree benefits	1,711	1,704
Other long-term liabilities	41	53
Paid-in capital		
Preferred stock, 10,000,000 shares authorized; none issued		
Common stock, 200,000,000 shares authorized; issued and outstanding:		
1999 - 69,483,426; 1998 - 68,836,810	1,028	989
Retained earnings	2,138	1,892
Accumulated other comprehensive loss	(31)	(31)
<hr style="border-top: 1px dashed black;"/>		
	3,135	2,850
	\$ 9,630	\$ 9,536
<hr style="border-top: 3px double black;"/>		

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

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF OPERATIONS

Dollars in millions, except per share	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
<hr style="border-top: 1px dashed black;"/>				
Net sales	\$2,122	\$2,213	\$6,489	\$6,366
Cost of sales				
Operating costs	1,586	1,668	4,972	4,835
Administrative and general expenses	274	307	801	878
<hr style="border-top: 1px dashed black;"/>				
Operating margin	262	238	716	653
Merger costs				(186)
Interest expense	(64)	(59)	(173)	(173)
Other, net	5	5	4	18
<hr style="border-top: 1px dashed black;"/>				
Income before income taxes and cumulative effect of accounting change	203	184	547	312
Federal and foreign income taxes	75	68	202	115
<hr style="border-top: 1px dashed black;"/>				
Income before cumulative effect of accounting change	128	116	345	197
Cumulative effect of change in accounting for start-up costs, net of income tax benefit of \$11			(16)	
<hr style="border-top: 1px dashed black;"/>				
Net income	\$ 128	\$ 116	\$ 329	\$ 197
<hr style="border-top: 3px double black;"/>				
Weighted average shares outstanding, in millions	69.4	68.9	69.1	68.4
<hr style="border-top: 3px double black;"/>				
Basic earnings per share:				
Before cumulative effect of accounting change	\$ 1.84	\$1.68	\$5.00	\$2.88
Accounting change			(.24)	
<hr style="border-top: 1px dashed black;"/>				
Basic earnings per share	\$ 1.84	\$1.68	\$4.76	\$2.88
<hr style="border-top: 3px double black;"/>				
Diluted earnings per share:				
Before cumulative effect of accounting change	\$ 1.83	\$1.67	\$4.97	\$2.83
Accounting change			(.24)	
<hr style="border-top: 1px dashed black;"/>				
Diluted earnings per share	\$ 1.83	\$1.67	\$4.73	\$2.83
<hr style="border-top: 3px double black;"/>				
Dividends per share	\$.40	\$.40	\$1.20	\$1.20
<hr style="border-top: 3px double black;"/>				

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

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY

Dollars in millions	Nine months ended September 30,	
	1999	1998

Paid-in Capital		
At beginning of year	\$ 989	\$ 838
Stock issued for businesses purchased	30	
Employee stock awards and options exercised	9	148

	1,028	986

Retained Earnings		
At beginning of year	1,892	1,807
Net income	329	197
Cash dividends	(83)	(82)

	2,138	1,922

Accumulated Other Comprehensive Loss	(31)	(22)

Total shareholders' equity	\$3,135	\$2,886
=====		

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

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CASH FLOWS

Dollars in millions	Nine months ended September 30,	
	1999	1998
<hr/>		
Operating Activities		
Sources of Cash		
Cash received from customers		
Progress payments	\$1,297	\$1,419
Other collections	5,326	4,980
Income tax refunds received	69	23
Interest received	2	12
Other cash receipts	6	7
<hr/>		
Cash provided by operating activities	6,700	6,441
<hr/>		
Uses of Cash		
Cash paid to suppliers and employees	5,812	6,156
Interest paid	166	144
Income taxes paid	80	38
Other cash disbursements	9	31
<hr/>		
Cash used in operating activities	6,067	6,369
<hr/>		
Net cash provided by operating activities	633	72
<hr/>		
Investing Activities		
Additions to property, plant and equipment	(119)	(145)
Payment for businesses purchased, net of cash acquired	(241)	(51)
Proceeds from sale of property, plant and equipment	28	50
Other investing activities		(7)
<hr/>		
Net cash used in investing activities	(332)	(153)
<hr/>		
Financing Activities		
Borrowings under lines of credit	23	295
Repayment of borrowings under lines of credit	(105)	
Principal payments of long-term debt	(150)	(150)
Proceeds from issuance of stock	7	35
Dividends paid	(83)	(82)
<hr/>		
Net cash provided by (used in) financing activities	(308)	98
<hr/>		
Increase(decrease) in cash and cash equivalents	(7)	17
Cash and cash equivalents balance at beginning of period	44	63
<hr/>		
Cash and cash equivalents balance at end of period	\$ 37	\$ 80
<hr/>		

Northrop Grumman Corporation and Subsidiaries

Dollars in millions	Nine months ended September 30,	
	1999	1998
<hr style="border-top: 1px dashed black;"/>		
Reconciliation of Net Income to Net Cash		
Provided by Operating Activities		
Net income	\$ 329	\$ 197
Adjustments to reconcile net income to net cash provided		
Depreciation	144	150
Amortization of intangible assets	144	139
Common stock issued to employees		88
Loss on disposals of property, plant and equipment	9	5
Retiree benefits income	(181)	(146)
Decrease(increase) in		
Accounts receivable	177	285
Inventoried costs	(87)	(354)
Prepaid expenses	41	2
Increase(decrease) in		
Progress payments	70	(228)
Accounts payable and accruals	(143)	(116)
Provisions for contract losses	27	36
Deferred income taxes	184	96
Income taxes payable	14	14
Retiree benefits	(107)	(129)
Other transactions	12	33
<hr style="border-top: 1px dashed black;"/>		
Net cash provided by operating activities	\$ 633	\$ 72
<hr style="border-top: 1px dashed black;"/>		
Noncash Investing Activities:		
Purchase of businesses		
Assets acquired	\$ 336	\$ 67
Cash paid	(241)	(56)
Stock issued	(30)	
<hr style="border-top: 1px dashed black;"/>		
Liabilities assumed	\$ 65	\$ 11
<hr style="border-top: 1px dashed black;"/>		

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

Northrop Grumman Corporation and Subsidiaries

SELECTED INDUSTRY SEGMENT INFORMATION

Dollars in millions	Three months ended		Nine months ended	
	September 30,		September 30,	
	1999	1998	1999	1998

Net Sales				
Integrated Systems & Aerostructures	\$1,161	\$1,249	\$3,627	\$3,664
Electronic Sensors & Systems	626	752	1,900	2,066
Information Technology (Logicon)	376	258	1,094	781
Intersegment sales	(41)	(46)	(132)	(145)
	\$2,122	\$2,213	\$6,489	\$6,366
=====				
Operating Margin				
Integrated Systems & Aerostructures	\$ 121	\$ 121	\$ 294	\$ 290
Electronic Sensors & Systems	39	68	138	182
Information Technology (Logicon)	23	13	63	48
	183	202	495	520
Other items included in operating margin:				
Corporate expenses	(8)	(24)	(24)	(46)
Deferred state tax provision	(5)	(7)	(14)	(21)
Pension income	92	67	259	200
	\$ 262	\$ 238	\$ 716	\$ 653
=====				
Contract Acquisitions				
Integrated Systems & Aerostructures	\$ 786	\$1,121	\$2,997	\$3,098
Electronic Sensors & Systems	478	687	2,007	1,626
Information Technology (Logicon)	277	197	1,003	707
Intersegment acquisitions	(38)	(25)	(91)	(106)
	\$1,503	\$1,980	\$5,916	\$5,325

Funded Order Backlog				
Integrated Systems & Aerostructures			\$6,303	\$7,563
Electronic Sensors & Systems			3,226	3,088
Information Technology (Logicon)			475	374
Intersegment backlog			(128)	(204)
			\$9,876	\$10,821
=====				

NOTES TO CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission. They do not include all information and notes necessary for a complete presentation of financial position, results of operations, changes in shareholders' equity, and cash flows in conformity with generally accepted accounting principles. They do, however, in the opinion of management, include all adjustments necessary for a fair statement of the results for the periods presented. The financial statements should be read in conjunction with the Notes and Independent Auditors' Report contained in the company's 1998 annual report on Form 10-K report.

New Accounting Standards

In January 1999, the company adopted Statement of Position (SOP) 98-5 - Reporting on the Costs of Start-up Activities, which requires that certain costs, that previously had been deferred, be expensed and reported as a cumulative effect of a change in accounting principle, and all such future costs be expensed as incurred.

In the first quarter of 1999, the company recorded a \$16 million after-tax charge, or \$.24 per share, as the cumulative effect of a change in accounting principle.

Earnings per Share

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

Northrop Grumman Corporation and Subsidiaries

Basic and diluted earnings per share are calculated as follows:

Three months ended September 30,	Net Income -----	Shares -----	Earnings per Share -----
	(millions)	(millions)	
1999			
Basic EPS before accounting change	\$ 128 =====	69.4	\$ 1.84 =====
Dilutive effect of stock options and awards		.6 -----	
Diluted EPS before accounting change	\$ 128 =====	70.0 =====	\$ 1.83 =====
1998			
Basic EPS before accounting change	\$ 116 =====	68.9	\$ 1.68 =====
Dilutive effect of stock options and awards		.7 -----	
Diluted EPS before accounting change	\$ 116 =====	69.6 =====	\$ 1.67 =====
Nine months ended September 30,			
1999			
Basic EPS before accounting change	\$ 345 =====	69.1	\$ 5.00 =====
Dilutive effect of stock options and awards		.3 -----	
Diluted EPS before accounting change	\$ 345 =====	69.4 =====	\$ 4.97 =====
1998			
Basic EPS before accounting change	\$ 197 =====	68.4	\$ 2.88 =====
Dilutive effect of stock options and awards		1.1 -----	
Diluted EPS before accounting change	\$ 197 =====	69.5 =====	\$ 2.83 =====

Northrop Grumman Corporation and Subsidiaries

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

Sales were 4 percent lower for the third quarter and 2 percent higher for the first nine months of 1999 versus the same periods of 1998. Both the Integrated Systems and Aerostructures (ISA) and Electronic Sensors and Systems (ESS) segments reflected lower sales for the third quarter and first nine months of 1999 as compared to 1998, while the Information Technology (Logicon) segment reported higher sales for both periods.

ISA sales were 7 percent lower for the third quarter and 1 percent lower for the first nine months of 1999 as compared with the same periods of 1998. For both the third quarter and nine-month periods, Air Combat Systems business area sales reflect lower B-2 and F/A-18C/D sales and increased F/A-18E/F sales, as this program transitions from development to production. The Aerostructures sales decrease for the third quarter and first nine months of 1999 over the same periods a year ago are primarily due to lower commercial aerostructures sales. Sales on the EA-6B program, which is reported in the Airborne Early Warning and Electronics Warfare (AEW/EW) business area, increased in both the third quarter and first nine months of 1999 versus comparable periods of 1998.

ESS sales for the third quarter and first nine months of 1999 declined by 17 percent and 8 percent, respectively, as compared to the same periods last year. The Aerospace Electronic Systems business area decreases are due to lower volume on combat electronic systems programs and surveillance sensors programs. The Command, Control, Communications, Intelligence and Naval Systems (C3I&N) business area decrease in the third quarter of 1999 as compared to the third quarter of 1998 is primarily attributable to lower air defense and air traffic control radar systems sales for international customers.

Logicon sales were 46 percent higher in the third quarter and 40 percent higher in the first nine months of 1999 versus the same periods, respectively, of 1998. The increases are a result of work on the Joint Base Operations Support Contract (J-BOSC) for NASA and the U.S. Air Force, which was won in the third quarter of 1998, as well as increased volume in the Government Information Technology business area.

Northrop Grumman Corporation and Subsidiaries

Sales by business area and units delivered were:

\$ in millions	Three months ended		Nine months ended	
	September 30,		September 30,	
	1999	1998	1999	1998

Integrated Systems & Aerostructures				
Air Combat Systems (ACS)	\$ 496	\$ 507	\$ 1,491	\$ 1,556
Aerostructures	320	407	1,078	1,114
Airborne Early Warning and Electronic Warfare (AEW/EW)	206	201	616	533
Airborne Ground Surveillance and Battle Management (AGS/BM)	153	157	502	531
Intrasegment Eliminations	(14)	(23)	(60)	(70)
	-----	-----	-----	-----
	1,161	1,249	3,627	3,664

Electronic Sensors & Systems				
Aerospace Electronic Systems	261	327	772	926
Command, Control, Communications, Intelligence and Naval Systems (C3I&N)	180	257	612	636
Defensive Electronic Systems	119	133	354	383
Other	66	35	162	121
	-----	-----	-----	-----
	626	752	1,900	2,066

Information Technology (Logicon)				
Government Information Technology	237	185	726	576
Technology Services	94	42	262	116
Commercial Information Technology	45	31	106	89
	-----	-----	-----	-----
	376	258	1,094	781

Intersegment eliminations	(41)	(46)	(132)	(145)

Total sales	\$ 2,122	\$ 2,213	\$ 6,489	\$ 6,366
=====				

Units				

B-2	2	2	4	4
F/A-18 C/D	1	8	17	25
F/A-18 E/F	4	0	7	0
747	7	13	27	39
C-17	3	4	9	6

ISA segment operating margin in the third quarter of 1999 was \$121 million, the same as reported in the third quarter of 1998. The 1999 third quarter results reflect an \$11 million upward cumulative margin rate adjustment on the B-2 program and downward cumulative margin rate adjustments of \$10 million on commercial aerostructures work. For the first nine months of 1999, ISA segment operating margin was \$294 million, a \$4 million increase over the amount reported for the first nine months of 1998. This year's first nine month period includes upward cumulative margin rate adjustments on the B-2 and F/A-18E/F programs of \$47 million and \$11 million, respectively. These improvements were offset by downward cumulative margin rate adjustments on several Boeing aerostructures contracts totaling \$50 million and lower overall margin rates on Boeing aerostructures work. Last year's first nine months results included downward cumulative margin rate adjustments totaling \$25 million on the E-8 Joint Surveillance Target Attack Radar System (Joint STARS) and E-2C programs.

Since the beginning of the Joint STARS program, the company (and prior to 1994, the Grumman Corporation) has incurred over \$100 million of costs in excess of revenues in the performance of the development and production phases of the program. In 1998, the company submitted Requests for Equitable Adjustment (REAs) to the U. S. Air Force seeking adjustment to production contracts for cost increases incurred during the refurbishment and conversion of used Boeing 707 aircraft to Joint STARS platforms. The company and the U. S. Air Force executed an Alternate Dispute Resolution Agreement (ADR) to attempt to resolve these REAs and, in April 1999, the company filed these REAs as certified claims. If the ADR process is unsuccessful, the company will pursue its claims pursuant to the Contracts Disputes Act. The company cannot predict the outcome of this claim resolution process or the effect of the ultimate resolution on the company's results of operations, financial position, and cash flows.

The amount and rate of operating margin earned on sales decreased in the ESS segment in the third quarter and first nine months of 1999 as compared with the same periods of 1998. The third quarter margin decrease reflects the lower sales volume, as well as a reduction of approximately \$19 million resulting from the pension plan merger, which is discussed below. The nine months decrease also reflects lower margins in the Defensive Electronic Systems business area, due in part to additional costs incurred in transitioning a development program to production.

In July 1999, the company merged three of its pension plans into one which resulted in a reduction to third quarter net income of approximately \$7 million, or \$.10 per share. For the fourth quarter of 1999, net income is expected to be reduced by approximately \$13 million, or \$.17 per share, as a result of the plan merger.

Northrop Grumman Corporation and Subsidiaries

Logicon operating margin was 77 percent higher in the third quarter and 31 percent higher in the first nine months of 1999 versus the same periods, respectively, of 1998. The increases are attributable to increased sales volume and improved performance in both the Government Information Technology and Technology Services business areas, and lower administrative costs.

Last year's third quarter corporate expenses included pretax costs of \$14 million related to activities to realign operating units, consolidate facilities and laboratories, and exit certain business areas.

Last year's first nine months results included a \$186 million pretax charge (\$1.73 per share after tax) for costs associated with the company's terminated merger with Lockheed Martin Corporation.

Interest expense was \$64 million for the third quarter of 1999 and \$173 million for the first nine months of 1999, as compared to \$59 million and \$173 million, respectively, for the same periods last year. The third quarter of 1999 includes \$11 million of interest expense related to settlements of various legal and tax issues. Interest on debt was down \$6 million for the third quarter and \$11 million for the first nine months as compared to the same periods for 1998, principally as a result of a lower average level of borrowings in these periods.

The company's effective federal income tax rate was 37 percent for the first nine months of 1999, unchanged from the same period in 1998.

Effective January 1, 1999, the company adopted the new accounting standard, SOP 98-5 - Reporting on the Costs of Start-Up Activities, which requires that certain costs that previously had been deferred be expensed and reported as a cumulative effect of a change in accounting principle. The company reported a \$16 million after-tax charge, or \$.24 per share, to write off the previously deferred start-up costs. All such costs incurred after January 1, 1999, are being expensed as incurred, and are expected to be approximately \$8 million, before tax, for all of 1999.

During the first nine months of 1999, \$633 million of cash was generated by operations versus the \$72 million generated in the same period last year. The 1999 increase reflects increased sales and improved cash management of working capital, as well as lower pension plan contributions as a result of the pension plan merger. Last year's lower generation of cash from operations was driven by expenses related to the terminated merger with Lockheed Martin Corporation, as well as an increase in working capital for Boeing jetliners in support of increased production levels. Cash generated from operating activities for the remainder of 1999 is expected to be more than sufficient to finance capital expenditures and dividends and make required debt service payments. The company's liquidity and financial flexibility will continue to be provided by cash flow generated by operating activities, supplemented by the unused borrowing capacity available under the company's credit agreement and other short-term credit facilities.

With the completion of the B-2 EMD contract, federal and state income taxes that have been deferred since the inception of the contract in 1981, will become payable. The contract is now expected to be completed in 2002, at which time federal and state income taxes totaling approximately \$1 billion will become payable.

Year 2000 Issues

The company continues to implement its program to address the Year 2000 issue. The program, which began in 1996, consists of the following four phases: assessing, planning, remediating, and testing-validating. The project encompasses the entire company and all aspects of Year 2000 compliance including software applications, mainframe environment, desktop equipment, networks, telecommunications, department supported systems, facilities systems, and embedded systems in product deliverables.

All four phases were substantially completed by the end of 1998. The company has surveyed all major suppliers to determine their state of readiness, reviewed major customers' Year 2000 status, reviewed contracts for any potential Year 2000 liabilities, and developed contingency plans and year end support plans where appropriate. Activities scheduled to be completed in the remainder of 1999 are largely comprised of low risk equipment upgrades, and various upgrades that suppliers have only recently made available. Additional focus has been placed on contingency plans, year end plans, and follow-up assessments for critical suppliers and major customers.

Contingency plans have been developed to address potential computer failures that either 1) are of greatest risk for potential failure or 2) might impact mission critical systems. Assessment of Year 2000 progress is a critical input to the development of contingency plans. Follow-up assessments are being conducted for all critical suppliers and major customers. Year 2000 readiness letters were sent to all critical suppliers during the second quarter of 1999. All critical suppliers will be tracked until they are deemed Year 2000 ready or appropriate alternate sourcing strategies are in place. Major customers are also being reevaluated to assess their state of Year 2000 readiness. All business areas have reviewed their critical processes and systems and have completed Business Impact Assessments to identify potential risks, mitigation strategies, and critical resources. These are reflected in Year 2000 contingency plans that have been developed for each Northrop Grumman sector. Year end support plans and site staffing requirements have been developed and are being refined.

The company has a formal planning, measurement and reporting process for the Year 2000 project. This process includes regular progress briefings to senior management and to the audit committee of the Board of Directors.

The company separately identifies the costs of Year 2000 remedial efforts only for internal information services personnel, principally as a planning and control tool. The total costs of these efforts incurred during the years 1996 through 1999 are expected to be approximately \$42 million, of which approximately \$41 million was

expended through September 30, 1999. Year 2000 costs are allowable costs under applicable government contracting regulations. Accordingly, the portion of Year 2000 costs allocable to contracts is being so charged as part of normal overhead pursuant to approved methods established for this purpose. Based on information available to date, management does not anticipate that future expenditures for required modifications and conversions would have a material adverse effect on the company's financial position, results of operations, or cash flows.

Northrop Grumman cannot predict the eventual outcome associated with the innumerable possible situations that could result from whatever computer failures might occur, internally or among its customers and suppliers, and the impact that such failures might have on Northrop Grumman's ability to perform its day to day operations. If required modifications and conversions are not made as planned, serious adverse impact to the operations of the company could result. In addition, Year 2000 problems could adversely affect the ability of customers and critical suppliers to meet their contractual commitments to the company. Some of these developments, should they occur, could have a material adverse impact on the financial position, results of operations, or cash flows of Northrop Grumman.

Forward-Looking Information

There are statements in this quarterly report on Form 10-Q, and, not by way of limitation, in Management's Discussion and Analysis, that we believe are "forward-looking" statements and information within the meaning of Private Securities Litigation Reform Act of 1995 that involve risk and uncertainties, including statements and assumptions that reflect the company's views with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, and anticipated costs of capital investments and planned dispositions. The company's operations are necessarily subject to various risks and uncertainties; actual outcomes are dependent upon many factors, including, without limitation, the company's successful performance of internal plans; government customers' budgetary restraints; customer changes in short-range and long-range plans; domestic and international competition in both the defense and commercial areas; product performance; the ability of the company, its customers and suppliers to become Year 2000 compliant; continued development and acceptance of new products; performance issues with key suppliers and subcontractors; government import and export policies; termination of government contracts; the outcome of political and legal processes; legal, financial, and governmental risks related to international transactions and global needs for military and commercial

aircraft and electronic systems and support as well as other economic, political and technological risks and uncertainties, including risks detailed in the company's filings with the Securities and Exchange Commission, including, not by way of limitation, any Form 10-K, Form 10-Q and any proxy statements, among others.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

The company has fixed-rate long-term debt obligations, most of which are not callable until maturity. The company also has financial instruments that are subject to interest rate risk, principally variable-rate short-term debt outstanding under the Credit Agreement. The company may enter into interest rate swap agreements to offset the variable-rate characteristics of these loans. At September 30, 1999, no interest rate swap agreements were in effect.

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

General

The company, as a government contractor, is from time to time subject to U.S. Government investigations relating to its operations. Government contractors that are found to have violated the False Claims Act, or are indicted or convicted for violations of other Federal laws, or are considered not to be responsible contractors may be suspended or debarred from government contracting for some period of time. Such convictions could also result in fines. Given the company's dependence on government contracting, suspension or debarment could have a material adverse effect on the company. The company is involved in certain other legal proceedings arising in the ordinary course of business, none of which the company's management believes will have a material adverse effect on the company's financial condition.

Northrop Grumman Corporation and Subsidiaries

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10(a) Northrop Grumman Corporation March 2000 Special Agreement as approved on August 18, 1999 for elected officers

10(b) Northrop Grumman Corporation March 2000 Change-In-Control Severance Plan as approved on August 18, 1999 for vice presidents

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended September 30, 1999.

SIGNATURES

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

Northrop Grumman Corporation (Registrant)

Date: November 3, 1999 by/s/ R. B. Waugh, Jr.
R. B. Waugh, Jr.
Corporate Vice President and Chief
Financial Officer

Date: November 3, 1999 by/s/J. H. Mullan
John H. Mullan
Corporate Vice President and
Secretary

THIS AGREEMENT is made and entered into by and between Northrop Grumman Corporation, a Delaware corporation (hereinafter referred to as the "Company") and _____ (hereinafter referred to as the "Executive").

RECITALS

The Board of Directors of the Company has approved the Company entering into a severance agreement with the Executive.

The Executive is a key executive of the Company.

Should the possibility of a Change in Control of the Company arise, the Board believes it imperative that the Company and the Board should be able to rely upon the Executive to continue in his position, and that the Company should be able to receive and rely upon the Executive's advice, if requested, as to the best interests of the Company and its stockholders without concern that the Executive might be distracted by the personal uncertainties and risks created by the possibility of a Change in Control.

Should the possibility of a Change in Control arise, in addition to his regular duties, the Executive may be called upon to assist in the assessment of such possible Change in Control, advise management and the Board as to whether such Change in Control would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate.

NOW THEREFORE, to assure the Company that it will have the continued dedication of the Executive and the availability of his advice and counsel notwithstanding the possibility, threat, or occurrence of a Change in Control of the Company, and to induce the Executive to remain in the employ of the Company in the face of these circumstances and for other good and valuable consideration, the Company and the Executive agree as follows:

Article 1. Certain Definitions

Whenever used in this Agreement, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

- (a) "Agreement" means this March 2000 Special Agreement.
 - (b) "Base Salary" means the salary of record paid to the Executive by the Company as annual salary (whether or not deferred), but excludes amounts received under incentive or other bonus plans.
- 1
- (c) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
 - (d) "Beneficiary" means the persons or entities designated or deemed designated by the Executive pursuant to Section 9.2 herein.
 - (e) "Board" means the Board of Directors of the Company.
 - (f) "Cause" shall mean the occurrence of either or both of the following:
 - (i) The Executive's conviction for committing an act of fraud, embezzlement, theft, or other act constituting a felony; or
 - (ii) The willful engaging by the Executive in misconduct which would have resulted in his termination by the Company under its policies and practices applicable to the Executive

on September 1, 1999. However, no act or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

- (g) "Change in Control" of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
- (i) Any Person (other than those Persons in control of the Company as of the Effective Date, or other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty three and one-third percent (33-1/3%) or more of the combined voting power of the Company's then outstanding securities, and for purposes of this subsection (i) "Person" or "group" shall not include underwriters acquiring newly-issued voting securities (or securities convertible into voting securities) directly from the Company with a view towards distribution.
 - (ii) On any day after the Effective Date (the "Measurement Date") Continuing Directors cease for any reason to constitute a majority of the Board. A director is a "Continuing Director" if he or she either:
 - (1) was a member of the Board on the applicable Initial Date (an "Initial Director"); or
 - (2) was elected to the Board, or was nominated for election by the Company's stockholders, by a vote of at least two-thirds (2/3) of the Initial Directors then in office.
- A member of the Board who was not a director on the applicable Initial Date shall be deemed to be an Initial Director for purposes of clause (2) above if his or her election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the Initial Directors (including directors elected after the applicable Initial Date who are deemed to be Initial Directors by application of this provision) then in office.
- "Initial Date" means the later of (1) the Effective Date or (2) the date that is two (2) years before the Measurement Date.
- (iii) The Company is liquidated; all or substantially all of the Company's assets are sold in one or a series of related transactions; or the Company is merged, consolidated, or reorganized with or involving any other corporation, other than a merger, consolidation, or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization. Notwithstanding the foregoing, an event described in this clause (iii) that occurred prior to the Effective Date shall not constitute a Change in Control.
- (h) "Code" means the United States Internal Revenue Code of 1986, as amended.
 - (i) "Committee" means the Compensation and Management Development Committee of the Board, or any other committee

appointed by the Board to perform the functions of the Compensation and Management Development Committee.

- (j) "Company" means Northrop Grumman Corporation, a Delaware corporation (including, for purposes of determining whether the Executive is employed by the Company, any and all subsidiaries specified by the Committee), or any successor thereto as provided in Article 8 herein.
- (k) "Disability" means permanent and total disability, within the meaning of Code Section 22(e)(3), as determined by the Committee in the exercise of good faith and reasonable judgment, upon receipt of and in reliance on competent medical advice from one or more individuals licensed and qualified to give professional medical advice.

3

- (l) "Effective Date" means March 1, 2000.
- (m) "Effective Date of Termination" means the date on which a Qualifying Termination occurs.
- (n) "Exchange Act" means the United States Securities Exchange Act of 1934, as amended.
- (o) "Executive" means the individual identified in the first sentence and on the signature page of this Agreement.
- (p) "Good Reason" means, without the Executive's express written consent, the occurrence of any one or more of the following:
 - (i) A material reduction in the nature or status of the Executive's authorities, duties, and/or responsibilities, (when such authorities, duties, and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period, other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Executive; provided that if the Executive is a vice president, for purposes of the preceding phrase the Executive's loss of vice president status (other than a promotion to a higher level officer) will constitute Good Reason. In addition, if the Executive reports directly to the Company's Chief Executive Officer immediately prior to the start of the Protected Period, Good Reason will be deemed to exist if the Executive's reporting relationship is changed such that the Executive does not report to one of the following: the Chair of the Board, or the Company's Chief Executive Officer, President, or Chief Operating Officer.
 - (ii) A reduction by the Company of the Executive's Base Salary as in effect on the Effective Date, or as the same shall be increased from time to time.
 - (iii) A significant reduction by the Company of the Executive's aggregate incentive opportunities under the Company's short and/or long-term incentive programs, as such opportunities exist on the Effective Date, or as such opportunities may be increased after the Effective Date. For this purpose, a significant reduction in the Executive's incentive opportunities shall be deemed to have occurred in the event his targeted annualized award opportunities and/or the degree of probability of attainment of such annualized award opportunities are diminished by the Company from the levels and probability of attainment that existed as of the Effective Date.

4

- (iv) The failure of the Company to maintain (x) the Executive's relative level of coverage and accruals under the Company's employee benefit and/or retirement plans, policies, practices, or arrangements in which the Executive participates as of the Effective Date, both in terms of the

amount of benefits provided, and amounts accrued and (y) the relative level of the Executive's participation in such plans, policies, practices, or arrangements on a basis at least as beneficial as, or substantially equivalent to, that on which the Executive participated in such plans immediately prior to the Effective Date. For this purpose, the Company may eliminate and/or modify existing programs and coverage levels; provided, however, that the Executive's level of coverage under all such programs must be at least as great as is provided to executives who have the same or lesser levels of reporting responsibilities within the Company's organization.

- (v) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company's obligations under this Agreement, as contemplated in Article 8 herein.
- (vi) Any purported termination by the Company of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2.8 herein and for purposes of this Agreement, no such purported termination shall be effective.

The Executive's right to terminate employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute a consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason herein.

- (q) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.
- (r) "Qualifying Termination" means any of the events described in Section 2.3(a) herein.
- (s) "Severance Benefits" means the payments and/or benefits provided in Section 2.4 herein.

5

Article 2. Severance Benefits

.1 Right to Severance Benefits. The Executive shall be entitled to receive the Severance Benefits described in Section 2.4 herein if the Executive has incurred a Qualifying Termination as described in Section 2.3.

The Executive shall not be entitled to receive Severance Benefits if he is terminated for Cause, or if his employment with the Company ends due to death or Disability, or due to a voluntary termination of employment by the Executive without Good Reason.

.2 Services During Certain Events. In the event a Person begins a tender or exchange offer, circulates a proxy to stockholders of the Company, or takes other steps seeking to effect a Change in Control, the Executive agrees that he will not voluntarily leave the employ of the Company and will render services until such Person has abandoned or terminated his or its efforts to effect a Change in Control, or until six (6) months after a Change in Control has occurred; provided, however, that the Company may terminate the Executive's employment for Cause at any time, and the Executive may terminate his employment at any time after the Change in Control for Good Reason.

.3 Qualifying Termination.

- (a) The occurrence of any one or more of the following events within the Protected Period (as such term is defined in Section 2.3(b)) corresponding to a Change in Control of the Company, or within twenty-four (24) calendar months following the date of a Change in Control of the Company shall constitute

a Qualifying Termination and trigger the payment of Severance Benefits to the Executive under this Agreement:

- (i) An involuntary termination of the Executive's employment by the Company for reasons other than Cause;
- (ii) A voluntary termination of employment by the Executive for Good Reason;
- (iii) A successor company fails or refuses to assume by written instrument the Company's obligations under this Agreement, as required by Article 8 herein; or
- (iv) The Company or any successor company repudiates or breaches any of the provisions of this Agreement.

If more than one of the events set forth in this subsection occurs, such events shall constitute but a single Qualifying Termination and the Executive shall be entitled to but a single payment of the Severance Benefits.

6

- (b) The "Protected Period" corresponding to a Change in Control of the Company shall be a period of time determined in accordance with the following:
 - (i) If the Change in Control is triggered by a tender offer for shares of the Company's stock or by the offeror's acquisition of shares pursuant to such a tender offer, the Protected Period shall commence on the date of the initial tender offer and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.
 - (ii) If the Change in Control is triggered by a merger, consolidation, or reorganization of the Company with or involving any other corporation, the Protected Period shall commence on the date that serious and substantial discussions first take place to effect the merger, consolidation, or reorganization and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.
 - (iii) In the case of any Change in Control not described in clause (i) or (ii) above, the Protected Period shall commence on the date that is six (6) months prior to the Change in Control and shall continue through and including the date of the Change in Control.
- (c) Notwithstanding anything else contained herein to the contrary, the Executive's termination of employment on account of reaching mandatory retirement age, as such age may be defined from time to time in policies adopted by the Company prior to the commencement of the Protected Period, and consistent with applicable law, shall not be a Qualifying Termination.
- (d) Notwithstanding anything else contained herein to the contrary, the termination of the Executive's employment shall not constitute a Qualifying Termination if the termination (or events giving rise to Good Reason) would have otherwise occurred

as part of the predictable consequences of a corporate restructuring or downsizing program that commenced prior to the Protected Period.

- (e) Notwithstanding anything else contained herein to the contrary, the Executive shall not be entitled to Severance Benefits under this Agreement if he receives or is entitled to receive severance benefits under a prior Northrop Grumman Corporation Special Agreement or under the Northrop Grumman Corporation Change-In-Control Severance Plan. If the Executive is otherwise entitled to receive Severance Benefits under this Agreement and severance benefits under the Northrop Grumman Corporation March 2000 Change-In-Control Severance Plan, benefits shall be paid under this Agreement rather than under such plan.

7

.4 Description of Severance Benefits. In the event that the Executive becomes entitled to receive Severance Benefits, as provided in Sections 2.1 and 2.3 herein, the Company shall pay to the Executive and provide him with the following:

- (a) An amount equal to three (3) times the highest rate of the Executive's annualized Base Salary in effect at any time up to and including the Effective Date of Termination.
- (b) An amount equal to three (3) times the greater of:
 - (i) the average of the Executive's bonus earned with respect to the three (3) full fiscal years prior to the Effective Date of Termination; or
 - (ii) the Executive's target annual bonus established for the bonus plan year in which the Executive's Effective Date of Termination occurs.
- (c) An amount equal to the Executive's unpaid Base Salary and accrued vacation pay through the Effective Date of Termination, together with a portion of the Executive's target bonus under the bonus plan in which he participates for that year, calculated by multiplying the target bonus by a fraction the numerator of which is the number of days from January 1 through the Effective Date of Termination and the denominator of which is three hundred sixty-five (365).
- (d) A continuation of all benefits pursuant to any and all welfare benefit plans under which the Executive and/or the Executive's family is eligible to receive benefits and/or coverage as of the effective date of the Change in Control, including, but not limited to, group life insurance, hospitalization, disability, medical, and dental plans. Except as provided in the next sentence, such benefits shall be provided to the Executive at the same premium cost, and at the same coverage level, as in effect as of the Executive's Effective Date of Termination. If the Executive is entitled to benefits under the Company's Special Officer Retiree Medical Plan as of or immediately following the Effective Date of Termination, the medical benefits referred to in the first sentence of this paragraph shall be provided under and in accordance with the terms of such plan and the Executive and/or the Executive's family shall not be eligible for continued medical coverage under any other Company plan or arrangement.

The welfare benefits described in this Subsection 2.4(d) shall continue for three years following the Effective Date of Termination for the Executive and his spouse; provided, however, that:

- (i) such welfare benefits that are medical benefits provided under the Company's Special Officer Retiree Medical Plan shall continue and be coordinated with other medical coverage in accordance with the terms of such plan; (ii) if the Executive is not entitled to benefits under the Company's Special Officer Retiree Medical Plan as of or immediately following the Effective Date of Termination, the medical benefits referred to

in the first sentence of the preceding paragraph shall continue for the life of the Executive and the life of his spouse; and (iii) such welfare benefits that are medical benefits provided under any plan or arrangement other than the Special Officer Retiree Medical Plan may be coordinated with and paid secondary to any benefits that the Executive or his family member receives from another employer or from Medicare (following the Executive and/or his family member's entitlement to Medicare benefits).

8

(e) Except as provided in Section 2.9, a lump-sum cash payment of the actuarial present value equivalent of the aggregate benefits accrued by the Executive as of the Effective Date of Termination under the qualified defined benefit pension plan or plans in which the Executive participates (the "qualified plan"), and under any and all supplemental retirement plans in which the Executive participates. For this purpose, such benefits shall be calculated as if the Executive's employment continued for three full years following the Effective Date of Termination (i.e., the Executive receives three additional years of vesting and benefit accruals, and his age is also increased three years from his age as of the Effective Date of Termination for all purposes under such plans, including any and all early retirement subsidies); provided, however, that for purposes of determining "Final Average Pay" under such plans, the Executive's actual pay history as of the Effective Date of Termination shall be used, except that there shall be substituted for each of the actual annual incentive plan bonuses otherwise included in such pay the higher of (x) the average of the last three annual incentive plan bonuses received by the Executive, or (y) the Executive's target annual incentive plan bonus for the year in which the Effective Date of Termination occurs. In addition, for this purpose there shall be offset from the lump sum payment the actuarial present value equivalent of benefits payable (calculated assuming that the Executive retired and went into pay status under the terms of the qualified plan in which he participates on or as soon as possible after his Effective Date of Termination) to the Executive from the qualified plan as actually accrued by the Executive through the Effective Date of Termination under the qualified plan (or such other date as determined under the terms of the qualified plan); the intent of this provision being that the qualified plan benefits will be paid in the normal course under the terms of the qualified plan, with additional benefits payable as a result of the imputation of age and service under this provision being paid under this Agreement.

(f) A lump-sum cash payment of the entire balance of the Executive's compensation which has been deferred under the Company's nonqualified deferred compensation plan(s) together with all interest that has been credited with respect to such deferred compensation balance.

9

(g) For purposes of this Agreement, any acceleration of vesting, lapse of restrictions and/or payout occasioned by the Change in Control pursuant to the provisions of long-term incentive plans and/or individual award agreements under such long-term incentive plans shall be deemed a benefit within the meaning of this Section 2.4. Any amounts paid either directly to, or for the benefit of the Executive pursuant to Article 7 of this Agreement shall also be deemed a benefit within the meaning of this Section 2.4.

.5 Termination for Total and Permanent Disability.

Following a Change in Control of the Company, if the Executive's employment is terminated due to Disability, the

Company shall pay the Executive his full Base Salary and accrued vacation through the effective date of the Executive's termination, at the rate then in effect, plus all other amounts to which the Executive is entitled under any compensation plans of the Company, at the time such payments are due, and, following the effective date of the Executive's termination, the Executive's benefits shall be determined in accordance with the Company's disability, retirement, insurance, and other applicable plans and programs then in effect and the Company shall have no further obligations to the Executive under this Agreement; provided, however, that if immediately prior to the condition or event leading to, or the commencement of, the Disability of the Executive, the Executive would have been entitled to invoke any of the clauses of Section 2.3(a) of this Agreement if he had terminated at that time, then upon termination of his employment for Disability he shall be entitled to collect immediately his full Severance Benefits hereunder.

.6 Termination for Retirement or Death. Following a Change in Control of the Company, if the Executive's employment is terminated by reason of his retirement or death, the Company shall pay the Executive his full Base Salary and accrued vacation through the date of the Executive's death or retirement, as applicable, at the rate then in effect, plus all other amounts to which the Executive is entitled under any compensation plans of the Company, at the time such payments are due, and, following the date of the Executive's death or retirement, as applicable, the Executive's benefits shall be determined in accordance with the Company's retirement, survivor's benefits, insurance, and other applicable plans and programs then in effect and the Company shall have no further obligations to the Executive under this Agreement; provided, however, that if immediately prior to the Executive's retirement (but not death), the Executive would have been entitled to invoke any of the clauses of Section 2.3(a) of this Agreement if he had terminated at that time, then upon his retirement he shall (subject to Section 2.3(c)) be entitled to collect immediately his full Severance Benefits hereunder.

.7 Termination for Cause or by the Executive Other Than for Good Reason or Retirement. Following a Change in Control of the Company, if the Executive's employment is terminated either: (i) by the Company for Cause; or (ii) by the Executive other than for retirement and other than for Good Reason, the Company shall pay the Executive his full Base Salary and accrued vacation through the effective date of the Executive's termination, at the rate then in effect, plus all other amounts to which the Executive is entitled under any compensation plans of the Company, at the time such payments are due, and the Company shall have no further obligations to the Executive under this Agreement.

10

.8 Notice of Termination. Any termination by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. If the Executive is terminating for Good Reason hereunder, the Notice of Termination shall be effective on the date specified in Section 9.7 of this Agreement.

.9 Alternative Form of Payment Election.

(a) Section 2.4(e) contains a provision for a lump sum cash payout of the actuarial present value equivalent of the aggregate benefits accrued by the Executive under supplemental nonqualified plans. If the Executive timely elects an alternative form of payment in accordance with

Section 2.9(d), that lump sum override of the form of payment provisions of other plans is rescinded. Accordingly, the form of payment of benefits under those plans will be determined in accordance with the provisions of those plans.

- (b) The rescission of the lump sum override in accordance with Section 2.9(a) is not meant to have any effect on the lump sum payout provision in Section 2.4(e) with respect to the 3+3 benefits (i.e., the imputed three additional years of vesting and benefit accruals and three years of age). Accordingly, the Executive's 3+3 benefits shall be paid in a lump sum in accordance with Section 2.4(e) notwithstanding the Executive's alternative form of payment election (if any).
- (c) If the payout provisions in other supplemental nonqualified retirement plans made operative by the rescission of the lump sum override in accordance with Section 2.9 (a) contain reduction in benefit provisions (such as forfeitures or penalties attached to a lump sum election), the reduced amounts will not be restored by this Agreement.
- (d) The Executive may elect the alternative form of payment described in Section 2.9(a) on a form and in the manner prescribed by the Committee; provided that (i) in order to be effective, such election must be received by the Committee before the close of business on March 1, 2000, and (ii) such election will not apply to any Severance Benefits that relate to a Change in Control that occurs on or before June 1, 2000.

Article 3. Form and Timing of Severance Benefits

.1 Form and Timing of Severance Benefits. The Severance Benefits described in Sections 2.4(a), 2.4(b), 2.4(c), 2.4(e) (except as provided in Section 2.9), and 2.4(f) herein shall be paid in cash to the Executive in a single lump sum as soon as practicable following the Effective Date of Termination, but in no event beyond thirty (30) days from such date.

.2 Withholding of Taxes. The Company shall be entitled to withhold from any amounts payable under or pursuant to this Agreement all taxes as legally shall be required (including, without limitation, any United States Federal taxes, and any other state, city, or local taxes).

Article 4. Excise Tax Gross-Up

.1 Equalization Payment. If upon or following a Change in Control, the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies, solely because of the Change in Control, to any payments, benefits and/or amounts received by the Executive as Severance Benefits or otherwise, including, without limitation, any fees, costs and expenses paid under Article 7 of this Agreement and/or any amounts received or deemed received, within the meaning of any provision of the Code, by the Executive as a result of (and not by way of limitation) any automatic vesting, lapse of restrictions and/or accelerated target or performance achievement provisions, or otherwise, applicable to outstanding grants or awards to the Executive under any of the Company's incentive plans, including without limitation, the 1993 Long Term Incentive Stock Plan, the 1987 Long Term Incentive Plan and the 1981 Long-Term Incentive Plan, the Company shall pay to the Executive in cash an additional amount or amounts (the "Gross-Up Payment(s)") such that the net amount retained by the Executive after the deduction of any Excise Tax on such payments, benefits and/or amounts so received and any Federal, state and local income tax and Excise Tax upon the

Gross-Up Payment(s) provided for by this Section 4.1 shall be equal to such payments, benefits and/or amounts so received had they not been subject to the Excise Tax. Such payment(s) shall be made by the Company to the Executive as soon as practicable following the receipt or deemed receipt of any such payments, benefits and/or amounts so received, and may be satisfied by the Company making a payment or payments on Executive's account in lieu of withholding for tax purposes but in all events shall be made within thirty (30) days of the receipt or deemed receipt by the Executive of any such payment, benefit and/or amount.

.2 Tax Computation. For purposes of determining whether any payments, benefits and/or amounts, including amounts paid as Severance Benefits, will be subject to Excise Tax, and the amount of any such Excise Tax:

- (a) Any other payments, benefits and/or amounts received or to be received by the Executive in connection with or contingent upon a Change in Control of the Company or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, or with any Person whose actions result in a Change in Control of the Company or any Person affiliated with the Company or such Persons) shall be combined to determine whether the Executive has received any "parachute payment" within the meaning of Section 280G(b)(2) of the Code, and if so, the amount of any "excess parachute payments" within the meaning of Section 280G(b)(1) that shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's independent auditors and acceptable to the Executive, such other payments, benefits and/or amounts (in whole or in part) do not constitute parachute payments, or such excess parachute payments represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax;

12

- (b) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay Federal income taxes at the highest marginal rate of Federal income taxation in the calendar year in which the Gross-Up Payment is to be made. Such highest marginal rate shall take into account the loss of itemized deductions by the Executive and shall also include the Executive's share of the hospital insurance portion of FICA and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the Effective Date of Termination, net of the maximum reduction in Federal income taxes that could be obtained from the deduction of such state and local taxes.

.3 Subsequent Recalculation. In the event the Internal Revenue Service adjusts the computation of the Company under Section 4.2 herein, so that the Executive did not receive the greatest net benefit, the Company shall reimburse the Executive as provided herein for the full amount necessary to place the Executive in the same after-tax position as he would have been in had no Excise Tax applied.

Article 5. The Company's Payment Obligation

.1 Payment Obligations Absolute. The Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the

Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever, except as otherwise provided in Article 7 hereof.

13

The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement, except to the extent provided in Section 2.4(d) herein.

.2 Contractual Rights to Benefits. This Agreement establishes and vests in the Executive a contractual right to the benefits to which he is entitled hereunder and the Company expressly waives any ability, if possible, to deny liability for any breach of its contractual commitment hereunder upon the grounds of lack of consideration, accord and satisfaction or any other defense. In any dispute arising after a Change in Control as to whether the Executive is entitled to benefits under this Agreement, there shall be a presumption that the Executive is entitled to such benefits and the burden of proving otherwise shall be on the Company. However, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder.

.3 Pension Plans. All payments, benefits and amounts provided under this Agreement shall be in addition to and not in substitution for any pension rights under the Company's tax-qualified pension plan, and any disability, workers' compensation or other Company benefit plan distribution that the Executive is entitled to at his Effective Date of Termination. Notwithstanding the foregoing, this Agreement shall not create an inference that any duplicate payments shall be required.

Article 6. Term of Agreement

This Agreement will commence on the Effective Date and shall continue in effect through February 28, 2003. However, at the end of such three (3) year period and, if extended, at the end of each additional year thereafter, the term of this Agreement shall be extended automatically for one (1) additional year, unless the Committee delivers written notice at least six (6) months prior to the end of such term, or extended term, to the Executive, that this Agreement will not be extended. In such case, this Agreement will terminate at the end of the term, or extended term, then in progress.

However, in the event a Change in Control occurs during the original or any extended term, this Agreement will remain in effect for the longer of: (i) twenty-four (24) months beyond the month in which such Change in Control occurred; or (ii) until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to the Executive. Any subsequent Change in Control ("Subsequent Change in Control") that occurs during the original or any extended term shall also continue the term of this Agreement until the later of: (i) twenty-four (24) months beyond the month in which such Subsequent Change in Control occurred; or (ii) until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to the Executive; provided, however, that if a Subsequent Change in Control occurs, it shall only be considered a Change in Control under this Agreement if it occurs no later than twenty-four (24) months after the

Article 7. Resolution of Disputes

.1 Arbitration of Claims. The Company and the Executive hereby consent to the resolution by arbitration of all claims or controversies arising out of or in connection with this Agreement that the Company may have against the Executive, or that the Executive may have against the Company or against its officers, directors, employees or agents acting in their capacity as such. Each party's promise to resolve all such claims or controversies by arbitration in accordance with this Agreement, rather than through the courts, is consideration for the other party's like promise. It is further agreed that the decision of an arbitrator on any issue, dispute, claim or controversy submitted for arbitration shall be final and binding upon the Company and the Executive and that judgment may be entered on the award of the arbitrator in any court having proper jurisdiction.

All expenses of such arbitration, including the fees and expenses of the counsel for the Executive, shall be advanced and borne by the Company; provided, however, that if it is finally determined that the Executive did not commence the arbitration in good faith and had no reasonable basis therefore, the Executive shall repay all advanced fees and expenses and shall reimburse the Company for its reasonable legal fees and expenses in connection therewith.

Except as otherwise provided in this procedure or by mutual agreement of the parties, any arbitration shall be administered: (1) in accordance with the then-current Model Employment Arbitration Procedures of the American Arbitration Association ("AAA") before an arbitrator who is licensed to practice law in the state in which the arbitration is convened; or (2) if locally available, the Judicial Arbitration & Mediation Services, Inc. ("JAMS"), in accordance with the JAMS procedures then in effect. The party who did not initiate the claim can designate between JAMS or AAA (the "Tribunal"). The arbitration shall be held in the city in which the Executive is or was last employed by the Company in the nearest Tribunal office or at a mutually agreeable location. Pre-hearing and post-hearing procedures may be held by telephone or in person as the arbitrator deems necessary.

The arbitrator shall be selected as follows: if the parties cannot agree on an arbitrator, the Tribunal (JAMS or AAA) shall then provide the names of nine (9) available arbitrators experienced in business employment matters along with their resumes and fee schedules.

Each party may strike all names on the list it deems unacceptable. If more than one common name remains on the list of all parties, the parties shall strike names alternately until only one remains. The party who did not initiate the claim shall strike first. If no common name remains on the lists of the parties, the Tribunal shall furnish an additional list or lists until an arbitrator is selected.

The arbitrator shall interpret this Agreement, any applicable Company policy or rules and regulations, any applicable substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or applicable federal law. In reaching his or her decision, the arbitrator shall have no authority to change or modify any lawful Company policy, rule or regulation, or this Agreement. The arbitrator, and not any federal, state or local court or agency, shall have exclusive and broad authority to resolve any dispute relating to the

interpretation, applicability, enforceability or formation of this Agreement, including but not limited to, any claim that all or any part of this Agreement is voidable.

The arbitrator shall have authority to entertain a motion to dismiss and/or motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

.2 Discovery. Each party shall have the right to take the deposition of one individual and any expert witness(es) designated by another party. Each party shall also have the opportunity to obtain documents from another party through one request for production of documents. Additional discovery may be had only when the arbitrator so orders upon a showing of substantial need. Any disputes regarding depositions, requests for production of documents or other discovery shall be submitted to the arbitrator for determination.

.3 Subpoenas. Each party shall have the right to subpoena witnesses and documents for the arbitration hearing by requesting a subpoena from the arbitrator. Any such request shall be served on all other parties, who shall advise the arbitrator in writing of any objections that the party may have to issuance of the subpoena within ten (10) calendar days of receipt of the request.

.4 Designation of Witnesses. At least thirty (30) calendar days before the arbitration, the parties must exchange lists of witnesses, including any expert(s), and copies of all exhibits intended to be used at the arbitration.

Article 8. Successors.

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof (the business and/or assets of which constitute at least fifty percent (50%) of the total business and/or assets of the Company) to expressly assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. Failure of the Company to obtain such assumption and agreement in a written instrument prior to the effective date of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he had terminated his employment with the Company voluntarily for Good Reason. Except for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Effective Date of Termination if the Executive so elects, but any delay or failure by the Executive to so elect shall not be a waiver or release of any rights hereunder which may be asserted at any time.

16

This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid to the Executive's Beneficiary in accordance with the terms of this Agreement. If the Executive has not named a Beneficiary, then such amounts shall be paid to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

Article 9. Miscellaneous

.1 Employment Status. The Executive and the Company

acknowledge that, except as may be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will," and, prior to the effective date of a Change in Control, may be terminated by either the Executive or the Company at any time, subject to applicable law.

.2 Beneficiaries. The Executive may designate one or more persons or entities as the primary and/or contingent Beneficiaries of any Severance Benefits owing to the Executive under this Agreement. The Executive may make or change such designation at any time, provided that any designation or change thereto must be in the form of a signed writing acceptable to and received by the Committee.

.3 Entire Agreement. This Agreement contains the entire understanding of the Company and the Executive with respect to the subject matter hereof.

.4 Gender and Number. Except where otherwise indicated by the context any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

.5 Severability. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

.6 Modification. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive and by an authorized member of the Committee, or by the respective parties' legal representatives and successors.

17

.7 Notice. For purposes of this Agreement, notices, including Notice of Termination for Good Reason, and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or on the date stamped as received by the U.S. Postal Service for delivery by certified or registered mail, postage prepaid and addressed: (i) if to the Executive, to his latest address as reflected on the records of the Company, and (ii) if to the Company: Northrop Grumman Corporation, 1840 Century Park East, Los Angeles, California 90067, Attn: President, or to such other address as the Company may furnish to the Executive in writing with specific reference to this Agreement and the importance of the notice, except that notice of change of address shall be effective only upon receipt.

.8 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of California shall be the controlling law in all matters relating to this Agreement. Any statutory reference in this Agreement shall also be deemed to refer to all final rules and final regulations promulgated under or with respect to the referenced statutory provision.

IN WITNESS WHEREOF, the parties have executed this Agreement on this _____ day of _____,

Northrop Grumman Corporation Executive

By:

Attest:

Print Name:

NORTHROP GRUMMAN CORPORATION
MARCH 2000 CHANGE-IN-CONTROL
SEVERANCE PLAN

NORTHROP GRUMMAN CORPORATION
MARCH 2000 CHANGE-IN-CONTROL SEVERANCE PLAN

Article 1. Establishment, Term, and Purpose

.1. Establishment of the Plan. Northrop Grumman Corporation (hereinafter referred to as the "Company") hereby establishes a change in control severance plan to be known as the "Northrop Grumman Corporation March 2000 Change-in-Control Severance Plan" (the "Plan"). This Plan shall become effective March 1, 2000 (the "Effective Date").

.2. Term of the Plan. This Plan will commence on the Effective Date and shall continue in effect through February 28, 2003. However, at the end of such three (3) year period and, if extended, at the end of each additional year thereafter, the term of this Plan shall be extended automatically for one (1) additional year, unless the Committee delivers written notice at least six (6) months prior to the end of such term, or extended term, to each Participant that this Plan will not be extended, and if such notice is timely given this Plan will terminate at the end of the term then in progress; provided, however, that this provision for automatic extension shall have no application following a Change in Control.

However, in the event a Change in Control occurs during the original or any extended term, this Plan will remain in effect for the longer of: (i) twenty-four (24) months beyond the month in which such Change in Control occurred; or (ii) until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to Participants. Any subsequent Change in Control ("Subsequent Change in Control") that occurs during the original or any extended term shall also continue the term of this Plan until the later of: (i) twenty-four (24) months beyond the month in which such Subsequent Change in Control occurred; or (ii) until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to Participants; provided, however, that if a Subsequent Change in Control occurs, it shall only be considered a Change in Control under this Plan if it occurs no later than twenty-four (24) months after the immediately preceding Change in Control or Subsequent Change in Control.

.3. Purpose of the Plan. The purpose of this Plan is to provide for continuity in the management of the Company by offering certain key employees of the Company employment protection and financial security in the event of a Change in Control of the Company.

Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

- (a) "Base Salary" means the salary of record paid to a Participant by the Company as annual salary (whether or not deferred), but excludes amounts received under incentive or other bonus plans.
- (b) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
- (c) "Beneficiary" means the persons or entities designated or deemed designated by a Participant pursuant to Section 10.2 herein.

- (d) "Board" means the Board of Directors of the Company.
- (e) "Cause" shall mean the occurrence of either or both of the following:
 - (i) The Participant's conviction for committing an act of fraud, embezzlement, theft, or other act constituting a felony; or
 - (ii) The willful engaging by the Participant in misconduct which would have resulted in his or her termination by the Company under its policies and practices applicable to the Participant on September 1, 1999 (or, in the case of a Participant hired by the Company after September 1, 1999, those policies and practices applicable to the Participant on his or her date of hire). However, no act or failure to act, on the Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.
- (f) "Change in Control" of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
 - (i) Any Person (other than those Persons in control of the Company as of the Effective Date, or other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty three and one-third percent (33-1/3%) or more of the combined voting power of the Company's then outstanding securities and for purposes of this subsection (i) "Person" or "group" shall not include underwriters acquiring newly-issued voting securities (or securities convertible into voting securities) directly from the Company with a view towards distribution.
 - (ii) On any day after the Effective Date (the "Measurement Date") Continuing Directors cease for any reason to constitute a majority of the Board. A director is a "Continuing Director" if he or she either:
 - (1) was a member of the Board on the applicable Initial Date (an "Initial Director"); or
 - (2) was elected to the Board, or was nominated for election by the Company's stockholders, by a vote of at least two-thirds (2/3) of the Initial Directors then in office.

A member of the Board who was not a director on the applicable Initial Date shall be deemed to be an Initial Director for purposes of clause (2) above if his or her election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the Initial Directors (including directors elected after the applicable Initial Date who are deemed to be Initial Directors by application of this provision) then in office.

"Initial Date" means the later of (1) the Effective Date or (2) the date that is two (2) years before the Measurement Date.

- (iii) The Company is liquidated; all or substantially all of the Company's assets are sold in one or a series of related transactions; or the Company is merged, consolidated, or reorganized with or involving any other corporation, other than a merger, consolidation, or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization. Notwithstanding the foregoing, an event described in this clause (iii) that occurred prior to the Effective Date shall not constitute a Change in Control.
- (g) "Code" means the United States Internal Revenue Code of 1986, as amended.
- (h) "Committee" means the Compensation and Management Development Committee of the Board, or any other committee appointed by the Board to perform the functions of the Compensation and Management Development Committee.
- (i) "Company" means Northrop Grumman Corporation, a Delaware corporation (including, for purposes of determining whether a Participant is employed by the Company, any and all subsidiaries specified by the Committee), or any successor thereto as provided in Article 10 herein.
- (j) "Disability" shall mean, for all purposes of this Plan, the incapacity of a Participant, due to injury, illness, disease, or bodily or mental infirmity, to engage in the performance of substantially all of the usual duties of employment with the Company, such Disability to be determined by the Committee upon receipt and in reliance on competent medical advice from one (1) or more individuals, selected by the Committee, who are qualified to give such professional medical advice.
- (k) "Effective Date" means March 1, 2000.
- (l) "Effective Date of Termination" means the date on which a Qualifying Termination occurs.
- (m) "Exchange Act" means the United States Securities Exchange Act of 1934, as amended.
- (n) "Good Reason" means, without the Participant's express written consent, the occurrence of any one or more of the following:
 - (i) If the Participant is a vice president, the Participant's loss of vice president status (other than a promotion to a higher level officer); provided that the Participant's loss of vice president status will not, in and of itself, constitute Good Reason if the Participant's lack of a vice president title is generally consistent with the manner in which the title of vice president is used within the Participant's business unit. For the purposes of the preceding sentence, the Participant's lack of a vice-president title will only be considered generally consistent with the manner in which such title is used if most persons in the business unit with authorities, duties, and responsibilities comparable to those of the Participant immediately prior to the commencement of the Protected Period do not have the title of vice-president.

- (ii) A reduction by the Company in the Participant's Base Salary as in effect on the Effective Date or as the same shall be increased from time to time.
- (iii) A material reduction in the aggregate value of the Participant's level of participation in any of the Company's short and/or long-term incentive compensation plans (excluding stock-based incentive compensation plans), employee benefit or retirement plans, or policies, practices, or arrangements in which the Participant participates immediately prior to the start of the Protected Period.
- (iv) A material reduction in the Participant's aggregate level of participation in the Company's stock-based incentive compensation plans from the level in effect immediately prior to the start of the Protected Period; provided, however, that a reduction in the aggregate level of participation shall not be deemed to be "Good Reason" if the reduced level of participation remains substantially consistent with the average level of participation of other employees who have positions commensurate with the position held by the Participant immediately prior to the start of the Protected Period.
- (v) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform this Plan, as contemplated in Article 10 herein.
- (vi) Any purported termination by the Company of the Participant's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.8 herein and for purposes of this Plan, no such purported termination shall be effective.
- (o) "Participant" means an employee of the Company who fulfills the eligibility and participation requirements, as provided in Article 3 herein.
- (p) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.
- (q) "Plan" means this Northrop Grumman Corporation March 2000 Change-in-Control Severance Plan.
- (r) "Qualifying Termination" means any of the events described in Section 4.3(a) herein.
- (s) "Severance Benefits" means the payments and/or benefits provided in Section 4.4 herein.

Article 3. Participation

.1. Eligible Employees. Individuals eligible to participate in this Plan shall include such employees of the Company as may be determined by the Committee in its sole discretion.

.2. Participation. Subject to the terms of this Plan, the Committee may, from time to time select from all eligible employees those who shall participate in this Plan. The Committee also may, from time to time and by written notice to the affected Participant(s), remove any previously-selected Participant(s) from continued participation in this Plan; provided that any removal of a Participant shall not be effective if it occurs after the commencement of the Protected Period (as such term is defined in Section 4.3(b)).

Article 4. Severance Benefits

.1. Right to Severance Benefits. A Participant shall be entitled to receive from the Company Severance Benefits, as described in Section 4.4 herein, if the Participant has incurred a Qualifying Termination as described in Section 4.3.

Participants shall not be entitled to receive Severance Benefits if they are terminated for Cause, or if their employment with the Company ends due to death or Disability, or due to a voluntary termination of employment by the Participant without Good Reason.

.2. Services During Certain Events. In the event a Person begins a tender or exchange offer, circulates a proxy to stockholders of the Company, or takes other steps seeking to effect a Change in Control, each Participant agrees that he or she will not voluntarily leave the employ of the Company and will render service until such Person has abandoned or terminated his or its efforts to effect a Change in Control, or until six (6) months after a Change in Control has occurred; provided, however, that the Company may terminate the Participant's employment for Cause at any time, and the Participant may terminate his or her employment at any time after the Change in Control for Good Reason.

.3. Qualifying Termination.

- (a) The occurrence of any one or more of the following events within the Protected Period (as such term is defined in Section 4.3(b)) corresponding to a Change in Control of the Company, or within twenty-four (24) calendar months following the date of a Change in Control of the Company shall constitute a Qualifying Termination and trigger the payment of Severance Benefits to a Participant under this Plan:
- (i) An involuntary termination of the Participant's employment by the Company for reasons other than Cause;
 - (ii) A voluntary termination of employment by the Participant for Good Reason;
 - (iii) A successor company fails or refuses to assume by written instrument the Company's obligations under this Plan, as required by Article 10 herein; or
 - (iv) The Company or any successor company repudiates or breaches any of the provisions of this Plan.

If more than one of the events set forth in this subsection occurs, such events shall constitute but a single Qualifying Termination and the Participant shall be entitled to but a single payment of the Severance Benefits.

- (b) The "Protected Period" corresponding to a Change in Control of the Company shall be a period of time determined in accordance with the following:
- (i) If the Change in Control is triggered by a tender offer for shares of the Company's stock or by the offeror's acquisition of shares pursuant to such a tender offer, the Protected Period shall commence on the date of the initial tender offer and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.
 - (ii) If the Change in Control is triggered by a merger, consolidation, or reorganization of the Company with or involving any other corporation, the Protected Period shall commence on the date that serious and substantial discussions first take place to effect the merger, consolidation, or reorganization and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.
 - (iii) In the case of any Change in Control not described in clause (i) or (ii) above, the Protected Period shall commence on the date that is six (6) months prior to the Change in Control and shall continue through and including the date of the Change in Control.
- (c) Notwithstanding anything else contained herein to the contrary, a Participant's termination of employment on account of reaching mandatory retirement age, as such age may be defined from time to time in policies adopted by the Company prior to the commencement of the Protected Period, and consistent with applicable law, shall not be a Qualifying Termination.
- (d) Notwithstanding anything else contained herein to the contrary, the termination of a Participant's employment shall not constitute a Qualifying Termination if the termination (or events giving rise to Good Reason) would have otherwise occurred as part of the predictable consequences of a corporate restructuring or downsizing program that commenced prior to the Protected Period.
- (e) Notwithstanding anything else contained herein to the contrary, a Participant shall not be entitled to Severance Benefits under this Plan if the Participant receives or is entitled to receive severance benefits under a Northrop Grumman Corporation Special Agreement, under a Northrop Grumman Corporation March 2000 Special Agreement, or under the Northrop Grumman Corporation Change-In-Control Severance Plan.

.4. Description of Severance Benefits. In the event that a Participant becomes entitled to receive Severance Benefits, as provided in Sections 4.1 and 4.3 herein, the Company shall pay to the Participant and provide him or her with the following:

- (a) An amount equal to two (2) times the highest rate of the Participant's annualized Base Salary in effect at any time up to and including the Effective Date of Termination.
- (b) An amount equal to two (2) times the greater of: (i) the average of the Participant's bonus earned with respect to the three (3) full fiscal years prior to the Effective Date of Termination; or (ii) the Participant's target annual bonus established for the bonus plan year in which the Participant's Effective Date of Termination occurs.
- (c) An amount equal to the Participant's unpaid Base Salary and accrued vacation pay through the Effective Date of Termination.
- (d) An amount equal to the Participant's unpaid targeted annual bonus, established for the plan year in which the Participant's Effective Date of Termination occurs, multiplied by a fraction, the numerator of which is the number of days completed in the then-existing fiscal year through the Effective Date of Termination, and the denominator of which is three hundred sixty-five (365).
- (e) A continuation of the welfare benefits of medical insurance, dental insurance, group term life insurance and participation in any disability plan for two (2) full years after the Effective Date of Termination. These benefits shall be provided to Participants at the same premium cost, and at the same coverage level, as in effect as of the Participant's Effective Date of Termination. However, in the event the premium cost and/or level of coverage shall change for all employees of the Company, the cost and/or coverage level, likewise, shall change for each Participant in a corresponding manner.

The continuation of these welfare benefits shall be discontinued prior to the end of the two (2) year period in the event the Participant has available substantially similar benefits from a subsequent employer, as determined by the Committee.

- (f) Except as provided in Section 4.9, a lump-sum cash payment of the actuarial present value equivalent of the aggregate benefits accrued by the Participant as of the Effective Date of Termination under the qualified defined benefit pension plan or plans in which the Participant participates (the "qualified plan"), and under any and all supplemental retirement plans in which the Participant participates. For this purpose, such benefits shall be calculated as if the Participant's employment continued for two full years following the Effective Date of Termination (i.e., the Participant receives two additional years of vesting and benefit accruals, and his age is also increased two years from his age as of the Effective Date of Termination); provided, however, that for purposes of determining "Final Average Pay" under such plans, the Participant's actual pay history as of the Effective Date of Termination shall be used; and in addition, there shall be offset from the lump sum payment the actuarial present value equivalent of benefits payable (calculated assuming that the Participant retired and went into pay status under the terms of the qualified plan in which he participates on or as soon as possible after his Effective Date of Termination) to the Participant from the qualified plan as actually accrued by the Participant through the Effective Date of Termination under the qualified plan (or such other date as determined under the terms of the qualified plan); the intent of this provision being that the qualified plan benefits will be paid in the normal course under the terms of the qualified plan, with additional benefits payable as a result of the imputation of age and service under this provision being paid from this Plan; and such additional two years of age and service to count towards eligibility under one or more of the Company retiree medical programs for which the Participant would have been eligible absent any such termination.

- (g) A lump-sum cash payment of the entire balance of the Participant's compensation which has been deferred under the Company's nonqualified deferred compensation plan(s) together with all interest that has been credited with respect to such deferred compensation balance.

.5. Termination for Total and Permanent Disability. Following a Change in Control of the Company, if a Participant's employment is terminated due to Disability, the Company shall pay the Participant his or her full Base Salary and accrued vacation through the effective date of the Participant's termination, at the rate then in effect, plus all other amounts to which the Participant is entitled under any compensation plans of the Company, at the time such payments are due, and, following the effective date of the Participant's termination, the Participant's benefits shall be determined in accordance with the Company's disability, retirement, insurance, and other applicable plans and programs then in effect and the Company shall have no further obligations to the Participant under this Plan; provided, however, that if immediately prior to the condition or event leading to, or the commencement of, the Disability of the Participant, the Participant would have been entitled to invoke any of the clauses of Section 4.3(a) of this Plan if he had terminated at that time, then upon termination of his employment for Disability he shall be entitled to collect immediately his full Severance Benefits hereunder.

.6. Termination for Retirement or Death. Following a Change in Control of the Company, if a Participant's employment is terminated by reason of his or her retirement or death, the Company shall pay the Participant his or her full Base Salary and accrued vacation through the date of the Participant's death or retirement, as applicable, at the rate then in effect, plus all other amounts to which the Participant is entitled under any compensation plans of the Company, at the time such payments are due, and, following the date of the Participant's death or retirement, as applicable, the Participant's benefits shall be determined in accordance with the Company's survivor's benefits, retirement, insurance, and other applicable plans and programs then in effect and the Company shall have no further obligations to the Participant under this Plan; provided, however, that if immediately prior to the Participant's retirement (but not death), the Participant would have been entitled to invoke any of the clauses of Section 4.3(a) of this Plan if he had terminated at that time, then upon his retirement he shall (subject to Section 4.3(c)) be entitled to collect immediately his full Severance Benefits hereunder.

.7. Termination for Cause or by a Participant Other Than for Good Reason or Retirement. Following a Change in Control of the Company, if a Participant's employment is terminated either: (i) by the Company for Cause; or (ii) by the Participant other than for retirement and other than for Good Reason, the Company shall pay the Participant his or her full Base Salary and accrued vacation through the effective date of the Participant's termination, at the rate then in effect, plus all other amounts to which the Participant is entitled under any compensation plans of the Company, at the time such payments are due, and the Company shall have no further obligations to the Participant under this Plan.

.8. Notice of Termination. Any termination by the Company for Cause or by a Participant for Good Reason shall be communicated by Notice of Termination. For purposes of this Plan, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Plan relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. If a Participant is terminating for Good Reason hereunder, the Notice of Termination shall be effective on the date specified in Section 11.6 of this Plan.

.9. Alternative Form of Payment Election.

- (a) Section 4.4(f) contains a provision for a lump sum cash payout of the actuarial present value equivalent of the aggregate benefits accrued by Participants under supplemental nonqualified plans. For Participants who timely elect an alternative form of payment in accordance with Section 4.9(d), that lump sum override of the form of payment provisions of other plans is rescinded. Accordingly, the form of payment of benefits under those plans with respect to those Participants will be determined in accordance with the provisions of those plans.
- (b) A Participant's rescission of the lump sum override in accordance with Section 4.9(a) is not meant to have any effect on the lump sum payout provision in Section 4.4(f) with respect to the 2+2 benefits (i.e., the imputed two additional years of vesting and benefit accruals and two years of age). Accordingly, a Participant's 2+2 benefits shall be paid in a lump sum in accordance with Section 4.4(f) notwithstanding a Participant's alternative form of payment election (if any).
- (c) If the payout provisions in other supplemental nonqualified retirement plans made operative by the rescission of the lump sum override in accordance with Section 4.9(a) contain reduction in benefit provisions (such as forfeitures or penalties attached to a lump sum election), the reduced amounts will not be restored by this Plan.
- (d) An individual who is a Participant on the Effective Date may elect the alternative form of payment described in Section 4.9(a) on a form and in the manner prescribed by the Committee; provided that (i) in order to be effective, such election must be received by the Committee before the close of business on March 1, 2000, and (ii) such election will not apply to any Severance Benefits that relate to a Change in Control that occurs on or before June 1, 2000. An individual who first becomes a Participant after the Effective Date may elect the alternative form of benefit described in Section 4.9(a) on a form and in the manner prescribed by the Committee; provided that (i) in order to be effective, such election must be received by the Committee before the close of business on the day that is sixty (60) days after the date the individual first becomes a Participant, and (ii) such election will not apply to Severance Benefits that relate to a Change in Control that occurs on or before the date that is six (6) months after the date the Committee receives the election.

Article 5. Form and Timing of Severance Benefits

.1. Form and Timing of Severance Benefits. The Severance Benefits described in Section 4.4(a), 4.4(b), 4.4(c), 4.4(d), 4.4(f) (except as provided in Section 4.9), and 4.4(g) herein shall be paid in cash to the Participant in a single lump sum as soon as practicable following the Effective Date of Termination, but in no event beyond thirty (30) days from such date.

.2. Withholding of Taxes. The Company shall be entitled to withhold from any amounts payable under or pursuant to this Plan all taxes as legally shall be required (including, without limitation, any United States Federal taxes, and any other state, city, or local taxes).

Article 6. Excise Tax Limitation

.1. Determination of Termination Payment Limit.

- (a) Notwithstanding anything contained in this Plan to the contrary, to the extent that any payment or distribution of any type to or for a Participant by the Company, any affiliate of the Company, any person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of Code and regulations thereunder), or any affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise (the "Total Payments") is or will be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1) less than the amount which would cause the Total Payments to be subject to the Excise Tax.

Unless the Participant shall have given prior written notice specifying a different order to the Company to effectuate the foregoing, the Company shall reduce or eliminate the Total Payments, by first reducing or eliminating the portion of the Total Payments which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the Determination (as hereinafter defined); provided that, if the Participant does not give prior written notice, the reduction shall first occur to benefits (cash or non-cash) arising under this Plan. Any notice given by the Participant pursuant to the preceding sentence shall take precedence over the provisions of any other plan, arrangement or agreement governing the Participant's rights and entitlements to any benefits or compensation.

- (b) The determination of whether the Total Payments shall be reduced as provided in Section 6.1(a) and the amount of such reduction shall be made at the Company's expense by an accounting firm selected by the Company from among the five largest accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations and documentation to the Company and the Participant within ten (10) days of the Effective Date of Termination.

.2. Right to Elect a Determination by Outside Counsel. Within twenty (20) days following delivery of the Accounting Firm's Determination, the Participant shall have the right, at the Company's expense, to obtain the opinion of an "outside counsel," which opinion need not be unqualified, which sets forth: (i) the amount of the Participant's "annualized includible compensation for the base period" (as defined in Code Section 280G(d) (1)); (ii) the present value of the Total Payments; and (iii) the amount and present value of any "excess parachute payment." The opinion of such outside counsel shall be supported: by the opinion of a certified public accounting firm and, if necessary or required by the Company, a firm of recognized executive compensation consultants. The outside counsel's opinion shall be binding upon the Company and the Participant. The Company shall pay (or, to the extent paid by the Participant, reimburse the Participant for) the certified public accounting firm's and, if applicable, the executive compensation consultant's reasonable and customary fees for rendering such opinion. For purposes of this Section 6.2, "outside counsel" means a licensed attorney selected by the Participant who is recognized in the field of executive compensation and has experience with respect to the calculation of the Excise Tax; provided that the Company must approve the Participant's selection, which approval shall not be unreasonably withheld.

In the event that the outside counsel determines that there would be an "excess parachute payment," the Severance Benefits hereunder or any other payment determined by such counsel to be includible in Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1) less than the amount which would cause the Total Payments to be subject to the Excise Tax. Any reduction to the Total Payments to effectuate the foregoing shall be made in accordance with the second paragraph of Section 6.1(a).

The provisions of this Section 6.2, including the calculations, notices, and opinion provided for herein shall be based upon the conclusive presumption that: (i) the compensation and benefits provided for in Section 4.4 herein, and (ii) any other compensation earned prior to the Effective Date of Termination by the Participant pursuant to the Company's compensation programs (if such payments would have been made in the future in any event, even though the timing of such payment is triggered by the Change in Control), are reasonable.

.3. Subsequent Recalculation. As a result of the uncertainty in the application of Sections 280G and 4999 of the Code at the time of the initial determination by the Accounting Firm or the outside counsel under this Article 6, it is possible that Total Payments to the Participant which will not have been made by the Company should have been made ("Underpayment"). The Accounting Firm (or, if outside counsel was selected in accordance with Section 6.2, the outside counsel) shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant.

If, despite the application of the prior provisions of this Article 6, there is a final determination that the Total Payments (after giving effect to any prior reduction in accordance with this Article 6) result in the imposition of any Excise Tax, then the amount of such Total Payments that exceeds an amount equal to one dollar (\$1) less than the applicable threshold under Section 280G of the Code shall be deemed to be a loan from the Company to the Participant and the Participant shall promptly reimburse the Company for the amount of such excess together with interest on such amount (at the same rate as is applied to determine the present value of payments under Section 280G of the Code or any successor thereto), from the date the reimbursable payment was received by the Participant to the date the same is repaid to the Company. For purposes of the preceding sentence, the term "final determination" means a determination by the Internal Revenue Service which is not contested by either the Participant or the Company or, if a determination by the Internal Revenue Service is contested, a final determination by a court of competent jurisdiction.

Article 7. The Company's Payment Obligation

.1. Payment of Obligations Absolute. The Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Participant or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Participant or from whomsoever may be entitled thereto, for any reasons whatsoever, except as otherwise provided in Article 6 or Article 8.

Participants shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Plan, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Plan, except to the extent provided in Section 4.4(e) herein.

.2. Contractual Right to Benefits. This Plan establishes and vests in each Participant a contractual right to the benefits to which he or she is entitled hereunder. The Company expressly waives any ability, if possible, to deny liability for any breach of its contractual commitment hereunder upon the grounds of lack of consideration, accord and satisfaction or any other defense. In any dispute arising after a Change in Control as to whether the Participant is entitled to benefits under this Plan, there shall be a presumption that the Participant is entitled to such benefits and the burden of proving otherwise shall be on the Company. However, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder.

.3. Pension Plans. All payments, benefits and amounts provided under this Plan shall be in addition to and not in substitution for any pension rights under the Company's tax-qualified pension plan, and any disability, workers' compensation or other Company benefit plan distribution that a Participant is entitled to at his or her Effective Date of Termination. Notwithstanding the foregoing, this Plan shall not create an inference that any duplicate payments shall be required.

Article 8. Resolution of Disputes

.1. Arbitration of Claims. The Company and the Participant hereby consent to the resolution by arbitration of all claims or controversies arising out of or in connection with this Plan, that the Company may have against the Participant, or that the Participant may have against the Company or against its officers, directors, employees or agents acting in their capacity as such. Each party's promise to resolve all such claims or controversies by arbitration in accordance with this Plan rather than through the courts, is consideration for the other party's like promise. It is further agreed that the decision of an arbitrator on any issue, dispute, claim or controversy submitted for arbitration, shall be final and binding upon the Company and the Participant and that judgment may be entered on the award of the arbitrator in any court having proper jurisdiction.

All expenses of such arbitration, including the fees and expenses of the counsel for the Participant, shall be advanced and borne by the Company; provided, however, that if it is finally determined that the Participant did not commence the arbitration in good faith and had no reasonable basis therefore, the Participant shall repay all advanced fees and expenses and shall reimburse the Company for its reasonable legal fees and expenses in connection therewith.

Except as otherwise provided in this procedure or by mutual agreement of the parties, any arbitration shall be administered: (1) in accordance with the then-current Model Employment Arbitration Procedures of the American Arbitration Association ("AAA") before an arbitrator who is licensed to practice law in the state in which the arbitration is convened; or (2) if locally available, the Judicial Arbitration & Mediation Services, Inc. ("JAMS"), in accordance with the JAMS procedures then in effect. The party who did not initiate the claim can designate between JAMS or AAA (the "Tribunal"). The arbitration shall be held in the city in which the Participant is or was last employed by the Company in the nearest Tribunal office or at a mutually agreeable location. Pre-hearing and post-hearing procedures may be held by telephone or in person as the arbitrator deems necessary.

The arbitrator shall be selected as follows: if the parties cannot agree on an arbitrator, the Tribunal (JAMS or AAA) shall then provide the names of nine (9) available arbitrators experienced in business employment matters along with their resumes and fee schedules. Each party may strike all names on the list it deems unacceptable. If more than one common name remains on the list of all parties, the parties shall strike names alternately until only one remains. The party who did not initiate the claim shall strike first. If no common name remains on the lists of the parties, the Tribunal shall furnish an additional list or lists until an arbitrator is selected.

The arbitrator shall interpret this Plan, any applicable Company policy or rules and regulations, any applicable substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or applicable federal law. In reaching his or her decision, the arbitrator shall have no authority to change or modify any lawful Company policy, rule or regulation, or this Plan. The arbitrator, and not any federal, state or local court or agency, shall have exclusive and broad authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Plan, including but not limited to, any claim that all or any part of this Plan is voidable.

The arbitrator shall have authority to entertain a motion to dismiss and/or motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

.2. Discovery. Each party shall have the right to take the deposition of one individual and any expert witness(es) designated by another party. Each party shall also have the opportunity to obtain documents from another party through one request for production of documents. Additional discovery may be had only when the arbitrator so orders upon a showing of substantial need. Any disputes regarding depositions, requests for production of documents or other discovery shall be submitted to the arbitrator for determination.

.3. Subpoenas. Each party shall have the right to subpoena witnesses and documents for the arbitration hearing by requesting a subpoena from the arbitrator. Any such request shall be served on all other parties, who shall advise the arbitrator in writing of any objections that the party may have to issuance of the subpoena within ten (10) calendar days of receipt of the request.

.4. Designation of Witnesses. At least thirty (30) calendar days before the arbitration, the parties must exchange lists of witnesses, including any expert(s), and copies of all exhibits intended to be used at the arbitration.

Article 9. Outplacement Assistance

Following a Qualifying Termination (as described in Section 4.3 herein) the Participant shall be reimbursed by the Company for the costs of all outplacement services obtained by the Participant within the two (2) year period after the Effective Date of Termination; provided, however, that the total reimbursement shall be limited to an amount equal to fifteen percent (15%) of the Participant's Base Salary as of the Effective Date of Termination.

Article 10. Successors and Assignment

.1. Successors to the Company. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof (the business and/or assets of which constitute at least fifty percent (50%) of the total business and/or assets of the Company) to expressly assume and agree to perform the Company's obligations under this Plan in the same manner and to the same extent that the Company would be required to perform them if such succession had not taken place. Failure of the Company to obtain such assumption and agreement in a written instrument prior to the effective date of any such succession shall be a breach of this Plan and shall entitle Participants to compensation from the Company in the same amount and on the same terms as they would be entitled to hereunder if they had terminated their employment with the Company voluntarily for Good Reason. Except for the purpose of implementing the foregoing, the date on which any such succession becomes effective shall be deemed a Participant's Effective Date of Termination if the Participant so elects, but any delay or failure by a Participant to so elect shall not be a waiver or release of any rights hereunder which may be asserted at any time.

.2. Assignment by the Participant. This Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If a Participant dies while any amount would still be payable to him or her hereunder had he or she continued to live, all such amounts, unless otherwise provided herein, shall be paid to the Participant's Beneficiary in accordance with the terms of this Plan. If the Participant has not named a Beneficiary, then such amounts shall be paid to the Participant's devisee, legatee, or other designee, or if there is no such designee, to the Participant's estate.

Article 11. Miscellaneous

.1. Employment Status. Except as may be provided under any other written agreement between a Participant and the Company, the employment of the Participant by the Company is "at will," and, prior to the effective date of a Change in Control, may be terminated by either the Participant or the Company at any time, subject to applicable law.

.2. Beneficiaries. Each Participant may designate one or more persons or entities as the primary and/or contingent Beneficiaries of any Severance Benefits owing to the Participant under this Plan. Participants may make or change such designation at any time, provided that any designation or change thereto must be in the form of a signed writing acceptable to and received by the Committee.

.3. Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

.4. Severability. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Plan are not part of the provisions hereof and shall have no force and effect.

.5. Modification. No provision of this Plan may be modified, waived, or discharged unless as to a Participant such modification, waiver, or discharge is agreed to in writing and signed by each affected Participant and by an authorized member of the Committee or its designee, or by the respective parties' legal representatives and successors.

.6. Notice. For purposes of this Plan, notices, including Notice of Termination for Good Reason, and all other communications provided for in this Plan shall be in writing and shall be deemed to have been duly given when delivered or on the date stamped as received by the U.S. Postal Service for delivery by certified or registered mail, postage prepaid and addressed: (i) if to the Participant, to his latest address as reflected on the records of the Company, and (ii) if to the Company: Northrop Grumman Corporation, 1840 Century Park East, Los Angeles, California 90067, Attn: President, or to such other address as the Company may furnish to the Participant in writing with specific reference to this Plan and the importance of the notice, except that notice of change of address shall be effective only upon receipt.

.7. Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of California shall be the controlling law in all matters relating to this Plan. Any statutory reference in this Plan shall also be deemed to refer to all applicable final rules and final regulations promulgated under or with respect to the referenced statutory provision.

9-MOS	SEP-30-1999	
	DEC-31-1999	37
		0
		1,470
		118
		1,424
		2,876
		2,972
		(1,737)
		9,630
2,443		2,500
		0
		0
		1,028
		2,107
9,630		6,489
		5,773
		6,489
		5,773
		(4)
		0
		173
		547
		202
345		0
		0
		(16)
		329
		4.76
		4.73