

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

FORM 10-K

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from to

Commission file number 1-16411

NORTHROP GRUMMAN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

95-4840775

(I.R.S. Employer Identification Number)

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

(Address and telephone number of principal executive offices)

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

Title of each class	New York Stock Exchange
Common Stock, \$1 par value	New York Stock Exchange

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

None

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

Yes

No

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

Yes

No

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

Yes

No

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

Yes

No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes

No

As of July 2, 2010, the aggregate market value of the common stock (based upon the closing price of the stock on the New York Stock Exchange) of the registrant held by non-affiliates was approximately \$14,198 million.

As of February 7, 2011, 291,312,990 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Northrop Grumman Corporation's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Rule 14A for the 2011 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.



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NORTHROP GRUMMAN CORPORATION

PART I

Item 1. Business

HISTORY AND ORGANIZATION

History

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

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

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

Since 2002, other notable acquisitions include Integic Corporation (2005), an information technology provider specializing in enterprise health and business process management solutions and Essex Corporation (2007), a signal processing product and services provider to U.S. intelligence and defense customers. In addition, we divested our Advisory Services Division, TASC, Inc., in 2009. See Business Acquisitions and Business Dispositions in Part II. Item 7.

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

Organization

From time to time, we acquire or dispose of businesses, and realign contracts, programs or business areas among and within our operating segments that possess similar customers, expertise, and capabilities. Internal realignments are designed to more fully leverage existing capabilities and enhance development and delivery of products and services. The operating results for all periods presented have been revised to reflect these changes made through December 31, 2010.

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As of December 31, 2010, we are aligned into five operating segments: Aerospace Systems, Electronic Systems, Information Systems, Shipbuilding, and Technical Services. See Note 8 to our consolidated financial statements in Part II, Item 8.

Strategic Actions

In July 2010, we announced that we would evaluate whether a separation of the Shipbuilding segment would be in the best interests of shareholders, customers, and employees by allowing both the company and Shipbuilding to more effectively pursue their respective opportunities to maximize long-term value. As of December 31, 2010, management anticipates that a spin-off of the Shipbuilding segment to our shareholders will likely occur in 2011. Since any final decision remains subject to approval by our Board of Directors, Shipbuilding's financial results are reported in continuing operations. See Note 7 to our consolidated financial statements in Part II, Item 8.

AEROSPACE SYSTEMS

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

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

Space Systems – designs, develops, manufactures, and integrates spacecraft systems, subsystems and electronic and communications payloads. Major programs include the James Webb Space Telescope (JWST), Advanced Extremely High Frequency (AEHF) payload, Space Tracking and Surveillance System (STSS) and many restricted programs.

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

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

ELECTRONIC SYSTEMS

Electronic Systems, headquartered in Linthicum, Maryland, is a leader in the design, development, manufacture, and support of solutions for sensing, understanding, anticipating, and controlling the environment for our global military, civil, and commercial customers and their operations. Electronic Systems provides a variety of defense electronics and systems, airborne fire control radars, situational awareness systems, early warning systems, airspace management systems, navigation systems, communications systems, marine systems, space systems, and logistics

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services. The segment consists of five business areas: Intelligence, Surveillance, & Reconnaissance Systems; Land & Self Protection Systems; Naval & Marine Systems; Navigation Systems; and Targeting Systems.

Intelligence, Surveillance & Reconnaissance (ISR) Systems – delivers products and services for space satellite applications, airborne and ground based surveillance, multi-sensor processing and analysis to provide battlespace awareness, missile defense, and command and control. The division also develops advanced space-based radar and electro-optical early warning and surveillance systems for strategic, tactical, and weather operations along with systems for enhancing the discovery, sharing, and exploitation of ISR data. Key products include the Space Based Infrared System (SBIRS), Defense Meteorological Satellite Program (DMSP), Defense Support Program (DSP), ground processing, exploitation and dissemination systems, the TPS-78/703 family of ground based surveillance radars, and the Multi-role Electronically Scanned Array (MESA) radar.

Land & Self Protection Systems – delivers products, systems, and services that support ground-based, helicopter and fixed wing platforms (manned and unmanned) with sensor and protection systems. These systems perform threat detection and countermeasures that defeat infrared and radio frequency (RF) guided missile and tracking systems. The division also provides integrated electronic warfare capability, communications, and intelligence systems; unattended ground sensors; automatic test equipment; and advanced threat simulators. Key programs include the U.S. Marine Corps Ground/Air Task Oriented Radar (G/ATOR) multi-mission radar; the Large Aircraft Infrared Countermeasures (LAIRCM) system for the U.S. Air Force, U.S. Navy, and strategic international and NATO allies; the AN/ALQ-131(V) electronic countermeasures pods; the LR-100 high-performance radar warning receiver (RWR)/electronic support measures (ESM)/electronic intelligence (ELINT) receiver system; the U.S. Army's STARLite synthetic aperture radar for Unmanned Aerial Vehicles (UAVs); the U.S. Army Vehicle Intercom Systems (VIC 3 and VIC-5); the U.S. Army Next Generation Automated Test System (NGATS); the U.S. Air Force Joint Threat Emitter (JTE) training range system; and the Vehicle and Dismount Exploitation Radar (VADER) system that enables UAVs to track individual persons or vehicles.

Naval & Marine Systems – delivers products and services to defense, civil, and commercial markets supporting smart navigation, shipboard radar surveillance, ship control, machinery control, integrated combat management systems for naval surface ships, high-resolution undersea sensors (for mine hunting, situational awareness, and other applications), unmanned marine vehicles, shipboard missile and encapsulated payload launch systems, propulsion and power generation systems, and nuclear reactor instrumentation and control. Key products include integrated bridge and navigation systems, voyage management system, integrated platform management systems, integrated combat Management System, AN/WSN 7 Gyro Navigator, anti-ship missile defense and surveillance radars (Cobra Judy, AN/SPQ 9B, AN/SPS 74), and propulsion equipment and missile launch systems for the *Virginia*-class submarines.

Navigation Systems – delivers products and services to defense, civil, and commercial markets supporting situational awareness, inertial navigation in all domains (air, land, sea, and space), embedded Global Positioning Systems, Identification Friend or Foe (IFF) systems, acoustic sensors, cockpit video monitors, mission computing, and integrated avionics and electronics systems. Key products include the Integrated Avionics System, the AN/TYQ-23 Aircraft Command and Control System, Fiber Optic Acoustic Sensors, and a robust portfolio of inertial sensors and navigation systems.

Targeting Systems – delivers products and services supporting airborne combat avionics (fire control radars, multi-function apertures and pods), airborne electro-optical/infrared targeting systems, and laser/electro-optical systems including hand-held, tripod-mounted, and ground or air vehicle mounted systems. Key products include fire control radars for the B-1B, F-16 (worldwide), F-22 U.S. Air Force, and F-35; the AN/APN 241 navigation/weather radar; the AN/AAQ 28(V) LITENING family of targeting pods; Distributed Aperture EO/IR systems; and the Lightweight Laser Designator Rangefinder (LLDR).

In addition to the product and service lines discussed above, the Electronic Systems segment includes the Advanced Concepts & Technologies Division (AC&TD), an organization that develops next-generation systems, technologies, and architectures to position the segment in key developing markets. AC&TD focuses on

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understanding customer mission needs, conceiving affordable solutions, and demonstrating the readiness and effectiveness of Electronic Systems' products, including all types of sensors, microsystems, and associated information systems. The segment uses a "Product Ownership" approach, which guides the transition of new technology from laboratory to market and implements multi-function modular open systems architecture product families that are readily reconfigurable and scalable to support new requirements, new products or component obsolescence.

INFORMATION SYSTEMS

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

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

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

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

SHIPBUILDING

Shipbuilding, headquartered in Newport News, Virginia, is the nation's sole industrial designer, builder and refueler of nuclear-powered aircraft carriers, the sole supplier and builder of amphibious assault and expeditionary warfare ships to the U.S. Navy, the sole builder of National Security Cutters for the U.S. Coast Guard, and one of only two companies that builds the U.S. Navy's current fleet of DDG-51 *Arleigh Burke*-class destroyers. Shipbuilding is also a full-service systems provider for the design, engineering, construction and life cycle support of major programs for surface ships and a provider of fleet support and maintenance services for the U.S. Navy. The segment consists of seven business areas: Aircraft Carriers; Expeditionary Warfare; Surface Combatants; Submarines; Coast Guard & Coastal Defense; Fleet Support; and Services & Other.

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

Expeditionary Warfare – Shipbuilding is the sole provider of amphibious assault ships for the U.S. Navy. In 2009, construction of the *Wasp* class multipurpose amphibious assault ship was concluded with the delivery of LHD 8. Construction of the *San Antonio*-class continues, with five ships delivered from 2005 to 2009 and four currently in construction. In 2007, Shipbuilding was awarded the construction contract for LHA 6, the first in a new class of enhanced amphibious assault ships. The first ship of the *America*-class ships is currently under construction and is expected to join the fleet in 2013.

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

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

Coast Guard & Coastal Defense – Shipbuilding is a joint venture partner along with Lockheed Martin for the Coast Guard’s Deepwater Modernization Program. Shipbuilding has design and production responsibility for surface ships. In 2006, the Shipbuilding/Lockheed Martin joint venture was awarded a 43-month contract extension for the Deepwater program. The first National Security Cutter (NSC), USCGC *Berthoff*, was delivered to the Coast Guard in 2008 followed by the USCGC *Waesche* (NSC-2) in 2009. The *Stratton* (NSC-3) is currently in construction. The construction contract for NSC-4 was awarded in November 2010.

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

Services & Other – Shipbuilding provides various services to commercial nuclear and non-nuclear industrial customers. In January 2008, Savannah River Nuclear Solutions, a joint venture among Shipbuilding, Fluor Corporation, and Honeywell, was awarded a contract for site management and operations of the U.S. Department of Energy’s Savannah River Site in Aiken, South Carolina. In October 2008, Shipbuilding

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announced the formation of a joint venture with AREVA NP to build a new manufacturing and engineering facility in Newport News, Virginia to help supply the growing American nuclear energy sector.

TECHNICAL SERVICES

Technical Services, headquartered in Herndon, Virginia, is a provider of logistics, infrastructure, and sustainment support, while also providing a wide array of technical services including training and simulation. The segment consists of three business areas: Defense and Government Services; Training Solutions, and Integrated Logistics and Modernization.

Defense and Government Services – provides logistics, maintenance and reconstitution services, as well as civil engineering work, aerial and ground range operations in support of the military, technical support functions which include space launch services, construction, protective and emergency services, and range-sensor-instrumentation operations. Primary customers include the Department of Energy (DoE), the DoD, the Department of Homeland Security, and the U.S. intelligence community, in both domestic and international locations.

Training Solutions – provides training across the live, virtual and constructive domains to both the U.S. military and International peacekeeping forces, designs and develops future conflict training scenarios, and provides U.S. warfighters and allies with tactics, techniques and procedures to be successful on the battlefield. This business area also offers diverse training applications ranging from battle command to professional military education. Primary customers include the DoD, Department of State, and Department of Homeland Security.

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

Corporate

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

SUMMARY SEGMENT FINANCIAL DATA

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

CUSTOMERS AND REVENUE CONCENTRATION

Our primary customer is the U.S. Government. Revenue from the U.S. Government (which includes Foreign Military Sales) accounted for approximately 92 percent of total revenues in 2010, 2009, and 2008. No single product or service accounted for more than ten percent of total revenue during any period presented. See Risk Factors in Part I, Item 1A.

NORTHROP GRUMMAN CORPORATION**PATENTS**

The following table summarizes the number of patents we own or have pending as of December 31, 2010:

	Owned	Pending	Total
U.S. patents	3,192	329	3,521
Foreign patents	2,355	553	2,908
Total	5,547	882	6,429

Patents developed while under contract with the U.S. Government may be subject to use by the U.S. Government. We license intellectual property to, and from, third parties. We believe our ability to conduct operations would not be materially affected by the loss of any particular intellectual property right. See Risk Factors in Part I, Item 1A.

SEASONALITY

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

BACKLOG

At December 31, 2010, total backlog was \$64.2 billion compared with \$69.2 billion at the end of 2009. Approximately 47 percent of backlog at December 31, 2010, is expected to be converted into sales in 2011.

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

RAW MATERIALS

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

GOVERNMENT REGULATION

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

The U.S. Government generally has the ability to terminate our contracts, in whole or in part, without prior notice, for convenience or for default based on performance. If any of our U.S. Government contracts were to be terminated for convenience, we would generally be protected by provisions covering reimbursement for costs incurred on the contracts and profit on those costs, but not the anticipated profit that would have been earned had the contract been completed. In the rare circumstance where a U.S. Government contract does not have such termination protection, we attempt to mitigate the termination risk through other means. Termination resulting from our default may expose us to liability and could have a material adverse effect on our ability to compete for contracts. See Risk Factors in Part I, Item 1A.

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

RESEARCH AND DEVELOPMENT

Our research and development activities primarily include independent research and development (IR&D) efforts related to government programs. IR&D expenses are included in general and administrative expenses and are generally allocated to U.S. Government contracts. IR&D expenses totaled \$603 million, \$610 million, and \$564 million in 2010, 2009, and 2008, respectively. We charge expenses for research and development sponsored by the customer directly to the related contracts.

EMPLOYEE RELATIONS

We believe that we maintain good relations with our 117,100 employees, of which approximately 20 percent are covered by 32 collective bargaining agreements. We negotiated or re-negotiated twelve of our collective bargaining agreements in 2010. These negotiations had no material adverse effect on our results of operations. For risks associated with collective bargaining agreements, see Risk Factors in Part I, Item 1A.

ENVIRONMENTAL MATTERS

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

We assess the potential impact on our financial statements by estimating the possible remediation costs that we could reasonably incur on a site-by-site basis. These estimates consider our environmental engineers’ professional judgment and, when necessary, we consult with outside environmental specialists. In most instances, we can only estimate a range of reasonably possible costs. We accrue our best estimate when determinable or the minimum amount when no single amount is more probable. We record accruals for environmental cleanup costs in the accounting period in which it becomes probable we have incurred a liability and the costs can be reasonably estimated. We record insurance recoveries only when we determine that collection is probable. Our environmental remediation accruals do not include any litigation costs related to environmental matters, nor do they include any amounts recorded as asset retirement obligations.

We estimate that at December 31, 2010, the range of reasonably possible future costs for environmental remediation sites is \$280 million to \$674 million, of which we accrued \$109 million in other current liabilities and \$207 million in other long-term liabilities in the consolidated statements of financial position. We record environmental accruals on an undiscounted basis. At sites involving multiple parties, we provide environmental accruals based upon our expected share of liability, taking into account the financial viability of other jointly liable parties. We expense or capitalize environmental expenditures as appropriate. Capitalized expenditures relate to long-lived improvements in currently operating facilities. We may have to incur costs in addition to those already estimated and accrued if other PRPs do not pay their allocable share of remediation costs, which could have a material effect on our consolidated financial position, results of operations, or cash flows. We have made the investments we believe necessary to comply with environmental laws.

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We could be affected by future laws or regulations, including those enacted in response to climate change concerns and other actions known as “green initiatives.” We established a goal of reducing our greenhouse gas emissions over a five-year period through December 31, 2014. To comply with existing green initiatives and our greenhouse gas emissions goal, we expect to incur capital and operating costs, but at this time we do not expect that such costs will have a material adverse effect on our financial position, results of operations or cash flows.

COMPETITIVE CONDITIONS

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

Our success in the competitive defense industry depends upon our ability to develop and market our products and services, as well as our ability to provide the people, technologies, facilities, equipment, and financial capacity needed to deliver those products and services affordably and efficiently. Like most of our competitors, we are vertically integrated but also have a high reliance on the supply chain. We must continue to maintain dependable sources for raw materials, fabricated parts, electronic components, and major subassemblies. In this increasingly complex manufacturing and systems integration environment, effective oversight of subcontractors and suppliers is vital to our success.

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

In both the U.S. defense industry and information and services markets, the federal government has recently indicated that it intends to increase industry competition for its future procurement of products and services. This may lead to fewer sole source awards and more emphasis on cost competitiveness and affordability than in the past. In addition, the DoD has announced several initiatives to improve efficiency, refocus priorities and enhance DoD best practices including those used to procure goods and services from defense contractors. See Overview in Part II, Item 7, and Risk Factors in Part I, Item 1A. These new initiatives, when implemented, could result in fewer new opportunities for our industry as a whole, and a reduced opportunity set would in turn intensify competition within the industry as companies compete for a more limited set of new programs.

EXECUTIVE OFFICERS

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

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AVAILABLE INFORMATION

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

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

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

Item 1A. Risk Factors

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

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

The funding of U.S. Government programs is subject to congressional budget authorization and appropriation processes. For many programs, Congress appropriates funds on a fiscal year basis even though a program may extend over several fiscal years. Consequently, programs are often only partially funded initially and additional funds are committed only as Congress makes further appropriations. We cannot predict the extent to which total funding and/or funding for individual programs will be included, increased or reduced as part of the 2011 and subsequent budgets ultimately approved by Congress or be included in the scope of separate supplemental appropriations. The entire federal government is currently funded under a Continuing Resolution until March 4, 2011. The impact, severity and duration of the current U.S. economic situation, the sweeping economic plans adopted by the U.S. Government, and pressures on the federal budget could also adversely affect the total funding and/or funding for individual programs. In the event that appropriations for any of our programs becomes unavailable, or is reduced or delayed, our contract or subcontract under such program may be terminated or adjusted by the U.S. Government, which could have a material adverse effect on our future sales under such program, and on our financial position, results of operations, or cash flows.

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

In addition, the U.S. Government generally has the ability to terminate contracts, in whole or in part, without prior notice, for convenience or for default based on performance. In the event of termination for the U.S. Government's convenience, contractors are generally protected by provisions covering

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reimbursement for costs incurred on the contracts and profit on those costs but not the anticipated profit that would have been earned had the contract been completed. In the rare circumstance where a U.S. government contract does not have such termination protection, we attempt to mitigate the termination risk through other means. To the extent such means are unavailable or do not fully address the costs incurred or profit on those costs, we could face significant losses from the termination for convenience of a contract that lacks termination protection. Termination by the U.S. Government of a contract for convenience could also result in the cancellation of future work on that program. Termination by the U.S. Government of a contract due to our default could require us to pay for re-procurement costs in excess of the original contract price, net of the value of work accepted from the original contract. Termination of a contract due to our default may expose us to liability and could have a material adverse effect on our ability to compete for contracts.

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

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

We operate in a highly regulated environment and are routinely audited and reviewed by the U.S. Government and its agencies such as the Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA). These agencies review our performance under our contracts, our cost structure and our compliance with applicable laws, regulations and standards, as well as the adequacy of, and our compliance with, our internal control systems and policies. Systems that are subject to review include, but are not limited to, our accounting systems, purchasing systems, billing systems, property management and control systems, cost estimating systems, compensation systems and management information systems. Any costs found to be unallowable or improperly allocated to a specific contract will not be reimbursed or must be refunded if already reimbursed. If an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspension, or prohibition from doing business with the U.S. Government. Whether or not illegal activities are alleged, the U.S. Government also has the ability to decrease or withhold certain payments when it deems systems subject to its review to be inadequate. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

The U.S. Government, from time to time, recommends to its contractors that certain contract prices be reduced, or that costs allocated to certain contracts be disallowed. These recommendations can involve substantial amounts. In the past, as a result of such audits and other investigations and inquiries, we have on occasion made adjustments to our contract prices and the costs allocated to our government contracts.

We are also, from time to time, subject to U.S. Government investigations relating to our operations, and we are subject to or expected to perform in compliance with a vast array of federal laws, including but not limited to the Truth in Negotiations Act, the False Claims Act, the Procurement Integrity Act, Cost Accounting Standards, the International Traffic in Arms Regulations promulgated under the Arms Export Control Act, the Close the Contractor Fraud Loophole Act and the Foreign Corrupt Practices Act. If we are convicted or otherwise found to have violated the law, or are found not to have acted responsibly as defined by the law, we may be subject to reductions of the value of contracts, contract modifications or termination and the assessment of penalties and fines, compensatory or treble damages, which could have a material adverse effect on our financial position, results of operations, or cash flows. Such findings or convictions could also result in suspension or debarment from government contracting. Given our dependence on

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government contracting, suspension or debarment could have a material adverse effect on our financial position, results of operations, or cash flows.

- ***The Department of Defense has announced plans for significant changes to its business practices that could have a material effect on its overall procurement process and adversely impact our current programs and potential new awards.***

In September 2010, the DoD announced various initiatives designed to gain efficiencies, refocus priorities and enhance business practices used by the DoD, including those used to procure goods and services from defense contractors. These initiatives are organized into five major areas: affordability and cost growth; productivity and innovation; competition; services acquisition; and processes and bureaucracy. These new initiatives are expected to have a significant impact on the contracting environment in which we do business with our DoD customers and they could have a significant impact on current programs as well as new DoD business opportunities. In his January 6, 2011, announcement regarding future plans, the Secretary of Defense employed some of these initiatives to reduce costs and free up resources for reinvestment. For example, he discussed using multi-year procurement of Navy aircraft, information technology infrastructure streamlining, reductions in outsourcing, consolidation of operating centers and staffs, improving depot and supply chain processes, downsizing intelligence organizations, and eliminating some elements of the DoD's bureaucracy. Changes to the DoD acquisition system and contracting models could affect whether and, if so, how we pursue certain opportunities and the terms under which we are able to do so. These initiatives are still fairly new and the full impact to our business remains uncertain and subject to the manner in which the DoD implements them.

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

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

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

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

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

Operating results are heavily dependent upon our ability to attract and retain sufficient personnel with requisite skills and/or security clearances. If qualified personnel become scarce, we could experience higher

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labor, recruiting or training costs in order to attract and retain such employees or could experience difficulty in performing under our contracts if the needs for such employees are unmet.

Approximately 20 percent of our 117,100 employees are covered by an aggregate of 32 collective bargaining agreements. We expect to re-negotiate renewals of four of our collective bargaining agreements in 2011. Collective bargaining agreements generally expire after three to five years and are subject to renegotiation at that time. We may experience difficulties with renewals and renegotiations of existing collective bargaining agreements. If we experience such difficulties, we could incur additional expenses and work stoppages. Any such expenses or delays could adversely affect programs served by employees who are covered by collective bargaining agreements.

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

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

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

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

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

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

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more programs could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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

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

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

■ ***Our earnings and margins depend, in part, on our ability to perform under contracts.***

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

■ ***Our earnings and margins depend, in part, on subcontractor performance as well as raw material and component availability and pricing.***

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

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Our costs may increase over the term of our contracts. Through cost escalation provisions contained in some of our U.S. Government contracts, we may be protected from increases in material costs to the extent that the increases in our costs are in line with industry indices. However, the difference in basis between our actual material costs and these indices may expose us to cost uncertainty even with these provisions. A significant delay in supply deliveries of our key raw materials required in our production processes could have a material adverse effect on our financial position, results of operations, or cash flows.

In connection with our government contracts, we are required to procure certain materials, components and parts from supply sources approved by the U.S. Government. There are currently several components for which there may be only one supplier. The inability of a sole source supplier to meet our needs could have a material adverse effect on our financial position, results of operations, or cash flows.

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

We have significant operations located in regions of the U.S. that may be exposed to damaging storms and other natural disasters, such as hurricanes or earthquakes, and environmental disasters, such as oil spills. Although preventative measures may help to mitigate damage, the damage and disruption resulting from natural and environmental disasters may be significant. Should insurance or other risk transfer mechanisms be unavailable or insufficient to recover all costs, we could experience a material adverse effect on our financial position, results of operations, or cash flows.

Our suppliers and subcontractors are also subject to natural disasters that could affect their ability to deliver or perform under a contract. Performance failures by our subcontractors due to natural and environmental disasters may adversely affect our ability to perform our obligations on the prime contract, which could reduce our profitability due to damages or other costs that may not be fully recoverable from the subcontractor or from the customer and could result in a termination of the prime contract and have an adverse effect on our ability to compete for future contracts.

Natural disasters can also disrupt our workforce, electrical and other power distribution networks, including computer and internet operation and accessibility, and the critical industrial infrastructure needed for normal business operations. These disruptions could cause adverse effects on our profitability and performance. Environmental disasters, particularly oil spills in waterways and bodies of water used for the transport and testing of our ships, can disrupt the timing of our performance under our contracts with the U.S. Navy and the U.S. Coast Guard.

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

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

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

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■ ***Our international business exposes us to additional risks.***

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

The services and products we provide internationally, including through the use of subcontractors, are sometimes in countries with unstable governments, in areas of military conflict or at military installations. This increases the risk of an incident resulting in damage or destruction to our products or resulting in injury or loss of life to our employees, subcontractors or other third parties. We maintain insurance to mitigate risk and potential liabilities related to our international operations, but our insurance coverage may not be adequate to cover these claims and liabilities and we may be forced to bear substantial costs arising from those claims. (See additional discussion of possible inadequacy of our insurance coverage below). In addition, any accidents or incidents that occur in connection with our international operations could result in negative publicity for the company, which may adversely affect our reputation and make it more difficult for us to compete for future contracts or result in the loss of existing and future contracts. The impact of these factors is difficult to predict, but any one or more of them could adversely affect our financial position, results of operations, or cash flows.

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

We have implemented extensive compliance controls, policies and procedures to prevent and detect reckless or criminal acts committed by employees, agents or business partners that would violate the laws of the jurisdictions in which we operate, including laws governing payments to government officials, security clearance breaches, cost accounting and billing, competition and data privacy. However, we cannot ensure that we will prevent all such reckless or criminal acts committed by our employees, agents or business partners. Any improper actions could subject us to civil or criminal investigations and monetary and non-monetary penalties and could have a material adverse effect on our ability to conduct business, our results of operations and our reputation.

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

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

We also manage information technology systems for various customers. While we maintain information security policies and procedures for managing these systems, we generally face the same security threats for these systems as for our own systems. Computer viruses, attempts to gain access to our customers' data or other electronic security breaches could lead to disruptions in mission critical systems for our customers, unauthorized release of confidential or personally identifiable information and corruption of customer data.

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These events could damage our reputation and lead to financial losses from remedial actions we must take, potential liability to customers and litigation expenses.

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

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

- potential liabilities relating to harmful effects on the environment and human health resulting from nuclear operations and the storage, handling and disposal of radioactive materials;
- unplanned expenditures relating to maintenance, operation, security and repair, including repairs required by the Nuclear Regulatory Commission;
- reputational harm; and
- potential liabilities arising out of a nuclear incident whether or not it is within our control.

The U.S. Government provides indemnity protection against specified risks under our contracts pursuant to Public Law 85-804 and the Price-Anderson Nuclear Industries Indemnity Act for certain of our nuclear operations risks. Our nuclear operations are subject to various safety-related requirements imposed by the U.S. Navy, DoE, and Nuclear Regulatory Commission. In the event of noncompliance, these agencies may increase regulatory oversight, impose fines or shut down our operations, depending upon the assessment of the severity of the situation. Revised security and safety requirements promulgated by these agencies could necessitate substantial capital and other expenditures. Additionally, while we maintain insurance for certain risks related to transportation of low level nuclear materials and waste, such as contaminated clothing, and for regulatory changes in the health, safety and fire protection areas, there can be no assurances that such insurance will be sufficient to cover our costs in the event of an accident or business interruption relating to our nuclear operations, which could have a material adverse effect on our financial position, results of operations, or cash flows.

■ ***Unforeseen environmental costs could have a material adverse effect on our financial position, results of operations, or cash flows.***

Our operations are subject to and affected by a variety of federal, state, local and foreign environmental protection laws and regulations. In addition, we could be affected by future laws or regulations, including those imposed in response to climate change concerns and other actions commonly referred to as “green initiatives.” Compliance with current and future environmental laws and regulations currently requires and is expected to continue to require significant operating and capital costs.

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

The adoption of new laws and regulations, stricter enforcement of existing laws and regulations, imposition of new cleanup requirements, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, our ability to recover such costs under previously priced contracts or

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financial insolvency of other responsible parties could cause us to incur costs in the future that would have a material adverse effect on our financial position, results of operations, or cash flows.

- ***We are subject to various claims and litigation that could ultimately be resolved against us. Resolution of these matters may require material future cash payments and/or future material charges against our operating income.***

The size, type and complexity of our business make us highly susceptible to claims and litigation. We are and may become subject to various environmental claims, income tax matters and other litigation, which, if not resolved within established reserves, could have a material adverse effect on our consolidated financial position, results of operations or cash flows. See Legal Proceedings in Part I, Item 3, Critical Accounting Policies, Estimates, and Judgments in Part II, Item 7 and Note 15 to the consolidated financial statements in Part II, Item 8. Any claims and litigation, even if fully indemnified or insured, could negatively impact our reputation among our customers and the public, and make it more difficult for us to compete effectively or obtain adequate insurance in the future.

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

We own many U.S. and foreign patents, trademarks, copyrights, and other forms of intellectual property. The U.S. Government has rights to use certain intellectual property that we develop in performance of government contracts, and it may use or authorize others to use such intellectual property. Our intellectual property is subject to challenge, invalidation, misappropriation or circumvention by third parties.

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

In some instances, we have licensed the proprietary intellectual property of others, but we may be unable in the future to secure the necessary licenses to use such intellectual property on commercially reasonable terms.

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

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

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Hurricane Katrina and advised us that it will seek reimbursement of certain amounts previously advanced by that carrier. See Note 15 to the consolidated financial statements in Part II, Item 8.

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

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

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

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

- ***We are exploring strategic alternatives for our Shipbuilding segment. We cannot assure you that a transaction will result, or that, if completed, we would realize the anticipated benefits thereof.***

In July 2010, we announced that we are evaluating strategic alternatives for the Shipbuilding segment, including, but not limited to, a spin-off to our shareholders. In preparation for an anticipated spin-off of the Shipbuilding business to our shareholders, a registration statement on Form 10 for the shares of our wholly owned subsidiary, Huntington Ingalls Industries, Inc., the entity that would hold the shipbuilding business, was initially filed with the Securities and Exchange Commission in October 2010, with amendments filed in November 2010, December 2010, and January 2011. We cannot assure you that the exploration of these strategic alternatives will result in any transaction. Our ability to complete a transaction involving the Shipbuilding segment in a timely manner, or even at all, could be subject to several factors, including: changes in the company's operating performance; our ability to obtain any necessary consents or approvals; changes in governmental regulations and policies; and changes in business, political and economic conditions in the United States. As a condition of an anticipated spin-off, we have obtained a private letter ruling from the Internal Revenue Service and expect to receive an opinion of counsel that the spin-off will be tax-free to the company and our shareholders but can give no assurance that any anticipated spin-off will ultimately qualify as a tax-free transaction. If a transaction involving the Shipbuilding segment is delayed for any reason, we may not realize the anticipated benefits, and if a transaction does not occur, we will not realize such benefits. Each of these risks could adversely affect our financial position, results of operations, or cash flows.

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

The financial and credit markets recently experienced high levels of volatility and disruption, reducing the availability of credit for certain issuers. Historically, we have occasionally accessed these markets to support certain business activities, including acquisitions, capital expansion projects, refinancing existing debt and issuing letters of credit. In the future, we may not be able to obtain capital market financing or bank financing when needed on favorable terms, or at all, which could have a material adverse effect on our financial position, results of operations, or cash flows.

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

We have executed transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional parties. These transactions expose us to potential credit risk in the event of counterparty default.

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

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

Variances from these estimates could have a material adverse effect on our financial position, results of operations, or cash flows. For example, the recent volatility in the financial markets resulted in lower than expected returns on our pension plan assets in 2008, which resulted in higher pension costs in subsequent years. See Note 17 to the consolidated financial statements in Part II, Item 8.

Additionally, due to government regulations, pension plan cost recoveries under our government contracts may occur in different periods from when those pension costs are accrued for financial statement purposes or when pension funding is made. Timing differences between pension costs accrued for financial statement purposes or when pension funding occurs compared to when such costs are recoverable as allowable costs under our government contracts could have a material adverse effect on our cash flow from operations. In May 2010, the U.S. Cost Accounting Standards Board published a proposed rulemaking that, if adopted, could provide a framework to partially harmonize these funding timing differences. See Overview – Industry Factors, Recent Developments in U.S. Cost Accounting Standards (CAS) Pension Recovery Rules in Part II, Item 7 for further discussion.

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

We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. In addition, timing differences in the recognition of income from contracts for financial statement purposes and for income tax regulations can cause uncertainty with respect to the timing of income tax payments which can have a

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significant impact on cash flow in a particular period. Furthermore, changes in applicable domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain sales or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. The final determination of any tax audits or related litigation could be materially different from our historical income tax provisions and accruals. Additionally, changes in our tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, changes in differences between financial reporting income and taxable income, the results of audits and the examination of previously filed tax returns by taxing authorities and continuing assessments of our tax exposures could impact our tax liabilities and affect our income tax expense, profitability and cash flow.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the SEC.

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FORWARD-LOOKING STATEMENTS AND PROJECTIONS

Statements in this Form 10-K and the information we are incorporating by reference, other than statements of historical fact, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “expect,” “intend,” “plan,” “project,” “forecast,” “believe,” “estimate,” “outlook,” “anticipate,” “trends” and similar expressions generally identify these forward-looking statements. Forward-looking statements are based upon assumptions, expectations, plans and projections that are believed valid when made. These statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict. Specific factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include, but are not limited to, those identified under Risk Factors in Part I, Item 1A and other important factors disclosed in this report and from time to time in our other filings with the SEC.

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

Item 2. Properties

At December 31, 2010, we owned or leased approximately 54 million square feet of floor space at approximately 767 separate locations, primarily in the U.S., for manufacturing, warehousing, research and testing, administration and various other uses. At December 31, 2010, we leased to third parties approximately 622,000 square feet of our owned and leased facilities, and had vacant floor space of approximately 417,000 square feet.

At December 31, 2010, we had major operations at the following locations:

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

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

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

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

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

Corporate and other locations – Los Angeles, CA; Morris Plains, NJ; York, PA; Irving, TX; and Arlington, Falls Church and Lebanon, VA. Locations outside the U.S. include Canada.

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The following is a summary of our floor space at December 31, 2010:

<i>Square feet (in thousands)</i>	Owned	Leased	U.S. Government Owned/Leased	Total
Aerospace Systems	6,354	5,657	1,914	13,925
Electronic Systems	8,175	3,397		11,572
Information Systems	652	7,936		8,588
Shipbuilding	13,010	2,912	203	16,125
Technical Services	128	2,114	4	2,246
Corporate	967	920		1,887
Total	29,286	22,936	2,121	54,343

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

In January 2010, we announced our decision to move our principal executive offices from Los Angeles, California to the Washington D.C. area. In the fourth quarter of 2010, we purchased an existing 334,407 square foot building located at 2980 Fairview Park Drive, Falls Church, Virginia, as the new location for our principal executive offices and expect to initiate operations there in the summer of 2011. We believe this move will enable us to better serve our customers. Although we are moving some corporate staff from Los Angeles, the state of California remains a significant business location for us.

Item 3. Legal Proceedings

We have provided information about certain legal proceedings in which we are involved in Note 15 to the consolidated financial statements in Part II, Item 8.

In addition to the matters disclosed in Note 15, we are a party to various investigations, lawsuits, claims and other legal proceedings that arise in the ordinary course of our business, and based on information available to us, we do not believe at this time that any such additional proceedings will individually, or in the aggregate, have a material adverse effect on our financial position, results of operations, or cash flows. For further information on the risks we face from existing and future investigations, lawsuits, claims and other legal proceedings, please see Risk Factors in Part I, Item 1A, of this report.

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PART II

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

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

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

	2010		2009	
January to March	\$65.78	to \$55.63	\$ 49.72	to \$ 34.35
April to June	\$69.38	to \$54.44	\$ 50.54	to \$ 43.98
July to September	\$60.63	to \$54.10	\$52.75	to \$ 43.23
October to December	\$65.34	to \$60.11	\$ 56.84	to \$49.59

(b) *Holdings.*

The approximate number of common stockholders was 32,388 as of February 7, 2011.

(c) *Dividends.*

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

	2010	2009
January to March	\$0.43	\$ 0.40
April to June	0.47	0.43
July to September	0.47	0.43
October to December	0.47	0.43
	\$1.84	\$1.69

Common Stock

We have 800,000,000 shares authorized at a \$1 par value per share, of which 290,956,752 shares and 306,865,201 shares were outstanding as of December 31, 2010, and 2009, respectively.

Preferred Stock

We have 10,000,000 shares authorized at a \$1 par value per share, of which no shares were issued and outstanding as of December 31, 2010, and 2009.

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

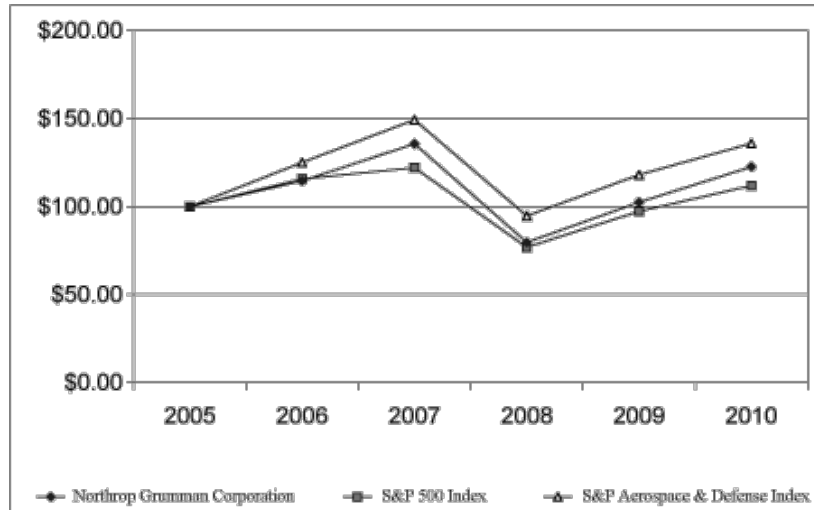
(d) *Annual Meeting of Stockholders.*

Our Annual Meeting of Stockholders will be held on May 18, 2011, in Chantilly, Virginia.

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(e) *Stock Performance Graph.*

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



- (1) Assumes \$100 invested at the close of business on December 31, 2005, in Northrop Grumman Corporation common stock, Standard & Poor's (S&P) 500 Index, and the S&P Aerospace Defense Index.
- (2) The cumulative total return assumes reinvestment of dividends.
- (3) The S&P Aerospace Defense Index is comprised of The Boeing Company, General Dynamics Corporation, Goodrich Corporation, Honeywell International Inc., ITT Corporation, L-3 Communications, Lockheed Martin Corporation, Northrop Grumman Corporation, Precision Castparts Corporation, Raytheon Company, Rockwell Collins, Inc., and United Technologies Corporation.
- (4) The total return is weighted according to market capitalization of each company at the beginning of each year.

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

We have summarized our repurchases of common stock during the three months ended December 31, 2010, in the table below.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share(2)	Total Numbers of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$ in millions)
October 1 through October 31, 2010	518,760	\$ 61.74	518,760	\$ 1,848
November 1 through November 30, 2010	664,980	62.18	664,980	1,806
December 1 through December 31, 2010	693,106	64.31	693,106	1,762
Total	1,876,846	\$ 62.85	1,876,846	\$ 1,762₍₁₎

(1) On June 16, 2010, our board of directors authorized a share repurchase program of up to \$2.0 billion of our common stock. As of December 31, 2010, we had \$1.8 billion remaining under this authorization for share repurchases.

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

(2) Includes commissions paid.

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

For a description of securities authorized under our equity compensation plans, see Note 18 to the consolidated financial statements in Part II, Item 8.

NORTHROP GRUMMAN CORPORATION
Item 6. Selected Financial Data

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

Selected Financial Data

<i>\$ in millions, except per share</i>	Year Ended December 31				
	2010	2009	2008	2007	2006
Sales and Service Revenues					
U.S. Government	\$ 32,094	\$ 31,037	\$ 29,320	\$ 27,361	\$ 25,906
Other customers	2,663	2,718	2,995	2,980	2,749
Total revenues	\$ 34,757	\$ 33,755	\$ 32,315	\$ 30,341	\$ 28,655
Goodwill impairment			\$ (3,060)		
Operating income (loss)	\$ 3,070	\$ 2,483	(263)	\$ 2,925	\$ 2,405
Earnings (loss) from continuing operations	2,038	1,573	(1,379)	1,751	1,535
Basic earnings (loss) per share, from continuing operations	\$ 6.86	\$ 4.93	\$ (4.12)	\$ 5.12	\$ 4.44
Diluted earnings (loss) per share, from continuing operations	6.77	4.87	(4.12)	5.01	4.28
Cash dividends declared per common share	1.84	1.69	1.57	1.48	1.16
Year-End Financial Position					
Total assets	\$ 31,421	\$ 30,252	\$ 30,197	\$ 33,373	\$ 32,009
Notes payable to banks and long-term debt	4,829	4,294	3,944	4,055	4,162
Total long-term obligations and preferred stock ⁽¹⁾	9,478	10,580	10,828	9,235	8,622
Financial Metrics					
Net cash provided by operating activities	\$ 2,453	\$ 2,133	\$ 3,211	\$ 2,890	\$ 1,756
Free cash flow ⁽²⁾	1,677	1,411	2,420	2,072	947
Notes payable to banks and long-term debt as a percentage of shareholders' equity	35.6%	33.8%	33.1%	22.9%	25.0%
Other Information					
Company-sponsored research and development expenses	\$ 603	\$ 610	\$ 564	\$ 522	\$ 559
Maintenance and repairs	516	481	439	331	354
Payroll and employee benefits	14,032	14,751	13,036	12,301	11,918
Number of employees at year-end	117,100	120,700	123,600	121,700	121,400

(1) In 2008, all of the shares of preferred stock were converted or redeemed.

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

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

OVERVIEW

Business

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

Notable Events

Certain notable events or activities affecting our 2010 consolidated financial results included the following:

Significant financial events for the year ended December 31, 2010

- Recorded \$113 million pre-tax charge related to the winding down of our shipbuilding operations at the Avondale, Louisiana facility.
- Recorded \$231 million pre-tax charge related to the redemption of outstanding debt
- Recognized net tax benefits of \$296 million in connection with Internal Revenue Service (IRS) settlement on our tax returns for years 2004 through 2006.
- Contributed voluntary pension funding amounts totaling \$830 million.
- Issued \$1.5 billion of unsecured senior debt obligations.
- Paid \$1.1 billion to repurchase outstanding debt securities (including \$231 million in premiums paid).
- Repurchased 19.7 million common shares for \$1.2 billion.
- Increased quarterly stock dividend from \$0.43 per share to \$0.47 per share.

Other notable events for the year ended December 31, 2010

- Announced in July the decision to explore strategic alternatives for the Shipbuilding business. In preparation for an anticipated spin-off of the Shipbuilding business to the company's shareholders, a registration statement on Form 10 for the shares of Huntington Ingalls Industries, Inc. (HII or the Shipbuilding business) was initially filed with the Securities and Exchange Commission (SEC) in October 2010, with amendments filed in November 2010, December 2010 and January 2011.
- Reached agreement with the Commonwealth of Virginia related to the Virginia IT outsourcing contract (VITA).
- Authorized new share repurchases of up to \$2.0 billion.

Outlook

Beginning with the credit crisis of 2008 through the present, the United States and global economies have experienced a period of substantial economic uncertainty and turmoil, and the related financial markets have been characterized by significant volatility. While the financial markets have begun to stabilize and improve in 2009 and 2010, the U.S. and global economies continue to struggle as a result of high levels of national debt and historic levels of borrowing to support stimulus and financial support spending.

Current levels of deficit spending are at high levels and likely are unsustainable for the U.S. and several of its allies, and we expect that U.S. and allied government defense spending may come under increasing pressure as governments search for ways to reduce deficits and national debts. Defense Secretary Gates recently proposed a baseline fiscal 2012 defense budget of \$553 billion, which is \$6 billion higher than the fiscal 2011 budget request, but \$13 billion less than previously planned. Under this budget proposal, the overall defense budget will decline by \$78 billion over a five year period beginning in fiscal 2012 from the previous plan, and will include program cancellations and restructurings, including reducing the number of F-35 joint strike fighters from 449 to 325 jets

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over that period. Northrop Grumman is one of the largest subcontractors on the F-35 program, and if approved by Congress, the reduction would impact our revenues.

Secretary Gates also outlined future opportunities for which we could compete, including a next generation nuclear capable long-range bomber, additional F/A-18 E/F aircraft to offset the reduction in the F-35 aircraft, as well as numerous opportunities to apply our unmanned airborne technologies and capabilities and our broad sensor technologies to new products and to upgrade several existing platforms.

While the real rate of growth in the top line defense budget may be slowing for the first time since 9/11, the U.S. Government's budgetary process continues to give us good visibility regarding future spending and the threat areas that it is addressing. We believe that our current contracts, and our strong backlog of previously awarded contracts align well with our customer's future needs, and this provides us with good insight regarding future cash flows from our businesses. Nonetheless, we recognize that no business is immune to the current economic situation and new policy initiatives could adversely affect future defense spending levels, which could lower our expected future revenues. Certain programs in which we participate may be subject to potential reductions due to this slower rate of growth in the U.S. defense budget and the utilization of funds to support the ongoing conflicts in Iraq and Afghanistan.

Liquidity Trends – In light of the ongoing economic situation, we have evaluated our future liquidity needs, both from a short-term and long-term perspective. We expect that cash on hand at the beginning of the year plus cash generated from operations and cash available under credit lines will be sufficient in 2011 to service debt, finance capital expansion projects, pay federal, foreign, and state income taxes, fund pension and other post-retirement benefit plans, and continue paying dividends to shareholders. We have a committed \$2 billion revolving credit facility, with a maturity date of August 10, 2012, that can be accessed on a same-day basis.

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

Industry Factors

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

Recent Developments in U.S. Cost Accounting Standards (CAS) Pension Recovery Rules – On May 10, 2010, the CAS Board published a Notice of Proposed Rulemaking (NPRM) that if adopted would provide a framework to partially harmonize the CAS rules with the Pension Protection Act of 2006 (PPA) funding requirements. The NPRM would “harmonize” by mitigating the mismatch between CAS costs and PPA-amended Employee Retirement Income Security Act (ERISA) minimum funding requirements. Until the final rule is published, and to the extent that the final rule does not completely eliminate mismatches between ERISA funding requirements and CAS pension costs, government contractors maintaining defined benefit pension plans will continue to experience a timing mismatch between required contributions and pension expenses recoverable under CAS. The final rule is expected to be issued in 2011 and to apply to contracts starting the year following the award of the first CAS covered contract after the effective date of the new rule. This would mean the rule would apply to our contracts in 2012. We anticipate that contractors will be entitled to an equitable adjustment for any additional CAS contract costs resulting from the final rule.

Economic Opportunities, Challenges, and Risks

The United States continues to face a complex and rapidly changing national security environment, while simultaneously addressing domestic economic challenges such as unemployment, federal budget deficits and the growing national debt. The U.S. Government's investment in capabilities that respond to constantly evolving threats is increasingly being balanced against the need to address domestic economic challenges. We believe that

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the U.S. Government will continue to place a high priority on defense spending and national security, as well as economic challenges, and will continue to invest in sophisticated systems providing long-range surveillance and intelligence, battle management, precision strike, and strategic agility.

The U.S. Government faces the additional challenge of recapitalizing equipment and rebuilding readiness while also pursuing modernization and reducing overhead and inefficiency. The DoD has announced several initiatives to improve efficiency, refocus priorities and enhance DoD business practices including those used to procure goods and services from defense contractors.

The DoD initiatives are organized into five major areas: affordability and cost growth; productivity and innovation; competition; services acquisition; and processes and bureaucracy. Initial plans resulting from these initiatives were announced in early 2010 and the defense department expects that these initiatives will generate \$100 billion in savings. On January 6, 2011, Secretary Gates provided initial details on fiscal year 2012 defense budget and programmatic plans and elaborated on the allocation of the \$100 billion in expected savings from efficiency initiatives. The Secretary described plans to allocate \$28 billion for increased operating costs and \$70 billion for investment in high priority capabilities. In addition to the efficiency savings, the DoD plans to reduce defense spending from its prior plans by \$78 billion over the next five fiscal years.

At the date of this report, the fiscal year 2012 defense budget has not been submitted by the President and Congress had not yet passed a baseline fiscal year 2011 defense budget or any of the appropriations funding bills relating to our customer base. As a result, the U.S. Government is currently operating under a Continuing Resolution (CR) that funds programs and services at fiscal year 2010 levels. The CR is set to expire on March 4, 2011, after which Congress will either pass a new appropriations bill or extend a CR. The latter case would likely fund programs at fiscal year 2010 levels and would affect the profitability of some of our programs and potentially delay new awards. We anticipate continued spirited debate over defense spending in 2011 as part of a larger dialog around the federal deficit and potential cuts in government spending. Budget decisions made in this environment could have long-term consequences for our company and the entire defense industry.

Although reductions to certain programs in which we participate or for which we expect to compete are always possible, we believe that spending on recapitalization, modernization and maintenance of defense and homeland security assets will continue to be a national priority. Future defense spending is expected to include the development and procurement of new manned and unmanned military platforms and systems along with advanced electronics and software to enhance the capabilities of individual systems and provide for the real-time integration of individual surveillance, information management, strike, and battle management platforms. Given the current era of irregular warfare, we expect an increase in investment in persistent awareness with intelligence, surveillance and reconnaissance (ISR) systems, cyber warfare, and expansion of information available for the warfighter to make timely decisions. Other significant new competitive opportunities include long range strike, directed energy applications, missile defense, satellite communications systems, restricted programs, cybersecurity, technical services and information technology contracts, and numerous international and homeland security programs.

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

We could be affected by future laws or regulations, including those enacted in response to climate change concerns and other actions known as "green initiatives." We recently established a goal of reducing our greenhouse gas emissions over a five-year period through December 31, 2014. To comply with existing green initiatives and our greenhouse gas emissions goal, we expect to incur capital and operating costs, but at this time

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we do not expect that such costs will have a material adverse effect upon our financial position, results of operations or cash flows.

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

BUSINESS ACQUISITIONS

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

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

BUSINESS DISPOSITIONS

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

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

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and service revenues		\$ 1,536	\$ 1,625
Earnings from discontinued operations		149	146
Income tax expense		(54)	(55)
Earnings, net of tax		\$ 95	\$ 91
Gain on divestitures	10	446	66
Income tax benefit (expense)	5	(428)	(40)
Gain from discontinued operations, net of tax	\$ 15	\$ 18	\$ 26
Earnings from discontinued operations, net of tax	\$ 15	\$ 113	\$ 117

CONTRACTS

We generate the majority of our business from long-term government contracts for development, production, and support activities.

Government contracts typically include the following cost elements: direct material, labor

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and subcontracting costs, and certain indirect costs including allowable general and administrative costs. Unless otherwise specified in a contract, costs billed to contracts with the U.S. Government are determined under the requirements of the Federal Acquisition Regulation (FAR) and CAS regulations as allowable and allocable costs. Examples of costs incurred by us and not billed to the U.S. Government in accordance with the requirements of the FAR and CAS regulations include, but are not limited to, certain legal costs, lobbying costs, charitable donations, interest expense and advertising costs.

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

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

Firm Fixed-Price Contracts – A firm fixed-price contract is a contract in which the specified scope of work is agreed to for a price that is a pre-determined, negotiated amount and not generally subject to adjustment regardless of costs incurred by the contractor. Time-and-materials contracts are considered firm fixed-price contracts as they specify a fixed hourly rate for each labor hour charged.

The following table summarizes 2010 revenue recognized by contract type and customer:

(\$ in millions)	U.S.	Other	Total	Percent of Total
	Government	Customers		
Flexibly priced	\$ 23,054	\$ 198	\$ 23,252	67%
Firm fixed-price	9,039	2,466	11,505	33%
Total	\$ 32,093	\$ 2,664	\$ 34,757	100%

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

Award Fees – Certain contracts contain provisions consisting of award fees based on performance criteria such as cost, schedule, quality, and technical performance. Award fees are determined and earned based on an evaluation by the customer of the company's performance against such negotiated criteria. Fees that can be reasonably assured and reasonably estimated are recorded over the performance period of the contract. Award fee contracts are used in certain of our operating segments. Examples of significant long-term contracts with substantial negotiated award fee amounts are the Broad Area Maritime Surveillance (BAMS) Unmanned Aircraft System and the majority of satellite contracts.

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

CRITICAL ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

Revenue Recognition

Overview – We derive the majority of our business from long-term contracts for the production of goods and services provided to the federal government, which are accounted for in conformity with accounting principles

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generally accepted in the United States of America (GAAP) for construction-type and production-type contracts and federal government contractors. We classify contract revenues as product sales or service revenues depending on the predominant attributes of the relevant underlying contract. We also enter into contracts that are not associated with the federal government, such as contracts to provide certain services to non-federal government customers. We account for those contracts in accordance with the relevant GAAP revenue recognition principles.

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

Percentage-of-Completion Accounting – We generally recognize revenues from our long-term contracts under the cost-to-cost or the units-of-delivery measures of the percentage-of-completion method of accounting. The percentage-of-completion method recognizes income as work on a contract progresses. For most contracts, sales are calculated based on the percentage of total costs incurred in relation to total estimated costs at completion of the contract. For certain contracts with large up-front purchases of material, primarily in the Shipbuilding segment, sales are generally calculated based on the percentage that direct labor costs incurred bear to total estimated direct labor costs. The units-of-delivery measure is a modification of the percentage-of-completion method, which recognizes revenues as deliveries are made to the customer generally using unit sales values in accordance with the contract terms. We estimate profit as the difference between total estimated revenue and total estimated cost of a contract and recognize that profit over the life of the contract based on deliveries.

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

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

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

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

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

Cost Estimation – The cost estimation process requires significant judgment and is based upon the professional knowledge and experience of our engineers, program managers, and financial professionals. Factors that are

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considered in estimating the work to be completed and ultimate contract recovery include the availability, productivity and cost of labor, the nature and complexity of the work to be performed, the effect of change orders, the availability of materials, the effect of any delays in performance, the availability and timing of funding from the customer, and the recoverability of any claims included in the estimates to complete. A significant change in an estimate on one or more contracts could have a material effect on our consolidated financial position or results of operations. We update our contract cost estimates at least annually and more frequently as determined by events or circumstances. We generally review and reassess our cost and revenue estimates for each significant contract on a quarterly basis.

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

Purchase Accounting and Goodwill

Overview – We allocate the purchase price of an acquired business to the underlying tangible and intangible assets acquired and liabilities assumed based upon their respective fair market values, with the excess recorded as goodwill. Such fair market value assessments require judgments and estimates that can be affected by contract performance and other factors over time, which may cause final amounts to differ materially from original estimates. Adjustments to the fair value of purchased assets and liabilities after the measurement period are recognized in net earnings.

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

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

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

As a result of our announcement to wind down operations at Shipbuilding's Avondale, Louisiana facility (see Note 7 to the consolidated financial statements in Part II, Item 8), we performed an interim impairment test on Shipbuilding's goodwill as of June 30, 2010, and concluded that the estimated fair value of the Shipbuilding reporting unit was substantially in excess of its carrying value.

The results of our annual goodwill impairment test as of November 30, 2010, indicated that the estimated fair value of all reporting units were substantially in excess of their carrying values.

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

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Litigation, Commitments, and Contingencies

Overview – We are subject to a range of claims, lawsuits, environmental and income tax matters, and administrative proceedings that arise in the ordinary course of business. Estimating liabilities and costs associated with these matters requires judgment and assessment based upon professional knowledge and experience of management and our internal and external legal counsel. In accordance with our practices relating to accounting for contingencies, we record amounts as charges to earnings after taking into consideration the facts and circumstances of each matter known to us, including any settlement offers, and determine that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The ultimate resolution of any such exposure to us may vary from earlier estimates as further facts and circumstances become known. When a range of costs is possible and no amount within that range is a better estimate than another, we record the minimum amount of the range.

U.S. Government Claims – From time to time, our customers advise us of ordinary course claims and penalties concerning certain potential disallowed costs. When such findings are presented, we engage U.S. Government representatives in discussions to enable us to evaluate the merits of these claims as well as to assess the amounts being claimed. Where appropriate, provisions are made to reflect our expected exposure to the matters raised by the U.S. Government representatives and such provisions are reviewed on a quarterly basis for sufficiency based on the most recent information available.

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

Factors which could result in changes to the assessment of probability, range of estimated costs, and environmental accruals include: modification of planned remedial actions, increase or decrease in the estimated time required to remediate, discovery of more extensive contamination than anticipated, results of efforts to involve other legally responsible parties, financial insolvency of other responsible parties, changes in laws and regulations or contractual obligations affecting remediation requirements, and improvements in remediation technology.

Litigation Accruals – Litigation accruals are recorded as charges to earnings when management, after taking into consideration the facts and circumstances of each matter, including any settlement offers, has determined that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The ultimate resolution of any exposure to us may vary from earlier estimates as further facts and circumstances become known to us.

Uncertain Tax Positions – Tax positions meeting the more-likely-than-not recognition threshold may be recognized or continue to be recognized in the financial statements. The timing and amount of accrued interest is determined by the applicable tax law associated with an underpayment of income taxes. If a tax position does not meet the minimum statutory threshold to avoid payment of penalties, we recognize an expense for the amount of the penalty in the period the tax position is claimed in our tax return. We recognize interest accrued related to unrecognized tax benefits in income tax expense. Penalties, if probable and reasonably estimable, are recognized as a component of income tax expense. See Note 11 to the consolidated financial statements in Part II, Item 8. Under existing GAAP, prior to January 1, 2009, changes in accruals associated with uncertainties arising from the resolution of pre-acquisition contingencies of acquired businesses were charged or credited to goodwill; effective January 1, 2009, such changes will be recorded to income tax expense. Adjustments to other tax accruals are generally recorded in earnings in the period they are determined.

Retirement Benefits

Overview – We annually evaluate assumptions used in determining projected benefit obligations and the fair values of plan assets for our pension plans and other post-retirement benefits plans in consultation with our outside

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actuaries. In the event that we determine that plan amendments or changes in the assumptions are warranted, future pension and post-retirement benefit expenses could increase or decrease.

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

Discount Rate – The discount rate represents the interest rate that is used to determine the present value of future cash flows currently expected to be required to settle the pension and post-retirement benefit obligations. The discount rate is generally based on the yield of high-quality corporate fixed-income investments. At the end of each year, the discount rate is primarily determined using the results of bond yield curve models based on a portfolio of high quality bonds matching the notional cash inflows with the expected benefit payments for each significant benefit plan. Taking into consideration the factors noted above, our weighted-average pension composite discount rate was 5.76 percent at December 31, 2010, and 6.03 percent at December 31, 2009. Holding all other assumptions constant, and since net actuarial gains and losses were in excess of the 10 percent accounting corridor in 2010, an increase or decrease of 25 basis points in the discount rate assumption for 2010 would have decreased or increased pension and post-retirement benefit expense for 2010 by approximately \$80 million, of which \$3 million relates to post-retirement benefits, and decreased or increased the amount of the benefit obligation recorded at December 31, 2010, by approximately \$850 million, of which \$70 million relates to post-retirement benefits. The effects of hypothetical changes in the discount rate for a single year may not be representative and may be asymmetrical or nonlinear for future years because of the application of the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required. Due to adverse capital market conditions in 2008 our pension plan assets experienced a negative return of approximately 16 percent in 2008. As a result, substantially all of our plans experienced net actuarial losses outside the 10 percent accounting corridor at the end of 2008, thus requiring accumulated gains and losses to be amortized to expense. As a result of this condition, sensitivity of net periodic pension costs to changes in the discount rate were much higher in 2009 and 2010 than was the case in 2008 and prior. This condition is expected to continue into the near future.

Expected Long-Term Rate of Return – The expected long-term rate of return on plan assets represents the average rate of earnings expected on the funds invested in a specified target asset allocation to provide for anticipated future benefit payment obligations. For 2010 and 2009, we assumed an expected long-term rate of return on plan assets of 8.5 percent. An increase or decrease of 25 basis points in the expected long-term rate of return assumption for 2010, holding all other assumptions constant, would increase or decrease our pension and post-retirement benefit expense for 2010 by approximately \$54 million, of which \$2 million relates to post-retirement benefits.

Health Care Cost Trend Rates – The health care cost trend rates represent the annual rates of change in the cost of health care benefits based on external estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants. Using a combination of market expectations and economic projections including the effect of health care reform, we selected an expected initial health care cost trend rate of 8 percent for 2011 and an ultimate health care cost trend rate of 5 percent reached in 2017. In 2009, we assumed an expected initial health care cost trend rate of 7 percent for 2010 and an ultimate health care cost trend rate of 5 percent reached in 2014. Although our actual cost experience is much lower at this time, market conditions and the potential effects of health care reform are expected to increase medical cost trends in the next one to three years thus our past experience may not reflect future conditions.

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Differences in the initial through the ultimate health care cost trend rates within the range indicated below would have had the following impact on 2010 post-retirement benefit results:

<i>\$ in millions</i>	1-Percentage- Point Increase	1-Percentage- Point Decrease
Increase (Decrease) From Change In Health Care Cost Trend Rates To		
Post-retirement benefit expense	\$ 6	\$ (7)
Post-retirement benefit liability	74	(86)

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CONSOLIDATED OPERATING RESULTS

Selected financial highlights are presented in the table below.

<i>\$ in millions, except per share</i>	Year Ended December 31		
	2010	2009	2008
Sales and service revenues	\$34,757	\$33,755	\$ 32,315
Cost of sales and service revenues	(28,609)	(28,130)	(26,375)
General and administrative expenses	(3,078)	(3,142)	(3,143)
Goodwill impairment			(3,060)
Operating income (loss)	3,070	2,483	(263)
Interest expense	(281)	(281)	(295)
Charge on debt redemption	(231)		
Other, net	37	64	38
Federal and foreign income taxes	(557)	(693)	(859)
Diluted earnings (loss) per share from continuing operations	6.77	4.87	(4.12)
Net cash provided by operating activities	2,453	2,133	3,211

Sales and Service Revenues

Sales and service revenues consist of the following:

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Product sales	\$21,776	\$ 20,914	\$ 19,634
Service revenues	12,981	12,841	12,681
Sales and service revenues	\$34,757	\$33,755	\$ 32,315

2010 – Sales and service revenues increased \$1 billion, or 3 percent, over 2009. The increase is due to \$862 million higher product sales and \$140 million higher service revenues. The 4 percent increase in product sales reflects sales growth in Aerospace Systems and Shipbuilding. The 1 percent increase in service revenues reflects sales growth at Technical Services.

2009 – Sales and service revenues increased \$1.4 billion, or 4 percent, over 2008. The increase is due to \$1.3 billion higher product sales and \$160 million higher service revenues. The 7 percent increase in product sales reflects sales growth in Aerospace Systems, Electronic Systems and Shipbuilding. The 1 percent increase in service revenues reflects sales growth in Information Systems and Technical Services.

See the Segment Operating Results section below for further information.

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Cost of Sales and Service Revenues

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Cost of sales and service revenues			
Cost of product sales	\$16,820	\$16,591	\$15,490
<i>% of product sales</i>	<i>77.2%</i>	<i>79.3%</i>	<i>78.9%</i>
Cost of service revenues	11,789	11,539	10,885
<i>% of service revenues</i>	<i>90.8%</i>	<i>89.9%</i>	<i>85.8%</i>
General and administrative expenses	3,078	3,142	3,143
<i>% of total sales and service revenues</i>	<i>8.9%</i>	<i>9.3%</i>	<i>9.7%</i>
Goodwill impairment			3,060
Cost of sales and service revenues	\$31,687	\$ 31,272	\$32,578

Cost of Product Sales and Service Revenues

2010 – Cost of product sales in 2010 increased \$229 million, or 1 percent, over 2009 primarily due to the higher sales volume described above. The decrease in cost of product sales as a percentage of product sales was primarily due to lower GAAP pension expenses and performance improvements in Aerospace Systems and Electronic Systems.

Cost of service revenues in 2010 increased \$250 million, or 2 percent, over 2009 and as a percentage of service revenues increased 90 basis points, primarily due to program mix changes at Information Systems.

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

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

See the Segment Operating Results section below for further information.

General and Administrative Expenses – In accordance with industry practice and the regulations that govern the cost accounting requirements for government contracts, most general corporate expenses incurred at both the segment and corporate locations are considered allowable and allocable costs on government contracts. For most components of the company, these costs are allocated to contracts in progress on a systematic basis and contract performance factors include this cost component as an element of cost. General and administrative expenses primarily relate to segment operations. General and administrative expenses for 2010 decreased \$64 million from the prior year primarily due to the 2009 disposition of ASD at our Information Systems segment. General and administrative expenses as a percentage of total sales and service revenues decreased from 9.3 percent in 2009 to 8.9 percent in 2010, primarily due to cost reductions realized from the 2009 streamlining of our organizational structure from seven to five operating segments. General and administrative expenses as a percentage of total sales and service revenues decreased from 9.7 percent in 2008 to 9.3 percent in 2009, primarily due to lower corporate overhead costs and a \$64 million gain from a legal settlement in 2009, net of legal provisions and related expenses.

Goodwill Impairment – In 2008, we recorded a non-cash charge totaling \$3.1 billion at Aerospace Systems and Shipbuilding as a result of adverse equity market conditions that caused a decrease in market multiples and our stock price.

NORTHROP GRUMMAN CORPORATION**Operating Income (Loss)**

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

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

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Segment operating income (loss)	\$3,326	\$2,929	\$(299)
Unallocated corporate expenses	(220)	(111)	(157)
Net pension adjustment	(25)	(311)	263
Royalty income adjustment	(11)	(24)	(70)
Total operating income (loss)	\$3,070	\$ 2,483	\$(263)

Segment Operating Income (Loss)

Segment operating income in 2010 increased \$397 million, or 14 percent, as compared with 2009. Total segment operating income was 9.6 percent and 8.7 percent of total sales and service revenues in 2010 and 2009, respectively. The increase in 2010 segment operating income is primarily due to the 3 percent increase in sales volume and performance improvements across all operating segments. Segment operating income in 2009 was \$2.9 billion as compared with segment operating loss of \$299 million in 2008. The loss in 2008 was primarily due to goodwill impairment charges totaling \$3.1 billion at Aerospace Systems and Shipbuilding. See discussion of Segment Operating Results below for further information.

Unallocated Corporate Expenses

Unallocated corporate expenses generally include the portion of corporate expenses not considered allowable or allocable under applicable CAS and FAR rules, and therefore not allocated to the segments, such as management and administration, legal, environmental, certain compensation and retiree benefits, and other expenses. Unallocated corporate expenses for 2010 increased \$109 million, or 98 percent, as compared with 2009, primarily due to inclusion of a \$64 million net gain from a legal settlement in 2009, as well as an increase in environmental, health and welfare, and stock compensation expenses in 2010. Unallocated corporate expenses for 2009 decreased \$46 million, or 29 percent, as compared with 2008, primarily due to a \$64 million gain from a legal settlement in 2009, net of legal provisions and related expenses, partially offset by higher costs related to environmental remediation and post-retirement employee benefits.

Net Pension Adjustment

Net pension adjustment reflects the difference between pension expenses determined in accordance with GAAP and pension expense allocated to the operating segments determined in accordance with CAS. The pension adjustment in 2010 decreased by \$286 million as compared with 2009 primarily due to lower GAAP pension expense as a result of favorable returns on pension plan assets in 2009. The net pension adjustment in 2009 was an expense of \$311 million, as compared with income of \$263 million in 2008. The net pension expense in 2009 was primarily the result of negative returns on plan assets in 2008.

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Royalty Income Adjustment

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

Interest Expense

2010 – Interest expense in 2010 was comparable to 2009.

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

Charge on Debt Redemption

2010 – In November 2010, we repurchased outstanding debt held by our subsidiaries, Northrop Grumman Systems Corporation and Northrop Grumman Shipbuilding, Inc., and recorded a pre-tax charge of \$231 million primarily related to premiums paid on the debt tendered. See Liquidity and Capital Resources below and Note 14 to the consolidated financial statements in Part II, Item 8.

Other, net

2010 – Other, net for 2010 decreased \$27 million as compared with 2009, primarily due to lower royalty income and lower returns on investments in marketable securities used as a funding source for non-qualified employee benefits.

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

Federal and Foreign Income Taxes

2010 – Our effective tax rate on earnings from continuing operations for 2010 was 21.5 percent compared with 30.6 percent in 2009. In 2010, we recognized net tax benefits of approximately \$296 million to reflect the final approval from the IRS and the U.S. Congressional Joint Committee on Taxation (Joint Committee) of the IRS' examination of our tax returns for the years 2004 through 2006. In 2009, we recognized net tax benefits of approximately \$75 million primarily as a result of a final settlement with the IRS Office of Appeals and the Joint Committee related to our tax returns for years ended 2001 through 2003.

2009 – Our effective tax rate on earnings from continuing operations for 2009 was 30.6 percent compared with 33.8 percent in 2008 (excluding the non-cash, non-deductible goodwill impairment charge of \$3.1 billion at Aerospace Systems and Shipbuilding). The 2009 tax rate reflects net tax benefits of approximately \$75 million related to a final settlement with the IRS as discussed above.

Discontinued Operations

2010 – Earnings from discontinued operations, net of tax was \$15 million and is primarily attributable to adjustments to the gain on the 2009 sale of ASD to reflect purchase price adjustments and the utilization of additional capital loss carry-forwards.

2009 – Earnings from discontinued operations, net of tax was \$113 million for 2009, compared with \$117 million in 2008. The earnings were primarily attributable to the operating results and gain on disposition of ASD, which was sold in December 2009. See Note 6 to the consolidated financial statements in Part II, Item 8.

Diluted Earnings (Loss) Per Share

2010 – Diluted earnings per share from continuing operations in 2010 were \$6.77 per share, as compared with \$4.87 diluted earnings per share in 2009. Diluted earnings per share are based on weighted-average diluted shares outstanding of 301.1 million for 2010 and 323.3 million for 2009, respectively.

2009 – Diluted earnings per share from continuing operations in 2009 were \$4.87 per share, as compared with \$4.12 diluted loss per share in 2008. Earnings per share are based on weighted-average diluted shares outstanding

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

Net Cash Provided by Operating Activities

2010 – Net cash provided by operating activities in 2010 was \$2.5 billion as compared with \$2.1 billion in 2009 and reflects improved cash collections from our customers and lower tax payments, primarily due to \$508 million taxes paid in 2009 related to the sale of ASD. In 2010, we contributed \$894 million to our pension plans, of which \$830 million was voluntarily pre-funded, as compared with \$858 million in 2009, of which \$800 million was voluntarily pre-funded. Income taxes paid, net of refunds, was \$1.1 billion in 2010, as compared with \$1.3 billion in 2009.

Net cash provided by operating activities for 2010 included \$94 million of federal and state income tax refunds and \$11 million of interest income received.

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

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

SEGMENT OPERATING RESULTS**Basis of Presentation**

We are aligned into five reportable segments: Aerospace Systems, Electronic Systems, Information Systems, Shipbuilding and Technical Services. See Note 8 in Part II, Item 8 for more information about our segments.

In January 2010, we transferred our internal information technology services unit from the Information Systems segment to our corporate shared services group. The intersegment sales and operating income for this unit that were previously recognized in the Information Systems segment are immaterial and have been eliminated for the years presented.

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and Service Revenues			
Aerospace Systems	\$10,910	\$ 10,419	\$ 9,825
Electronic Systems	7,613	7,671	7,048
Information Systems	8,395	8,536	8,174
Shipbuilding	6,719	6,213	6,145
Technical Services	3,230	2,776	2,535
Intersegment eliminations	(2,110)	(1,860)	(1,412)
Total sales and service revenues	\$34,757	\$33,755	\$32,315

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<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Operating Income (Loss)			
Aerospace Systems	\$1,256	\$ 1,071	\$ 416
Electronic Systems	1,023	969	947
Information Systems	756	624	626
Shipbuilding	325	299	(2,307)
Technical Services	206	161	144
Intersegment eliminations	(240)	(195)	(125)
Total Segment Operating Income (Loss)	3,326	2,929	(299)
Non-segment factors affecting operating income (loss)			
Unallocated corporate expenses	(220)	(111)	(157)
Net pension adjustment	(25)	(311)	263
Royalty income adjustment	(11)	(24)	(70)
Total operating income (loss)	\$3,070	\$ 2,483	\$ (263)

See Consolidated Operating Results – Operating Income (Loss) above for more information on non-segment factors affecting our operating results.

KEY SEGMENT FINANCIAL MEASURES

Operating Performance Assessment and Reporting

We manage and assess the performance of our businesses based on our performance on individual contracts and programs obtained generally from government organizations using the financial measures referred to below, with consideration given to the Critical Accounting Policies, Estimates and Judgments described on page 32. As indicated in our discussion on “Contracts” on page 31, our portfolio of long-term contracts is largely flexibly-priced, which means that sales tend to fluctuate in concert with costs across our large portfolio of active contracts, with operating income being a critical measure of operational performance. Due to FAR rules that govern our business, most types of costs are allowable, and we do not focus on individual cost groupings (such as cost of sales or general and administrative costs) as much as we do on total contract costs, which are a key factor in determining contract operating income. As a result, in evaluating our operating performance, we look primarily at changes in sales and service revenues, and operating income, including the effects of significant changes in operating income as a result of changes in contract estimates and the use of the cumulative catch-up method of accounting in accordance with GAAP. Unusual fluctuations in operating performance attributable to changes in a specific cost element across multiple contracts, however, are described in our analysis. Based on this approach and the nature of our operations, the discussion of results of operations generally focuses around our five segments versus distinguishing between products and services. Our Aerospace Systems, Electronic Systems and Shipbuilding segments generate predominantly product sales, while the Information Systems and Technical Services segments generate predominantly service revenues.

Sales and Service Revenues

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

NORTHROP GRUMMAN CORPORATION**Segment Operating Income**

Segment operating income reflects the aggregate performance results of contracts within a business area or segment. Excluded from this measure are certain costs not directly associated with contract performance, including the portion of corporate expenses such as management and administration, legal, environmental, certain compensation and other retiree benefits, and other expenses not considered allowable or allocable under applicable CAS regulations and the FAR, and therefore not allocated to the segments. Changes in segment operating income are typically expressed in terms of volume, as discussed above, or performance. Performance refers to changes in contract margin rates. These changes typically relate to profit recognition associated with revisions to total estimated costs at completion of the contract (EAC) that reflect improved (or deteriorated) operating performance on a particular contract. Operating income changes are accounted for on a cumulative to date basis at the time an EAC change is recorded.

Operating income may also be affected by, among other things, the effects of workforce stoppages, natural disasters (such as hurricanes and earthquakes), resolution of disputed items with the customer, recovery of insurance proceeds, and other discrete events. At the completion of a long-term contract, any originally estimated costs not incurred or reserves not fully utilized (such as warranty reserves) could also impact contract earnings. Where such items have occurred, and the effects are material, a separate description is provided.

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

Program Descriptions

For convenience, a brief description of certain programs discussed in this Form 10-K are included in the "Glossary of Programs" beginning on page 54.

AEROSPACE SYSTEMS

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and Service Revenues	\$10,910	\$10,419	\$9,825
Segment Operating Income	1,256	1,071	416
<i>As a percentage of segment sales</i>	11.5%	10.3%	4.2%

Sales and Service Revenues

2010 – Aerospace Systems revenue increased \$491 million, or 5 percent, as compared with 2009. The increase is primarily due to \$517 million higher sales in Battle Management & Engagement Systems (BM&ES) and \$218 million higher sales in Strike & Surveillance Systems (S&SS), partially offset by \$315 million lower sales in Advanced Programs & Technology (AP&T). The increase in BM&ES is due to higher sales volume on the Broad Area Maritime Surveillance (BAMS) Unmanned Aircraft System, EA-6B, EA-18G, E-2 and Long Endurance Multi-Intelligence Vehicle (LEMV) programs. The increase in S&SS is primarily due to higher sales volume associated with manned and unmanned aircraft programs, such as the Global Hawk High-Altitude Long-Endurance (HALE) Systems, the F-35 Lightning II (F-35), B-2 Stealth Bomber and F/A-18, partially offset by the termination of the Kinetic Energy Interceptor (KEI) program in 2009 and decreased activity on the Intercontinental Ballistic Missile (ICBM) program. The decrease in AP&T is primarily due to lower sales volume on restricted programs and the Navy Unmanned Combat Air System (N-UCAS) program.

2009 – Aerospace Systems revenue increased \$594 million, or 6 percent, as compared with 2008. The increase was primarily due to \$201 million higher sales in Space Systems (SS), \$201 million higher sales in BM&ES, and \$191 million higher sales in S&SS. The increase in SS was primarily due to the ramp-up of restricted programs awarded in 2008, partially offset by decreased sales volume on the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and cancellation of the Transformational Satellite Communications System (TSAT) program. The increase in BM&ES was primarily due to higher sales volume on the BAMS Unmanned Aircraft System, the E-2D Advanced Hawkeye, and the EA-18G programs, partially offset by lower

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sales volume on the E2-C as the program is nearing completion. The increase in S&SS was primarily due to higher sales volume from the Global Hawk HALE Systems, F-35, F/A-18, and B-2 programs, partially offset by decreased activity on the KEI program, which was terminated for convenience in 2009, and the ICBM program.

Segment Operating Income

2010 – Aerospace Systems operating income increased \$185 million, or 17 percent, as compared with 2009. The increase is primarily due to \$128 million in net performance improvements across various programs, principally within SS, and \$57 million from the higher sales volume discussed above.

2009 – Aerospace Systems operating income increased \$655 million, or 157 percent, as compared with 2008. The increase was primarily due to a 2008 goodwill impairment charge of \$570 million (see Note 12 to the consolidated financial statements in Part II, Item 8), \$61 million from the higher sales volume discussed above, and \$24 million in improved program performance. The \$24 million in improved program performance was principally due to \$67 million in performance improvements in S&SS programs, primarily related to the ICBM program and the Global Hawk HALE Systems, partially offset by \$33 million in lower performance across various programs in SS and BM&ES.

ELECTRONIC SYSTEMS

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and Service Revenues	\$7,613	\$7,671	\$7,048
Segment Operating Income	1,023	969	947
<i>As a percentage of segment sales</i>	13.4%	12.6%	13.4%

Sales and Service Revenues

2010 – Electronic Systems revenue decreased \$58 million, or less than 1 percent, as compared with 2009. The decrease is primarily due to \$150 million lower sales in Land & Self Protection Systems, \$84 million lower sales in Intelligence, Surveillance & Reconnaissance (ISR) Systems and \$82 million lower sales in Naval & Marine Systems, partially offset by \$186 million higher sales in Targeting Systems and \$72 million higher sales in Advanced Concepts & Technologies. The decrease in Land & Self Protection Systems is due to lower sales volume on the Ground/Air Task Oriented Radar (G/ATOR) program as it transitions from the development phase to the integration and test phase and lower unit deliveries on the Vehicular Intercommunications Systems (VIS) program. The decrease in ISR Systems is due to lower sales volume on the Space Based Infrared Systems (SBIRS) program as it transitions to follow-on production, postal automation programs and various international programs. The decrease in Naval & Marine Systems is due to lower volume on the ship-board Cobra Judy replacement radar program. The increase in Targeting Systems is due to higher sales volume on the F-35, various laser systems and restricted programs and increased unit deliveries of the LITENING targeting pod system. The increase in Advanced Concepts & Technologies is primarily due to volume on restricted programs.

2009 – Electronic Systems revenue increased \$623 million, or 9 percent, as compared with 2008. The increase was primarily due to \$213 million higher sales in Targeting Systems, \$188 million higher sales in ISR Systems, \$88 million higher sales in Land & Self Protection Systems, \$80 million higher sales in Navigation Systems and \$30 million higher sales in Naval & Marine Systems. The increase in Targeting Systems was due to higher sales volume on the F-35 and restricted programs. The increase in ISR Systems was due to higher sales volume on SBIRS follow-on production and intercompany programs. The increase in Land & Self Protection Systems was due to higher deliveries associated with the Large Aircraft Infrared Countermeasures (LAIRCM) program, higher volume on the B-52 Sustainment and intercompany programs. The increase in Navigation Systems was due to higher volume on Inertial and Fiber Optic Gyro navigation programs. The increase in Naval & Marine Systems was due to higher volume on power and propulsion systems for the Virginia-class submarine program.

NORTHROP GRUMMAN CORPORATION**Segment Operating Income**

2010 – Electronic Systems operating income increased \$54 million, or 6 percent, as compared with 2009. The increase is primarily due to net performance improvements in land and self protection programs, higher volume in Targeting Systems, and lower operating loss provisions in postal automation programs.

2009 – Electronic Systems operating income increased \$22 million, or 2 percent, as compared with 2008. The increase was primarily due to \$79 million from the higher sales volume discussed above, partially offset by \$57 million in higher unfavorable performance adjustments in 2009. The higher unfavorable performance adjustments in 2009 were due to adjustments of \$98 million in ISR Systems, primarily on the Flats Sequencing System postal automation program, partially offset by favorable performance adjustments in targeting systems and land and self protection programs. Operating performance adjustments in 2008 included royalty income of \$60 million and a \$20 million charge for the MESA Wedgetail program associated with potential liquidated damages arising from the prime contractor's announced schedule delay in completing the program.

INFORMATION SYSTEMS

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and Service Revenues	\$8,395	\$8,536	\$8,174
Segment Operating Income	756	624	626
<i>As a percentage of segment sales</i>	9.0%	7.3%	7.7%

Sales and Service Revenues

2010 – Information Systems revenue decreased \$141 million, or 2 percent, as compared with 2009. The decrease is primarily due to \$130 million lower sales in Intelligence Systems and \$57 million lower sales in Civil Systems, partially offset by \$55 million higher sales in Defense Systems. The decrease in Intelligence Systems is primarily due to lower sales volume on restricted programs and the loss of the Navstar Global Positioning System Operational Control Segment (GPS OCX) program. The decrease in Civil Systems is primarily due to lower sales volume on the New York City Wireless (NYCWiN) and Armed Forces Health Longitudinal Technology Application (AHLTA) programs. The increase in Defense Systems is primarily due to program growth on Battlefield Airborne Communications Node (BACN), Joint National Integration Center Research and Development Contract (JRDC) and Integrated Battle Command System (IBCS) activities, partially offset by lower sales volume on the Trailer Mounted Support System (TMSS) program as it nears completion, and decreased Systems and Software Engineer Support activities.

2009 – Information Systems revenue increased \$362 million, or 4 percent, as compared with 2008. The increase was primarily due to \$285 million in higher sales in Intelligence Systems and \$194 million in higher sales in Defense Systems, partially offset by \$123 million in lower sales in Civil Systems. The increase in Intelligence Systems was primarily due to program growth on the Counter Narco-Terrorism Program Office (CNTPO), Guardrail Common Sensor System indefinite delivery indefinite quantity (IDIQ) and certain restricted programs, partially offset by lower sales volume on the Navstar GPS OCX program. The increase in Defense Systems was primarily due to program growth on TMSS, Airborne and Maritime/Fixed Stations Joint Tactical Radio Systems and BACN programs, partially offset by fewer delivery orders on the Force XXI Battle Brigade and Below (FBCB2) I-Kits program. The decrease in Civil Systems was primarily due to lower volume on NYCWiN and Virginia IT outsourcing (VITA) programs.

Segment Operating Income

2010 – Information Systems operating income increased \$132 million, or 21 percent, as compared with 2009 and as percentage of sales increased 170 basis points. The increase is primarily due to performance improvements on Civil Systems programs. In 2009, operating income included \$37 million of non-recurring costs associated with the sale of ASD.

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

SHIPBUILDING

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and Service Revenues	\$6,719	\$6,213	\$6,145
Segment Operating Income (Loss)	325	299	(2,307)
<i>As a percentage of segment sales</i>	4.8%	4.8%	(37.5%)

Sales and Service Revenues

2010 – Shipbuilding revenue increased \$506 million, or 8 percent, as compared with 2009. The increase is due to \$388 million higher sales in Expeditionary Warfare, \$144 million higher sales in Aircraft Carriers and \$114 million in higher sales in Submarines, partially offset by \$98 million lower sales in Surface Combatants. The increase in Expeditionary Warfare is primarily due to higher sales volume on the LPD and LHA programs, partially offset by delivery of the LHD 8 in 2009. In the second quarter of 2010, we announced the wind-down of shipbuilding operations at the Avondale, Louisiana facility in 2013 (see Note 7 to the consolidated financial statements in Part II, Item 8) and reduced revenues by \$115 million to reflect revised estimates to complete LPDs 23 and 25. In the year-ended December 31, 2009, we reduced revenues by \$160 million to reflect revised estimates to complete the LPD-class ships and the LHA 6. The increase in Aircraft Carriers is primarily due to higher sales volume on the Gerald R. Ford construction program and the USS *Theodore Roosevelt* Refueling and Complex Overhaul (RCOH), partially offset by the delivery of USS *George H.W. Bush* and re-delivery of the USS *Enterprise* and USS *Carl Vinson* in early 2010 and 2009, respectively. The increase in Submarines is due to higher sales volume on the *Virginia*-class submarines. The decrease in Surface Combatants is due to lower sales volume on the DDG programs.

2009 – Shipbuilding revenue increased \$68 million, or 1 percent, as compared with 2008. The increase was due to \$180 million higher sales in Submarines, \$58 million higher sales in Expeditionary Warfare and \$39 million higher sales in Aircraft Carriers, partially offset by \$113 million lower sales in Fleet Support and \$109 million lower sales in Surface Combatants. The increase in Submarines was primarily due to higher sales volume on the construction of the *Virginia*-class submarines. The increase in Expeditionary Warfare was due to higher sales volume in the LPD program due to production ramp-ups, partially offset by the delivery of the LHD 8. The decrease in Fleet Support was primarily due to the redelivery of the USS *Toledo* submarine in the first quarter of 2009 and decreased carrier fleet support services. The decrease in Surface Combatants was primarily due to lower sales volume on the DDG 51 program.

Segment Operating Income (Loss)

2010 – Shipbuilding operating income increased \$26 million, or 9 percent, as compared with 2009, primarily due to the higher sales volume discussed above. Operating income in 2010 includes the effects of unfavorable performance adjustments on Expeditionary Warfare programs, partially offset by milestone incentives on the LPD contracts. In Expeditionary Warfare, we recorded unfavorable performance adjustments of \$132 million on LPDs 22 through 25, including the effect of a \$113 million charge for the cumulative effect of the \$210 million of incremental costs expected in connection with our decision to wind down shipbuilding operations at the Avondale facility in 2013 (see Note 7 to the consolidated financial statements in Part II, Item 8). Additionally, we recognized an unfavorable adjustment of \$30 million to reflect additional costs to complete post-delivery work for the LHD 8. In 2009, operating income included \$38 million and \$171 million in unfavorable performance adjustments on the DDG 51 and LPD 17 programs, partially offset by a \$54 million favorable adjustment on the LHD 8 contract.

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2009 – Shipbuilding operating income was \$299 million as compared with operating loss of \$2.3 billion in 2008. The increase was primarily due to the 2008 goodwill impairment charge of \$2.5 billion (See Note 12 to the consolidated financial statements in Part II, Item 8), and improved performance in Expeditionary Warfare as compared to 2008. In 2008, the Expeditionary Warfare business had net negative performance adjustments of \$263 million due principally to adjustments on the LHD 8 contract, cost growth and schedule delays on the LPD program and the effects of Hurricane Ike on a subcontractor's performance.

TECHNICAL SERVICES

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and Service Revenues	\$3,230	\$2,776	\$2,535
Segment Operating Income	206	161	144
<i>As a percentage of segment sales</i>	6.4%	5.8%	5.7%

Sales and Service Revenues

2010 – Technical Services revenue increased \$454 million, or 16 percent, as compared with 2009. The increase is primarily due to \$379 million higher sales in the Integrated Logistics and Modernization Division (ILMD). The increase in ILMD is primarily due to the continued ramp-up of the recently awarded KC-10 and C-20 programs.

2009 – Technical Services revenue increased \$241 million, or 10 percent, as compared with 2008. The increase was primarily due to \$245 million higher sales in ILMD, and \$74 million higher sales in Training Solutions Division (TSD), partially offset by \$72 million lower sales in Defense and Government Services Division (DGSD). The increase in ILMD was due to increased task orders for the CNTPO program and higher demand on the Hunter Contractor Logistics Support (CLS) programs in support of the DoD's surge in Intelligence, Surveillance, and Reconnaissance (ISR) initiatives. The increase in TSD was due to higher volume on various training and simulation programs including the Joint Warfighting Center Support, Saudi Arabia National Guard Modernization and Training, Global Linguist Solutions, National Level Exercise 2009 and African Contingency Operations Training Assistance programs. These increases were partially offset by lower 2009 sales in DGSD due to the completion of the Joint Base Operations Support program in 2008.

Segment Operating Income

2010 – Operating income at Technical Services increased \$45 million, or 28 percent, as compared with 2009. The increase is primarily due to the higher sales volume discussed above. Operating income as a percentage of sales increased 60 basis points and reflects improved program performance and business mix changes.

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

BACKLOG**Definition**

Total backlog at December 31, 2010, was approximately \$64.2 billion. Total backlog includes both funded backlog (firm orders for which funding is contractually obligated by the customer) and unfunded backlog (firm orders for which funding is not currently contractually obligated by the customer). Unfunded backlog excludes unexercised contract options and unfunded indefinite delivery indefinite quantity (IDIQ) orders. For multi-year services contracts with non-federal government customers having no stated contract values, backlog includes only the amounts committed by the customer.

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The following table presents funded and unfunded backlog by segment at December 31, 2010, and 2009:

<i>\$ in millions</i>	2010			2009		
	Funded	Unfunded	Total Backlog	Funded	Unfunded	Total Backlog
Aerospace Systems	\$ 9,185	\$ 11,683	\$ 20,868	\$ 8,320	\$ 16,063	\$ 24,383
Electronic Systems	8,093	2,054	10,147	7,591	2,784	10,375
Information Systems	4,711	5,879	10,590	4,319	4,508	8,827
Shipbuilding	9,569	7,772	17,341	11,294	9,151	20,445
Technical Services	2,763	2,474	5,237	2,352	2,804	5,156
Total Backlog	\$34,321	\$ 29,862	\$ 64,183	\$ 33,876	\$ 35,310	\$69,186

Backlog is converted into the following years' sales as costs are incurred or deliveries are made. Approximately 48 percent of the \$64.2 billion total backlog at December 31, 2010, is expected to be converted into sales in 2011. Total U.S. Government orders, including those made on behalf of foreign governments, comprised 91 percent of the total backlog at the end of 2010. Total foreign customer orders accounted for 5 percent of the total backlog at the end of 2010. Domestic commercial backlog represented 4 percent of total backlog at the end of 2010.

Backlog Adjustments

2010 – A \$1.1 billion reduction in backlog was recorded in 2010 as a result of the restructure of the NPOESS program at our Aerospace Systems segment.

Backlog was also impacted in 2010 by an agreement we reached with the Commonwealth of Virginia related to the VITA contract. The agreement defined minimum revenue amounts for the remaining years under the base contract and extended the contract for three additional years through 2019. We recorded a favorable backlog adjustment of \$824 million for the definitization of the base contract revenues for years 2011 through 2016, while the contract extension and 2010 portion of the base contract revenues, totaling \$802 million, were recorded as new awards in the period in our Information Systems segment.

2009 – Total backlog in 2009 reflects a negative backlog adjustment of \$5.8 billion for the Kinetic Energy Interceptor program termination for convenience at Aerospace Systems and the DDG 1000 program restructure at Shipbuilding.

New Awards

2010 – The estimated value of contract awards included in backlog during the year ended December 31, 2010, was \$30 billion. Significant new awards during this period include \$1.2 billion for the Global Hawk HALE program, \$979 million for the E-2 Hawkeye programs, \$942 million for the AEHF program, \$802 million for the VITA program, \$677 million for the Joint National Integration Center Research and Development contract, \$656 million for the F/A 18 Hornet Strike Fighter program, \$654 million for the ICBM program, \$631 million for the B-2 Stealth Bomber programs, \$579 million for the F-35 program, \$565 million for the NSTec program, \$507 for the KC-10 program, \$505 million for the Large Aircraft Infrared Counter-measures programs and various restricted awards.

2009 – The estimated value of new contract awards during the year ended December 31, 2009, was \$32.3 billion. Significant new awards during this period include a contract valued up to \$2.4 billion for the USS *Theodore Roosevelt* RCOH, \$1.2 billion for the F-35 LRIP program, \$1.2 billion for the Global Hawk HALE program, \$1 billion for the B-2 program, up to \$635 million for engineering, design and modernization support of new construction, operational, and decommissioning submarines, \$485 million for the Nevada Test Site program, \$484 million for the E2-D LRIP program, \$437 million for the IBCS program, \$403 million for the

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SBIRS follow on production program, \$385 million for the Saudi Arabian National Guard Modernization and Training program, \$374 million for the *Gerald R. Ford* aircraft carrier, \$360 million for the BACN program, \$296 million to finalize the development of the Distributed Common Ground System-Army (DCGS-A), \$286 million for the LAIRCM IDIQ, and various restricted awards.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Net earnings (loss)	\$2,053	\$1,686	\$(1,262)
(Earnings) from discontinued operations		(95)	(91)
Gain on sale of businesses		(446)	(58)
Charge on debt redemption	231		
Impairment of goodwill			3,060
Other non-cash items ⁽¹⁾	881	951	993
Retiree benefit funding in excess of expense	(326)	(20)	(167)
Trade working capital (increase) decrease	(386)	(45)	563
Cash provided by discontinued operations		102	173
Net cash provided by operating activities	\$2,453	\$ 2,133	\$ 3,211

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

Free Cash Flow

Free cash flow represents cash from operating activities less capital expenditures and outsourcing contract and related software costs. Outsourcing contract and related software costs are similar to capital expenditures in that the contract costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition and transition/set-up. These outsourcing contract and related software costs are deferred and expensed over the contract life. We believe free cash flow is a useful measure for investors to consider. This measure is a key factor used by management in our planning for and consideration of strategic acquisitions, stock repurchases and the payment of dividends.

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

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Net cash provided by operating activities	\$2,453	\$ 2,133	\$ 3,211
Less:			
Capital expenditures	(770)	(654)	(681)
Outsourcing contract & related software costs	(6)	(68)	(110)
Free cash flow from operations	\$1,677	\$ 1,411	\$ 2,420

Cash Flows

The following is a discussion of our major operating, investing and financing activities for each of the three years in the period ended December 31, 2010, as classified on the consolidated statements of cash flows located in Part II, Item 8.

Operating Activities

2010 – Net cash provided by operating activities in 2010 increased \$320 million as compared with 2009 and reflects improved cash collections from our customers and lower tax payments. In 2009, net cash provided by operating activities included \$508 million taxes paid related to the sale of ASD. Pension plan contributions totaled \$894 million in 2010, of which \$830 million was voluntarily pre-funded.

In 2011, we expect to contribute the required minimum funding level of approximately \$62 million to our pension plans and approximately \$160 million to our other post-retirement benefit plans, and also expect to make additional voluntary pension contributions of approximately \$500 million. We expect cash generated from operations for 2011 to be sufficient to service debt and contract obligations, finance capital expenditures, continue acquisition of shares under the share repurchase program, and continue paying dividends to our shareholders. Although 2011 cash from operations is expected to be sufficient to service these obligations, we may borrow under credit facilities to accommodate timing differences in cash flows. We have a committed \$2 billion revolving credit facility that is currently undrawn and that can be accessed on a same-day basis. Additionally, we believe we could access capital markets for debt financing for longer-term funding, under current market conditions, if needed.

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

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

Investing Activities

2010 – Cash used in investing activities was \$761 million in 2010 and reflects \$770 million of capital expenditures, which includes \$57 million of capitalized software costs. Capital expenditure commitments at December 31, 2010, were approximately \$444 million, which are expected to be paid with cash on hand.

2009 – Cash provided by investing activities was \$867 million in 2009. During 2009, we received \$1.65 billion in proceeds from the sale of ASD (see Note 6 to the consolidated financial statements in Part II, Item 8), paid \$68 million for outsourcing costs related to outsourcing services contracts, and paid \$33 million to acquire Sonoma Photonics, Inc. and the assets from Swift Engineering's Killer Bee Unmanned Air Systems product line

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(see Note 5 to the consolidated financial statements in Part II, Item 8). Capital expenditures in 2009 were \$654 million and included \$36 million of capitalized software costs.

2008 – Cash used in investing activities was \$626 million in 2008. During 2008, we received \$175 million in proceeds from the sale of the Electro-Optical Systems business, spent \$92 million for the acquisition of 3001 International, Inc. (see Notes 5 and 6 to the consolidated financial statements in Part II, Item 8), paid \$110 million for outsourcing costs related to outsourcing services contracts, and released \$61 million of restricted cash related to the Gulf Opportunity Zone Industrial Development Revenue Bonds (see Note 14 to the consolidated financial statements in Part II, Item 8). We had \$11 million in restricted cash as of December 31, 2008 related to the Xinetics Inc. purchase (see Note 5 to the consolidated financial statements in Part II, Item 8). Capital expenditures in 2008 were \$681 million and included \$23 million of capitalized software costs.

Financing Activities

2010 – Cash used in financing activities in 2010 was \$1.3 billion, which was comparable to 2009. Financing activities in 2010 reflect \$1.2 billion in debt payments, including the repurchase of \$682 million of higher coupon debt, \$231 million for fees and associated premiums paid to the tendering holders of these debt securities, and the repurchase of \$178 million of Shipbuilding indebtedness in connection with our analysis of strategic alternatives for that business. These financing outflows were offset by \$1.5 billion in net proceeds from new debt issuances. See Note 14 to the consolidated financial statements in Part II, Item 8. In addition, we repurchased \$1.2 billion of our common shares outstanding in 2010.

2009 – Cash used in financing activities in 2009 was \$1.2 billion compared with \$2 billion in 2008 and reflects \$843 million in net proceeds from new debt issuance in 2009. See Note 14 to the consolidated financial statements in Part II, Item 8.

2008 – Cash used in financing activities in 2008 was \$2 billion compared to \$1.5 billion in 2007. The \$532 million increase is primarily due to \$380 million more for share repurchases and \$171 million lower proceeds from stock option exercises.

Share Repurchases – We repurchased 19.7 million, 23.1 million, and 21.4 million shares in 2010, 2009, and 2008, respectively. See Purchases of Equity Securities by Issuer and Affiliated Purchasers in Part II, Item 5 and Note 4 to the consolidated financial statements in Part II, Item 8 for a discussion concerning our common stock repurchases.

Credit Facility

We have a revolving credit agreement, which provides for a five-year revolving credit facility in an aggregate principal amount of \$2 billion and a maturity date of August 10, 2012. The credit facility permits us to request additional lending commitments from the lenders under the agreement or other eligible lenders under certain circumstances, and thereby increase the aggregate principal amount of the lending commitments under the agreement by up to an additional \$500 million. Our credit agreement contains a financial covenant relating to a maximum debt to capitalization ratio, and certain restrictions on additional asset liens, unless permitted by the agreement. As of December 31, 2010, we were in compliance with all covenants.

There were no borrowings during 2010 and 2009 under this facility. There was no balance outstanding under this facility at December 31, 2010, and 2009.

Other Sources and Uses of Capital

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

We expect that cash on hand at the beginning of the year plus cash generated from operations supplemented by borrowings under credit facilities and in the capital markets, if needed, will be sufficient in 2011 to service debt and contract obligations, finance capital expenditures, pay federal, foreign, and state income taxes, fund required

NORTHROP GRUMMAN CORPORATION

and voluntary pension and other post retirement benefit plan contributions, continue acquisition of shares under the share repurchase program, and continue paying dividends to shareholders. We will continue to provide the productive capacity to perform our existing contracts, prepare for future contracts, and conduct research and development in the pursuit of developing opportunities.

Financial Arrangements – In the ordinary course of business, we use standby letters of credit and guarantees issued by commercial banks and surety bonds issued by insurance companies principally to guarantee the performance on certain contracts and to support our self-insured workers' compensation plans. At December 31, 2010, there were \$303 million of unused stand-by letters of credit, \$192 million of bank guarantees, and \$446 million of surety bonds outstanding.

Contractual Obligations

The following table presents our contractual obligations as of December 31, 2010, and the estimated timing of future cash payments:

<i>\$ in millions</i>	Total	2011	2012 - 2013	2014 - 2015	2016 and beyond
Long-term debt	\$ 4,808	\$ 773	\$ 9	\$ 855	\$ 3,171
Interest payments on long-term debt	3,035	241	430	416	1,948
Operating leases	1,514	367	499	330	318
Purchase obligations ⁽¹⁾	9,303	6,042	2,782	464	15
Other long-term liabilities ⁽²⁾	1,488	321	347	239	581
Total contractual obligations	\$20,148	\$ 7,744	\$ 4,067	\$ 2,304	\$ 6,033

- (1) A "purchase obligation" is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. These amounts are primarily comprised of open purchase order commitments to vendors and subcontractors pertaining to funded contracts.
- (2) Other long-term liabilities primarily consist of total accrued workers' compensation and environmental reserves, deferred compensation, and other miscellaneous liabilities, of which \$109 million and \$197 million of the environmental and workers' compensation reserves, respectively, are recorded in other current liabilities. It excludes obligations for uncertain tax positions of \$135 million, as the timing of the payments, if any, cannot be reasonably estimated.

The table above also excludes estimated minimum funding requirements and expected voluntary contributions for retiree benefit plans as set forth by ERISA in relation to the company's pension and postretirement benefit obligations totaling approximately \$5.5 billion over the next five years: \$722 million in 2011, \$494 million in 2012, \$698 million in 2013, \$696 million in 2014, and \$719 million in 2015. The company also has payments due under plans that are not required to be funded in advance, but are funded on a pay-as-you-go basis. See Note 17 to the consolidated financial statements in Part II, Item 8.

Further details regarding long-term debt and operating leases can be found in Notes 14 and 16, respectively, to the consolidated financial statements in Part II, Item 8.

OTHER MATTERS

Accounting Standards Updates

The Financial Accounting Standards Board has issued new accounting standards which are not effective until after December 31, 2010. For further discussion of new accounting standards, see Note 2 to the consolidated financial statements in Part II, Item 8.

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Off-Balance Sheet Arrangements

As of December 31, 2010, we had no significant off-balance sheet arrangements other than operating leases. For a description of our operating leases, see Note 16 to the consolidated financial statements in Part II, Item 8.

GLOSSARY OF PROGRAMS

Listed below are brief descriptions of the programs discussed in Segment Operating Results of this Form 10-K.

Program Name	Program Description
Advanced Extremely High Frequency (AEHF)	Provide the communication payload for the nation's next generation military strategic and tactical satellite relay systems that will deliver survivable, protected communications to U.S. forces and selected allies worldwide.
African Contingency Operations Training Assistance (ACOTA)	Provide peacekeeping training to militaries in African nations via the Department of State. The program is designed to improve the ability of African governments to respond quickly to crises by providing selected militaries with the training and equipment required to execute humanitarian or peace support operations.
Airborne and Maritime/Fixed Stations Joint Tactical Radio Systems (AMF JTRS)	AMF JTRS will develop a communications capability that includes two software-defined, multifunction radio form factors for use by the U.S. Department of Defense and potential use by the U.S. Department of Homeland Security. Northrop Grumman has the responsibility for leading the Joint Tactical Radio (JTR) integrated product team and co-development of the JTR small airborne (JTR-SA) hardware and software. The company will also provide common JTR software for two JTR form factors, wideband power amplifiers, and the use of Northrop Grumman's Advanced Communications Test Center in San Diego as the integration and test site for the JTR-SA radio, waveforms and ancillaries.
Armed Forces Health Longitudinal Technology Application (AHLTA)	An enterprise-wide medical and dental clinical information system that provides secure online access to health records.
B-2 Stealth Bomber	Maintain strategic, long-range multi-role bomber with war-fighting capability that combines long range, large payload, all-aspect stealth, and near-precision weapons in one aircraft.
B-52 Sustainment	B-52 ALQ-155, ALQ-122, ALT-16, ALT-32 and ALR-20 PowerManagement Systems are legacy electronic countermeasures systems protecting the B-52 over a wideband frequency range. The program provides design and test products to resolve obsolescence and maintainability issues using modern digital receiver/exciter designs.
Battlefield Airborne Communications Node (BACN)	Install the BACN system in three Bombardier BD-700 Global Express aircraft for immediate fielding and install the BACN system into two Global Hawk Block 20 unmanned aerial vehicles.
Broad Area Maritime Surveillance (BAMS) Unmanned Aircraft System	A maritime derivative of the Global Hawk that provides persistent maritime Intelligence, Surveillance, and Reconnaissance (ISR) data collection and dissemination capability to the Maritime Patrol and Reconnaissance Force.
Cobra Judy	The Cobra Judy Replacement program will replace the current U.S. Naval Ship (USNS) Observation Island and its aged AN/SPQ-11 Cobra Judy

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Program Name	Program Description
	ballistic missile tracking radar. Northrop Grumman will provide the S-band phased-array radar for use in technical data collection against ballistic missiles in flight.
Counter Narco-Terrorism Program Office (CNTPO)	Counter Narco Terrorism Program Office provides support to the U.S. Government, coalition partners, and host nations in Technology Development and Application Support; Training; Operations and Logistics Support; and Professional and Executive Support. The program provides equipment and services to research, develop, upgrade, install, fabricate, test, deploy, operate, train, maintain, and support new and existing federal Government platforms, systems, subsystems, items, and host- nation support initiatives.
C-20	Contractor Logistics Services (CLS) contract supporting the U.S. Air Force, Army, Navy and Marine Corps C-20 aircraft including depot maintenance, contractor operational and maintained base supply, flight line maintenance and field team support at multiple Main Operating Bases (MOBs), located in the United States and overseas.
DDG 51	Build Aegis guided missile destroyer, equipped for conducting anti-air, anti-submarine, anti-surface and strike operations.
DDG 1000	Design and build components of the first in a class of the U.S. Navy's multi-mission surface combatants tailored for land attack and littoral dominance.
Deepwater Modernization	Multi-year program to modernize and replace the Coast Guard's aging ships and aircraft, and improve command and control and logistics systems. The company has design and production responsibility for surface ships.
Distributed Common Ground System-Army (DCGS-A) Mobile Basic	DCGS-A Mobile Basic is the Army's latest in a series of DCGS-A systems designed to access and ingest multiple data types from a wide variety of intelligence sensors, sources and databases. This new system will also deliver greater operational and logistical advantages over the currently-fielded DCGS-A Version 3 and the nine ISR programs it replaces.
E-2 Hawkeye	The U.S. Navy's airborne battle management command and control mission system platform providing airborne early warning detection, identification, tracking, targeting, and communication capabilities. The company is developing the next generation capability including radar, mission computer, vehicle, and other system enhancements, to support the U.S Naval Battle Groups and Joint Forces, called the E-2D. The U.S. Navy approved Milestone C for Low Rate Initial Production.
EA-6B	The EA-6B (Prowler) primary mission is to jam enemy radar and communications, thereby preventing them from directing hostile surface-to-air missiles at assets the Prowler protects. When equipped with the improved ALQ-218 receiver and the next generation ICAP III (Increased Capability) Airborne Electronic Attack (AEA) suite the Prowler is able to provide rapid detection, precise classification, and highly accurate geolocation of electronic emissions and counter modern, frequency-hopping radars. A derivative/variant of the EA-6B ICAP III mission system is also being incorporated into the F/A- 18 platform and designated the EA-18G.

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Program Name	Program Description
EA-18G	The EA-18G is the replacement platform for the EA6B Prowler, which is currently the armed services' only offensive tactical radar jamming aircraft. The Increased Capability (ICAP) III mission system capability, developed for the EA-6B Prowler, will be incorporated into an F/A-18 platform (designated the EA-18G).
F/A-18	Produce the center and aft fuselage sections, twin vertical stabilizers, and integrate all associated subsystems for the F/A-18 Hornet strike fighters.
F-35 Lightning II	Design, integration, and/or development of the center fuselage and weapons bay, communications, navigations, identification subsystem, systems engineering, and mission systems software as well as provide ground and flight test support, modeling, simulation activities, and training courseware.
Flats Sequencing System (FSS)/Postal Automation	Build systems for the U.S. Postal Service designed to further automate the flat mail stream, which includes large envelopes, catalogs and magazines.
Force XXI Battle Brigade and Below (FBCB2)	Install in Army vehicles a system of computer hardware and software that forms a wireless, tactical Internet for near-real-time situational awareness and command and control on the battlefield.
Gerald R. Ford-class aircraft carriers	Design and construction for the new class of Aircraft Carriers.
Global Hawk High-Altitude Long-Endurance (HALE) Systems	Provide the Global Hawk HALE unmanned aerial system for use in the global war on terror and has a central role in Intelligence, Reconnaissance, and Surveillance supporting operations in Afghanistan and Iraq.
Global Linguist Solutions (GLS)	Provide interpretation, translation and linguist services in support of Operation Iraqi Freedom.
Ground/Air Task Oriented Radar (G/ATOR)	A development program to provide the next generation ground based multi-mission radar for the USMC. Provides Short Range Air Defense, Air Defense Surveillance, Ground Weapon Location and Air Traffic Control. Replaces five existing USMC single-mission radars.
Guardrail Common Sensor System IDIQ (GRCS-I)	Sole source IDIQ contract which will encompass efforts for the upgrade and modernization of the current field Guardrail systems.
Hunter Contractor Logistics Support (CLS)	Operate, maintain, train and sustain the multi-mission Hunter Unmanned Aerial System in addition to deploying Hunter support teams.
I-Kits	Supports Full Rate Production of FBCB2 Version 4 I-KITS (installation kits) for the U.S. Army and Australian ground platform types. Services include Program Operations, Supply Chain Management, Procurement, Stores, Part Kitting and Engineering.
Inertial Navigation Programs	Consists of a wide variety of products across land, sea and space that address the customers' needs for precise knowledge of position, velocity, attitude, and heading. These applications include platforms, such as the F-16, satellites and ground vehicles as well as for sensors such as radar, MP-RTIP, and

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Program Name	Program Description
	EO/IR pods. Many inertial applications require integration with GPS to provide a very high level of precision and long term stability.
Integrated Battle Command System (IBCS)	The Integrated Air & Missile Defense, Battle Command System (IBCS) component concept provides for a common battle management, command, control, communications, computers and intelligence capability with integrated fire control hardware/software product design, integration, and development that supports initial operational capability of the Joint Integrated Air and Missile Defense Increment 2.
Intercontinental Ballistic Missile (ICBM)	Maintain readiness of the nation's ICBM weapon system.
Joint Base Operations Support (JBOSC)	Provides all infrastructure support needed for launch and base operations at the NASA Spaceport.
Joint National Integration Center Research and Development Contract (JRDC)	Support the development and application of modeling and simulation, wargaming, test and analytic tools for air and missile defense.
Joint Warfighting Center Support (JWFC)	Provide non-personal general and technical support to the USJFCOM Joint Force Trainer / Joint Warfighting Center to ensure the successful worldwide execution of the Joint Training and Transformation missions.
KC-10	Contractor Logistics Services (CLS) contract supporting the U.S. Air Force KC-10 tanker fleet including depot maintenance, supply chain management, maintenance and management at locations in the United States and worldwide.
Kinetic Energy Interceptor (KEI)	Develop mobile missile-defense system with the unique capability to destroy a hostile missile during its boost, ascent or midcourse phase of flight. This program was terminated for the U.S. government's convenience in 2009.
Large Aircraft Infrared Countermeasures (LAIRCM)	Infrared countermeasures systems for C-17 and C-130 aircraft. The IDIQ contract will further allow for the purchase of LAIRCM hardware for foreign military sales and other government agencies.
LHA	Amphibious assault ships that will provide forward presence and power projection as an integral part of joint, interagency, and multinational maritime expeditionary forces.
LHD	The multipurpose amphibious assault ship LHD is the centerpiece of an Expeditionary Strike Group (ESG). In wartime, these ships deploy very large numbers of troops and equipment to assault enemy-held beaches. Like LPD, only larger, in times of peace, these ships have ample space for non-combatant evacuations and other humanitarian missions. The program of record is 8 ships of which Makin Island (LHD 8) is the last.
LITENING targeting pod system (LITENING)	A self-contained, multi-sensor weapon aiming system that enables fighter pilots to detect, acquire, auto-track and identify targets for highly accurate delivery of both conventional and precision-guided weapons.

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Program Name	Program Description
Long Endurance Multi-Intelligence Vehicle (LEMV)	Contract awarded by the U.S. Army Space and Missile Defense Command for the development, fabrication, integration, certification and performance of one LEMV system. It is a state-of-the-art, lighter-than-air airship designed to provide ground troops with persistent surveillance. Development and demonstration of the first airship is scheduled to be completed December 2011. The contract also includes options for two additional airships and in-country support.
LPD	The LPD 17 <i>San Antonio</i> -class is the newest addition to the U.S. Navy's 21st Century amphibious assault force. The 684-foot-long, 105-foot-wide ships have a crew of 360 and are used to transport and land 700 to 800 Marines, their equipment, and supplies by embarked air cushion or conventional landing craft and assault vehicles, augmented by helicopters or other rotary wing aircraft. The ships will support amphibious assault, special operations, or expeditionary warfare & humanitarian missions.
MESA Radar Product	The Multi-role Electronically Scanned Array (MESA) Radar product line provides an Advanced AESA Radar for AEW&C mission on a Boeing 737 Aircraft. This product is currently under contract with three international customers.
National Level Exercise 2009 (NLE)	Provide program management and the necessary technical expertise to assist the FEMA National Exercise Division with planning, conducting and evaluating the FY09 Tier 1 National Level Exercise (NLE 09).
National Polar-orbiting Operational Environmental Satellite System (NPOESS)	Design, develop, integrate, test, and operate an integrated system comprised of two satellites with mission sensors and associated ground elements for providing global and regional weather and environmental data. This program was restructured in 2010.
Navstar Global Positioning System Operational Control Segment (GPS OCX)	Navstar Global Positioning System Operational Control Segment (GPS OCX) Operational control system for existing and future GPS constellation. Includes all satellite C2, mission planning, constellation management, external interfaces, monitoring stations, and ground antennas. Phase A effort includes effort to accomplish a System Requirements Review (SRR), System Design Review (SDR), and development of a Mission Capabilities Engineering Model (MCEM) prototype.
Navy Unmanned Combat Air System Operational Assessment (N-UCAS)	Navy development/demonstration contract that will design, build and test two demonstration vehicles that will conduct a carrier demonstration.
Nevada Test Site (NTS)	Manage and operate the Nevada Test Site facility and provide infrastructure support, including management of the nuclear explosives safety team, support of hazardous chemical spill testing, emergency response training and conventional weapons testing.
New York City Wireless Network (NYCWIn)	Provide New York City's broadband public-safety wireless network.

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Program Name	Program Description
Saudi Arabian National Guard Modernization and Training (SANG)	Provide military training, logistics and support services to modernize the Saudi Arabian National Guard's capabilities to unilaterally execute and sustain military operations.
Space Based Infrared System (SBIRS)	Space-based surveillance systems for missile warning, missile defense, battlespace characterization and technical intelligence. SBIRS will meet United States infrared space surveillance needs through the next 2-3 decades.
Trailer Mounted Support System (TMSS)	Trailer Mounted Support System is a key part of the Army's SICPS Program providing workspace, power distribution, lighting, environmental conditioning (heating and cooling) tables and a common grounding system for commanders and staff at all echelons.
Transformational Satellite Communication System (TSAT) – Risk Reduction and System Definition (RR&SD)	Design, develop, brassboard and demonstrate key technologies to reduce risk in the TSAT space element and perform additional risk mitigation activities. This program was terminated in 2009.
USS <i>Carl Vinson</i>	Refueling and complex overhaul of the nuclear-powered aircraft carrier USS <i>Carl Vinson</i> (CVN 70).
USS <i>George H. W. Bush</i>	The 10th and final <i>Nimitz</i> -class aircraft carrier that will incorporate many new design features, commissioned in early 2009 (CVN 77).
USS <i>Theodore Roosevelt</i>	Refueling and complex overhaul of the nuclear-powered aircraft carrier USS <i>Theodore Roosevelt</i> (CVN 71).
USS <i>Toledo</i> Depot Modernization Period (DMP)	Provide routine dry dock work, tank blasting and coating, hull preservation, propulsion and ship system repairs and limited enhancements to various hull, mechanical and electrical systems for the USS <i>Toledo</i> .
Vehicular Intercommunications Systems (VIS)	Provide clear and noise-free communications between crew members inside combat vehicles and externally over as many as six combat net radios for the U.S. Army. The active noise-reduction features of VIS provide significant improvement in speech intelligibility, hearing protection, and vehicle crew performance.
<i>Virginia</i> -class Submarines	Construct the newest attack submarine in conjunction with General Dynamics Electric Boat.
Virginia IT Outsource (VITA)	Provide high-level IT consulting, IT infrastructure and services to Virginia state and local agencies including data center, help desk, desktop, network, applications and cross-functional services.

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Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates – We are exposed to market risk, primarily related to interest rates and foreign currency exchange rates. Financial instruments subject to interest rate risk include variable-rate short-term borrowings under the credit agreement and short-term investments. At December 31, 2010, substantially all outstanding borrowings were fixed-rate long-term debt obligations of which a significant portion are not callable until maturity. We have a modest exposure to interest rate risk resulting from an interest swap agreement. Our sensitivity to a 1 percent change in interest rates is tied to our \$2 billion credit agreement, which had no balance outstanding at December 31, 2010, or 2009, and to our interest rate swap agreement. See Note 14 to the consolidated financial statements in Part II, Item 8.

Derivatives – We do not hold or issue derivative financial instruments for trading purposes. We may enter into interest rate swap agreements to manage our exposure to interest rate fluctuations. At December 31, 2010, and 2009, we had one interest rate swap agreement in effect. See Notes 1 and 13 to the consolidated financial statements in Part II, Item 8.

Foreign Currency – We enter into foreign currency forward contracts to manage foreign currency exchange rate risk related to receipts from customers and payments to suppliers denominated in foreign currencies. At December 31, 2010, and 2009, the amount of foreign currency forward contracts outstanding was not material. We do not consider the market risk exposure relating to foreign currency exchange to be material to the consolidated financial statements. See Notes 1 and 13 to the consolidated financial statements in Part II, Item 8.

NORTHROP GRUMMAN CORPORATION

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of financial position of Northrop Grumman Corporation and subsidiaries (the “Company”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Northrop Grumman Corporation and subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 8, 2011 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP
Los Angeles, California
February 8, 2011

NORTHROP GRUMMAN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

<i>\$ in millions, except per share amounts</i>	Year Ended December 31		
	2010	2009	2008
Sales and Service Revenues			
Product sales	\$21,776	\$ 20,914	\$ 19,634
Service revenues	12,981	12,841	12,681
Total sales and service revenues	34,757	33,755	32,315
Cost of Sales and Service Revenues			
Cost of product sales	16,820	16,591	15,490
Cost of service revenues	11,789	11,539	10,885
General and administrative expenses	3,078	3,142	3,143
Goodwill impairment			3,060
Operating income (loss)	3,070	2,483	(263)
Other (expense) income			
Interest expense	(281)	(281)	(295)
Charge on debt redemption	(231)		
Other, net	37	64	38
Earnings (loss) from continuing operations before income taxes	2,595	2,266	(520)
Federal and foreign income taxes	557	693	859
Earnings (loss) from continuing operations	2,038	1,573	(1,379)
Earnings from discontinued operations, net of tax	15	113	117
Net earnings (loss)	\$ 2,053	\$ 1,686	\$ (1,262)
Basic Earnings (Loss) Per Share			
Continuing operations	\$ 6.86	\$ 4.93	\$ (4.12)
Discontinued operations	.05	.35	.35
Basic earnings (loss) per share	\$ 6.91	\$ 5.28	\$ (3.77)
Weighted-average common shares outstanding, in millions	296.9	319.2	334.5
Diluted Earnings (Loss) Per Share			
Continuing operations	\$ 6.77	\$ 4.87	\$ (4.12)
Discontinued operations	.05	.34	.35
Diluted earnings (loss) per share	\$ 6.82	\$ 5.21	\$ (3.77)
Weighted-average diluted shares outstanding, in millions	301.1	323.3	334.5
Net earnings (loss) from above	\$ 2,053	\$ 1,686	\$ (1,262)
Other comprehensive income (loss)			
Change in cumulative translation adjustment	(41)	31	(24)
Change in unrealized gain (loss) on marketable securities and cash flow hedges, net of tax benefit (expense) of \$0 in 2010, \$(23) in 2009, and \$22 in 2008	1	36	(35)
Change in unamortized benefit plan costs, net of tax (expense) benefit of \$(183) in 2010, \$(374) in 2009 and \$1,888 in 2008	297	561	(2,884)
Other comprehensive income (loss), net of tax	257	628	(2,943)
Comprehensive income (loss)	\$ 2,310	\$ 2,314	\$ (4,205)

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>\$ in millions</i>	December 31 2010	December 31 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,701	\$ 3,275
Accounts receivable, net of progress payments	4,057	3,394
Inventoried costs, net of progress payments	1,185	1,170
Deferred tax assets	710	524
Prepaid expenses and other current assets	251	272
Total current assets	9,904	8,635
Property, Plant, and Equipment		
Land and land improvements	666	649
Buildings and improvements	2,658	2,422
Machinery and other equipment	5,134	4,759
Capitalized software costs	636	624
Leasehold improvements	670	630
	9,764	9,084
Accumulated depreciation	(4,722)	(4,216)
Property, plant, and equipment, net	5,042	4,868
Other Assets		
Goodwill	13,517	13,517
Other purchased intangibles, net of accumulated amortization of \$1,965 in 2010 and \$1,871 in 2009	779	873
Pension and post-retirement plan assets	450	300
Long-term deferred tax assets	612	1,010
Miscellaneous other assets	1,117	1,049
Total other assets	16,475	16,749
Total assets	\$ 31,421	\$ 30,252
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable to banks	\$ 10	\$ 12
Current portion of long-term debt	774	91
Trade accounts payable	1,846	1,921
Accrued employees' compensation	1,349	1,281
Advance payments and billings in excess of costs incurred	2,076	1,954
Other current liabilities	2,331	1,726
Total current liabilities	8,386	6,985
Long-term debt, net of current portion	4,045	4,191
Pension and post-retirement plan liabilities	4,116	4,874
Other long-term liabilities	1,317	1,515
Total liabilities	17,864	17,565
Commitments and Contingencies (Note 16)		
Shareholders' Equity		
Common stock, \$1 par value; 800,000,000 shares authorized; issued and outstanding: 2010—290,956,752; 2009—306,865,201	291	307
Paid-in capital	7,778	8,657
Retained earnings	8,245	6,737
Accumulated other comprehensive loss	(2,757)	(3,014)
Total shareholders' equity	13,557	12,687
Total liabilities and shareholders' equity	\$ 31,421	\$ 30,252

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

NORTHROP GRUMMAN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Operating Activities			
Sources of Cash—Continuing Operations			
Cash received from customers			
Progress payments	\$ 6,401	\$ 8,561	\$ 6,219
Collections on billings	28,079	25,099	26,938
Other cash receipts	61	62	88
Total sources of cash—continuing operations	34,541	33,722	33,245
Uses of Cash—Continuing Operations			
Cash paid to suppliers and employees	(29,775)	(29,250)	(28,817)
Pension contributions	(894)	(858)	(320)
Interest paid, net of interest received	(280)	(269)	(287)
Income taxes paid, net of refunds received	(1,071)	(774)	(712)
Income taxes paid on sale of businesses		(508)	(7)
Excess tax benefits from stock-based compensation	(22)	(2)	(48)
Other cash payments	(46)	(30)	(16)
Total uses of cash—continuing operations	(32,088)	(31,691)	(30,207)
Cash provided by continuing operations	2,453	2,031	3,038
Cash provided by discontinued operations		102	173
Net cash provided by operating activities	2,453	2,133	3,211
Investing Activities			
Proceeds from sale of businesses, net of cash divested	14	1,650	175
Payments for businesses purchased		(33)	(92)
Additions to property, plant, and equipment	(770)	(654)	(681)
Payments for outsourcing contract costs and related software costs	(6)	(68)	(110)
Decrease (increase) in restricted cash	5	(28)	61
Other investing activities, net	(4)		21
Net cash (used in) provided by investing activities	(761)	867	(626)
Financing Activities			
Net borrowings under lines of credit	(2)	(12)	(2)
Proceeds from issuance of long-term debt	1,484	843	
Payments of long-term debt	(1,190)	(474)	(113)
Proceeds from exercises of stock options and issuances of common stock	142	51	103
Dividends paid	(545)	(539)	(525)
Excess tax benefits from stock-based compensation	22	2	48
Common stock repurchases	(1,177)	(1,100)	(1,555)
Net cash used in financing activities	(1,266)	(1,229)	(2,044)
Increase in cash and cash equivalents	426	1,771	541
Cash and cash equivalents, beginning of year	3,275	1,504	963
Cash and cash equivalents, end of year	\$ 3,701	\$ 3,275	\$ 1,504

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Reconciliation of Net Earnings (Loss) to Net Cash Provided by Operating Activities			
Net earnings (loss)	\$2,053	\$1,686	\$(1,262)
Net (earnings) from discontinued operations		(95)	(91)
Adjustments to reconcile to net cash provided by operating activities			
Depreciation	606	585	567
Amortization of assets	132	151	189
Impairment of goodwill			3,060
Stock-based compensation	136	105	118
Excess tax benefits from stock-based compensation	(22)	(2)	(48)
Pre-tax gain on sale of businesses		(446)	(58)
Charge on debt redemption	231		
(Increase) decrease in			
Accounts receivable, net	(664)	297	(133)
Inventoried costs, net	(61)	(246)	(2)
Prepaid expenses and other current assets	38	(6)	(20)
Increase (decrease) in			
Accounts payable and accruals	330	(151)	383
Deferred income taxes	60	112	167
Income taxes payable	(26)	65	241
Retiree benefits	(326)	(20)	(167)
Other non-cash transactions, net	(34)	(4)	94
Cash provided by continuing operations	2,453	2,031	3,038
Cash provided by discontinued operations		102	173
Net cash provided by operating activities	\$2,453	\$2,133	\$3,211
Non-Cash Investing and Financing Activities			
Sale of businesses			
Liabilities assumed by purchaser		\$ 167	\$ 18
Purchase of businesses			
Liabilities assumed by the company			\$ 20
Mandatorily redeemable convertible preferred stock converted or redeemed into common stock			\$ 350
Capital expenditures accrued in accounts payable	\$ 85	\$ 104	\$ 84

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>\$ in millions, except per share amounts</i>	Year Ended December 31		
	2010	2009	2008
Common Stock			
At beginning of year	\$ 307	\$ 327	\$ 338
Common stock repurchased	(20)	(23)	(21)
Conversion of preferred stock			6
Employee stock awards and options	4	3	4
At end of year	291	307	327
Paid-in Capital			
At beginning of year	8,657	9,645	10,661
Common stock repurchased	(1,143)	(1,098)	(1,534)
Conversion of preferred stock			344
Employee stock awards and options	264	110	174
At end of year	7,778	8,657	9,645
Retained Earnings			
At beginning of year	6,737	5,590	7,387
Net earnings (loss)	2,053	1,686	(1,262)
Dividends declared	(545)	(539)	(532)
Other			(3)
At end of year	8,245	6,737	5,590
Accumulated Other Comprehensive Loss			
At beginning of year	(3,014)	(3,642)	(699)
Other comprehensive income (loss), net of tax	257	628	(2,943)
At end of year	(2,757)	(3,014)	(3,642)
Total shareholders' equity	\$13,557	\$12,687	\$11,920
Cash dividends declared per share	\$ 1.84	\$ 1.69	\$ 1.57

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

NORTHROP GRUMMAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Northrop Grumman Corporation and its subsidiaries (Northrop Grumman or the company) provide technologically advanced, innovative products, services, and solutions in aerospace, electronics, information systems, shipbuilding and technical services. In January 2009, the company streamlined its organizational structure by reducing the number of operating segments from seven to five. The five segments are Aerospace Systems, Electronic Systems, Information Systems, Shipbuilding and Technical Services. Product sales are predominantly generated in the Aerospace Systems, Electronic Systems and Shipbuilding segments, while the majority of the company's service revenues are generated by the Information Systems and Technical Services segments.

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

Electronic Systems is a leader in the design, development, manufacture, and support of solutions for sensing, understanding, anticipating, and controlling the environment for our global military, civil, and commercial customers and their operations. The segment provides a variety of defense electronics and systems, airborne fire control radars, situational awareness systems, early warning systems, airspace management systems, navigation systems, communications systems, marine systems, space systems, and logistics services.

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

Shipbuilding is the nation's sole industrial designer, builder and refueler of nuclear-powered aircraft carriers, the sole supplier and builder of amphibious assault and expeditionary warfare ships to the U.S. Navy, the sole builder of National Security Cutters for the U.S. Coast Guard, one of only two companies currently designing and building nuclear-powered submarines for the U.S. Navy and one of only two companies that builds the U.S. Navy's current fleet of DDG-51 Arleigh Burke-class destroyers. Shipbuilding is also a full-service systems provider for the design, engineering, construction and life cycle support of major programs for surface ships and a provider of fleet support and maintenance services for the U.S. Navy.

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

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

Financial Statement Reclassification – Certain amounts in the prior year financial statements and related notes have been reclassified to conform to the current presentation of the businesses described in Note 8.

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

NORTHROP GRUMMAN CORPORATION

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

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

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

Revenue under contracts to provide services to non-federal government customers are generally recognized when services are performed. Service contracts include operations and maintenance contracts, and outsourcing-type arrangements, primarily in the Technical Services and Information Systems segments. Revenue under such contracts is generally recognized on a straight-line basis over the period of contract performance, unless evidence suggests that the revenue is earned or the obligations are fulfilled in a different pattern. Costs incurred under these service contracts are expensed as incurred, except that direct and incremental set-up costs are capitalized and amortized over the life of the agreement (see *Outsourcing Contract Costs* below). Operating profit related to such service contracts may fluctuate from period to period, particularly in the earlier phases of the contract. For contracts that include more than one type of product or service, revenue recognition includes the proper identification of separate units of accounting and the allocation of revenue across all elements based on relative fair values.

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

Research and Development – Company-sponsored research and development activities primarily include independent research and development (IR&D) efforts related to government programs. IR&D expenses are included in general and administrative expenses and are generally allocated to government contracts. Company-sponsored IR&D expenses totaled \$603 million, \$610 million, and \$564 million, in 2010, 2009, and 2008, respectively. Expenses for research and development sponsored by the customer are charged directly to the related contracts.

Restructuring Costs – In accordance with the regulations that govern the cost accounting requirements for government contracts, certain costs incurred for consolidation or restructuring activities that demonstrate savings in excess of the cost to implement those actions can be deferred and amortized as allowable and allocable costs on government contracts. Such deferred costs are not expected to have a material to the company's consolidated financial position or results of operations (see Note 7).

Product Warranty Costs – The company provides certain product warranties that require repair or replacement of non-conforming items for a specified period of time often subject to a specified monetary coverage limit. Substantially all of the company's product warranties are provided under government contracts, the costs of which are immaterial and are accounted for using the percentage-of-completion method of accounting. Accrued product warranty costs for the remainder of our products (which are almost entirely commercial products) are not material.

Environmental Costs – Environmental liabilities are accrued when the company determines such amounts are reasonably estimable, and management has determined that it is probable that a liability has been incurred. When only a range of amounts is established and no amount within the range is more probable than another, the minimum amount in the range is recorded. Environmental liabilities are recorded on an undiscounted basis. At sites involving multiple parties, the company accrues environmental liabilities based upon its expected share of liability, taking into account the financial viability of other jointly liable parties. Environmental expenditures are expensed or capitalized as appropriate. Capitalized expenditures relate to long-lived improvements in currently operating facilities. The company does not anticipate and record insurance recoveries before collection is probable. At December 31, 2010, and 2009, the company did not have any accrued receivables related to insurance reimbursements.

Fair Value of Financial Instruments – The company utilizes fair value measurement guidance prescribed by GAAP to value its financial instruments. The guidance includes a definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements.

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

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

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

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

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Derivative Financial Instruments – Derivative financial instruments are recognized as assets or liabilities in the financial statements and measured at fair value. Changes in the fair value of derivative financial instruments that qualify and are designated as fair value hedges are required to be recorded in income from continuing operations, while the effective portion of the changes in the fair value of derivative financial instruments that qualify and are designated as cash flow hedges are recorded in other comprehensive income. The company may use derivative financial instruments to manage its exposure to interest rate and foreign currency exchange risks and to balance its fixed and variable rate long-term debt portfolio. The company does not use derivative financial instruments for trading or speculative purposes, nor does it use leveraged financial instruments. Credit risk related to derivative financial instruments is considered minimal and is managed by requiring high credit standards for counterparties and through periodic settlements of positions.

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

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

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

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

Marketable Securities – At December 31, 2010, and 2009, substantially all of the company's investments in marketable securities were classified as available-for-sale or trading. For available-for-sale securities, any unrealized gains and losses are reported as a separate component of shareholders' equity. Unrealized gains and losses on trading securities are included in Other, net in the consolidated statements of operations. Investments in marketable securities are recorded at fair value.

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

Inventoried Costs – Inventoried costs primarily relate to work in process under fixed-price, units-of-delivery and fixed-priced-incentive contracts using labor dollars as the basis of the percentage-of-completion calculation. These costs represent accumulated contract costs less the portion of such costs allocated to delivered items. Accumulated contract costs include direct production costs, factory and engineering overhead, production

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tooling costs, and, for government contracts, allowable general and administrative expenses. According to the provisions of U.S. Government contracts, the customer asserts title to, or a security interest in, inventories related to such contracts as a result of contract advances, performance-based payments, and progress payments. In accordance with industry practice, inventoried costs are classified as a current asset and include amounts related to contracts having production cycles longer than one year. Product inventory primarily consists of raw materials and is stated at the lower of cost or market, generally using the average cost method. General corporate expenses and IR&D allocable to commercial contracts are expensed as incurred.

Outsourcing Contract Costs – Costs on outsourcing contracts, including costs incurred for bid and proposal activities, are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract are deferred and expensed over the contract life. These costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition and transition/set-up. The primary types of costs that may be capitalized include labor and related fringe benefits, subcontractor costs, and travel costs. The company capitalized \$4 million, \$57 million, and \$111 million and amortized \$39 million, \$46 million, and \$52 million of such costs in 2010, 2009 and 2008, respectively. At December 31, 2010, and 2009, respectively, deferred outsourcing contract costs of \$239 million and \$274 million were included in miscellaneous other assets.

Depreciable Properties – Property, plant, and equipment owned by the company are depreciated over the estimated useful lives of individual assets. Most of these assets are depreciated using declining-balance methods, with the remainder using the straight-line method, with the following lives:

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

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

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

Goodwill and Other Purchased Intangible Assets – The company performs impairment tests for goodwill as of November 30th of each year, or when evidence of potential impairment exists. When it is determined that impairment has occurred, a charge to operations is recorded. Goodwill and other purchased intangible asset balances are included in the identifiable assets of the business segment to which they have been assigned. Any goodwill impairment, as well as the amortization of other purchased intangible assets, is charged against the respective business segments' operating income. Purchased intangible assets are amortized on a straight-line basis over their estimated useful lives (see Note 12).

Self-Insurance Accruals – Accruals for self-insured workers' compensation totaling approximately \$549 million and \$520 million as of December 31, 2010, and 2009, respectively are included in other current liabilities and other long-term liabilities. The company estimates the required liability for such claims on a discounted basis utilizing

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actuarial methods based on various assumptions, which include, but are not limited to, the company's historical loss experience and projected loss development factors.

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

Retirement Benefits – The company sponsors various pension plans covering substantially all employees. The company also provides post-retirement benefit plans other than pensions, consisting principally of health care and life insurance benefits, to eligible retirees and qualifying dependents. The liabilities, unamortized benefit plan costs and annual income or expense of the company's pension and other post-retirement benefit plans are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate, the long-term rate of asset return (based on the market-related value of assets), and the medical cost experience trend rate (rate of growth for medical costs). Unamortized benefit plan costs consist primarily of accumulated net after-tax actuarial losses. Net actuarial gains or losses are re-determined annually and principally arise from gains or losses on plan assets due to variations in the fair market value of the underlying assets and changes in the benefit obligation due to changes in actuarial assumptions. Net actuarial gains or losses are amortized to expense in future periods when they exceed ten percent of the greater of the plan assets or projected benefit obligations by benefit plan. The excess of gains or losses over the ten percent threshold are subject to amortization over the average future service period of employees of approximately ten years. The fair values of plan assets are determined based on prevailing market prices or estimated fair value for investments with no available quoted prices. Not all net periodic pension income or expense is recognized in net earnings in the year incurred because it is allocated to production as product costs, and a portion remains in inventory at the end of a reporting period. The company's funding policy for pension plans is to contribute, at a minimum, the statutorily required amount to an irrevocable trust.

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

Foreign Currency Translation – For operations outside the U.S. that prepare financial statements in currencies other than the U.S. dollar, results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are generally translated at end-of-period exchange rates. Translation adjustments are included as a separate component of accumulated other comprehensive loss in consolidated shareholders' equity.

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

<i>\$ in millions</i>	December 31	
	2010	2009
Cumulative translation adjustment		\$ 41
Net unrealized gain on marketable securities and cash flow hedges, net of tax expense of \$3 as of December 31, 2010, and 2009	\$ 5	4
Unamortized benefit plan costs, net of tax benefit of \$1,801 as of December 31, 2010, and \$1,984 as of December 31, 2009	(2,762)	(3,059)
Total accumulated other comprehensive loss	\$(2,757)	\$ (3,014)

2. ACCOUNTING STANDARDS UPDATES**Accounting Standards Updates Not Yet Effective**

Accounting Standards Updates not effective until after December 31, 2010, are not expected to have a significant effect on the company's consolidated financial position or results of operations.

3. DIVIDENDS ON COMMON STOCK AND CONVERSION OF PREFERRED STOCK

Dividends on Common Stock – In May 2010, the company's board of directors approved an increase to the quarterly common stock dividend, from \$0.43 per share to \$0.47 per share, for stockholders of record as of June 1, 2010.

In May 2009, the company's board of directors approved an increase to the quarterly common stock dividend, from \$0.40 per share to \$0.43 per share, for stockholders of record as of June 1, 2009.

In April 2008, the company's board of directors approved an increase to the quarterly common stock dividend, from \$0.37 per share to \$0.40 per share, for stockholders of record as of June 2, 2008.

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

4. EARNINGS (LOSS) PER SHARE

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

Diluted Earnings (Loss) Per Share – Diluted earnings per share include the dilutive effect of stock options and other stock awards granted to employees under stock-based compensation plans. The dilutive effect of these securities totaled 4.2 million and 4.1 million shares for the year ended December 31, 2010, and 2009. For the year ended December 31, 2008, the potential dilutive effect of 7.1 million shares from these securities and the mandatorily redeemable convertible preferred stock (see Note 3) were excluded from the computation of weighted-average dilutive shares outstanding as the shares would have had an anti-dilutive effect on the loss per share computation.

The weighted-average diluted shares outstanding for the years ended December 31, 2010, 2009, and 2008, exclude anti-dilutive stock options to purchase approximately 2.8 million shares, 8.1 million shares, and 2.1 million shares, respectively, because such options have exercise prices in excess of the average market price of the company's common stock during the year.

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Share Repurchases – The table below summarizes the company’s share repurchases beginning January 1, 2008:

Authorization Date	Amount Authorized (In millions)	Average Price Per Share(2)	Total Shares Retired (In millions)	Date Completed	Shares Repurchased (In millions)		
					2010	2009	2008
December 19, 2007	\$ 3,600	\$ 59.82	60.2	August 2010	15.7	23.1	21.4
June 16, 2010 ⁽¹⁾	2,000	59.95	4.0		4.0		
					19.7	23.1	21.4

(1) On June 16, 2010, the company’s board of directors authorized a share repurchase program of up to \$2 billion of the company’s common stock. As of the end of the fourth quarter 2010, the company had \$1.8 billion remaining under this authorization for share repurchases.

(2) Includes commissions paid and calculated as the average price per share since the repurchase program authorization date.

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

5. BUSINESS ACQUISITIONS

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

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

6. BUSINESS DISPOSITIONS

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

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

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and service revenues		\$1,536	\$1,625
Earnings from discontinued operations		149	146
Income tax expense		(54)	(55)
Earnings, net of tax		\$ 95	\$ 91
Gain on divestitures	10	446	66
Income tax benefit (expense)	5	(428)	(40)
Gain from discontinued operations, net of tax	\$15	\$ 18	\$ 26
Earnings from discontinued operations, net of tax	\$15	\$ 113	\$ 117

Tax rates on discontinued operations vary from the company's effective tax rate generally due to the non-deductibility of goodwill for tax purposes and the effects, if any, of capital loss carryforwards.

7. SHIPBUILDING STRATEGIC ACTIONS

In July 2010, the company announced plans to consolidate its Gulf Coast shipbuilding operations by winding down its shipbuilding operations at the Avondale, Louisiana facility in 2013 after completing the LPD-class ships currently under construction there. Future LPD-class ships will be built in a single production line at the company's Pascagoula, Mississippi facility. The consolidation is intended to reduce costs, increase efficiency, and address shipbuilding overcapacity. Due to the consolidation, the company expects higher costs to complete ships currently under construction in Avondale due to anticipated reductions in productivity and increased the estimates to complete LPDs 23 and 25 by approximately \$210 million. The company recognized a \$113 million pre-tax charge to Shipbuilding's operating income for these contracts during the second quarter of 2010. The company is currently exploring alternative uses of the Avondale facility by potential new owners, including alternative opportunities for the workforce there.

In addition, the company anticipates that it will incur substantial restructuring and facilities shutdown-related costs, including, but not limited to, severance, relocation expense, and asset write-downs related to the Avondale facility decision. These costs are expected to be allowable expenses under government accounting standards and are expected to be recoverable in future years' overhead costs. These future costs could approximate \$310 million and such costs should be allocable to existing flexibly priced contracts or future negotiated contracts at the Gulf Coast operations in accordance with FAR provisions relating to the treatment of restructuring and shutdown related costs.

In its initial audit report on the company's cost proposal for the restructuring and shutdown related costs, the Defense Contract Audit Agency (DCAA) stated that, in general, the proposal was not adequately supported in order for them to reach a conclusion. They also questioned approximately ten percent of the costs submitted and did not accept the cost proposal as submitted. The company intends to resubmit its proposal to address the concerns expressed by the DCAA. Ultimately, the company anticipates that this process will result in an agreement with the U.S. Navy that is substantially in accord with management's cost allowability expectations. Accordingly, the company has treated these costs as allowable costs in determining the cost and earnings performance on Shipbuilding's contracts in process. If there is a formal challenge to the company's treatment of its restructuring costs, there are prescribed dispute resolution alternatives to resolve such a challenge and the company would likely pursue a dispute resolution process.

The company also announced in July 2010 that it would evaluate whether a separation of the Shipbuilding segment would be in the best interests of shareholders, customers, and employees by allowing both the company and the Shipbuilding segment to more effectively pursue their respective opportunities to maximize long-term

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value. Strategic alternatives for the Shipbuilding segment include, but are not limited to, a spin-off to the company's shareholders. While the company continues its evaluation of strategic alternatives for the Shipbuilding segment, it will continue to be reported in continuing operations.

In preparation for an anticipated spin-off to the company's shareholders, a registration statement on Form 10 for the shares of Huntington Ingalls Industries, Inc. (HII or the Shipbuilding business) was initially filed with the SEC in October 2010, with amendments filed in November 2010, December 2010 and January 2011. Additionally, in connection with, and prior to, the anticipated spin-off, the company repurchased \$178 million of the Gulf Opportunity Zone Industrial Revenue Development Bonds (see Note 14).

8. SEGMENT INFORMATION

At December 31, 2010, the company was aligned into five reportable segments: Aerospace Systems, Electronic Systems, Information Systems, Shipbuilding, and Technical Services.

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

Segment Realignments – In January 2010, the company transferred its internal information technology services unit from the Information Systems segment to the company's corporate shared services group. The intersegment sales and operating income for this unit that were previously recognized in the Information Systems segment are immaterial and have been eliminated for all periods presented.

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

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

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

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

U.S. Government Sales – Revenue from the U.S. Government (which includes Foreign Military Sales) includes revenue from contracts for which Northrop Grumman is the prime contractor as well as those for which the company is a subcontractor and the ultimate customer is the U.S. Government. All of the company's segments derive substantial revenue from the U.S. Government. Sales to the U.S. Government amounted to approximately \$32.1 billion, \$31.0 billion, and \$29.3 billion, or 92.3 percent, 91.8 percent, and 90.7 percent, of total revenue for the years ended December 31, 2010, 2009, and 2008, respectively.

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Foreign Sales – Direct foreign sales amounted to approximately \$1.6 billion, \$1.6 billion, and \$1.7 billion, or 4.6 percent, 4.9 percent, and 5.3 percent of total revenue for the years ended December 31, 2010, 2009, and 2008, respectively.

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

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

Results of Operations By Segment

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Sales and Service Revenues			
Aerospace Systems	\$10,910	\$ 10,419	\$ 9,825
Electronic Systems	7,613	7,671	7,048
Information Systems	8,395	8,536	8,174
Shipbuilding	6,719	6,213	6,145
Technical Services	3,230	2,776	2,535
Intersegment eliminations	(2,110)	(1,860)	(1,412)
Total sales and service revenues	\$34,757	\$33,755	\$32,315

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Operating Income (Loss)			
Aerospace Systems	\$1,256	\$ 1,071	\$ 416
Electronic Systems	1,023	969	947
Information Systems	756	624	626
Shipbuilding	325	299	(2,307)
Technical Services	206	161	144
Intersegment eliminations	(240)	(195)	(125)
Total Segment Operating Income (Loss)	3,326	2,929	(299)
Non-segment factors affecting operating income (loss)			
Unallocated corporate expenses	(220)	(111)	(157)
Net pension adjustment	(25)	(311)	263
Royalty income adjustment	(11)	(24)	(70)
Total operating income (loss)	\$3,070	\$ 2,483	\$ (263)

Goodwill Impairment Charge – The total segment operating loss for the year ended December 31, 2008, reflects goodwill impairment charges of \$570 million and \$2,490 million, at Aerospace Systems and Shipbuilding, respectively. The impairment charge was primarily due to adverse equity market conditions that caused a decrease in market multiples and the company’s stock price.

Shipbuilding Earnings Charges – In 2010, the company recorded a pre-tax charge of \$113 million related to the consolidation of the company’s Gulf Coast facilities (see Note 7). In 2008, the company recorded a pre-tax charge of \$272 million for cost growth on the LHD 8 contract and an additional \$54 million primarily for schedule impacts on other ships and impairment of purchased intangibles at the Gulf Coast shipyards.

Unallocated Corporate Expenses – Unallocated corporate expenses generally include the portion of corporate expenses not considered allowable or allocable under applicable U.S. Government Cost Accounting Standards (CAS) regulations and the Federal Acquisition Regulation (FAR), and therefore not allocated to the segments,

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for costs related to management and administration, legal, environmental, certain compensation and retiree benefits, and other expenses.

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

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

Intersegment Sales and Margin

To encourage commerce between operating units, sales between segments are recorded at values that include a hypothetical margin for the performing segment based on that segment's estimated margin rate for external sales. Such hypothetical margins are eliminated in consolidation. Intersegment sales and operating income were as follows:

<i>\$ in millions</i>	Year Ended December 31					
	2010		2009		2008	
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income
Intersegment Sales and Operating Income						
Aerospace Systems	\$ 132	\$ 13	\$ 121	\$ 13	\$ 129	\$ 8
Electronic Systems	781	126	749	108	554	69
Information Systems	623	61	474	44	354	28
Shipbuilding	8	1	9		9	1
Technical Services	566	39	507	30	366	19
Total intersegment sales and operating income	\$2,110	\$ 240	\$1,860	\$ 195	\$1,412	\$ 125

Other Financial Information

<i>\$ in millions</i>	December 31		
	2010	2009	2008
Assets			
Aerospace Systems	\$ 6,548	\$ 6,291	\$ 6,199
Electronic Systems	4,893	4,950	5,024
Information Systems	7,467	7,422	9,029
Shipbuilding	4,768	4,585	4,427
Technical Services	1,381	1,295	1,184
Segment assets	25,057	24,543	25,863
Corporate	6,364	5,709	4,334
Total assets	\$31,421	\$30,252	\$ 30,197

Corporate assets principally consists of cash and cash equivalents and deferred tax assets.

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<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Capital Expenditures			
Aerospace Systems	\$ 195	\$ 211	\$ 224
Electronic Systems	176	168	148
Information Systems	31	50	54
Shipbuilding	191	181	218
Technical Services	5	3	4
Corporate	172	41	33
Total capital expenditures	\$ 770	\$ 654	\$ 681

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Depreciation and Amortization			
Aerospace Systems	\$ 237	\$ 238	\$ 238
Electronic Systems	150	140	149
Information Systems	133	138	145
Shipbuilding	183	186	193
Technical Services	5	8	8
Corporate	30	26	23
Total depreciation and amortization	\$ 738	\$ 736	\$ 756

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

9. ACCOUNTS RECEIVABLE, NET

Unbilled amounts represent sales for which billings have not been presented to customers at year-end. These amounts are usually billed and collected within one year. Progress payments are received on a number of firm fixed-price contracts. Unbilled amounts are presented net of progress payments of \$6.4 billion and \$5.6 billion at December 31, 2010, and 2009, respectively.

Accounts receivable at December 31, 2010, are expected to be collected in 2011, except for approximately \$133 million due in 2012 and \$29 million due in 2013 and later.

The company does not believe it has significant exposure to credit risk as accounts receivable and the related unbilled amounts are primarily due from the U.S. Government. The company applied the GAAP guidance related to "Accounts Receivable – Credit Quality of Financing Receivables" on a prospective basis. Accordingly, accruals for potential overhead rate adjustments and other costs that were previously reported as an allowance for doubtful amounts have been reclassified to other current liabilities at December 31, 2010.

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Accounts receivable consisted of the following:

<i>\$ in millions</i>	December 31	
	2010	2009
Due From U.S. Government		
Amounts billed	\$ 1,095	\$ 1,078
Recoverable costs and accrued profit on progress completed – unbilled	2,242	1,701
	3,337	2,779
Due From Other Customers		
Amounts billed	289	318
Recoverable costs and accrued profit on progress completed – unbilled	462	342
	751	660
Total accounts receivable	4,088	3,439
Allowance for doubtful accounts	(31)	(45)
Total accounts receivable, net	\$ 4,057	\$ 3,394

10. INVENTORIED COSTS, NET

Inventoried costs consisted of the following:

<i>\$ in millions</i>	December 31	
	2010	2009
Production costs of contracts in process	\$ 2,197	\$ 2,698
General and administrative expenses	198	175
	2,395	2,873
Progress payments received	(1,443)	(1,909)
	952	964
Product inventory	233	206
Total inventoried costs, net	\$ 1,185	\$ 1,170

11. INCOME TAXES

The company's effective tax rate on earnings from continuing operations for the year ended December 31, 2010 was 21.5 percent, as compared with 30.6 percent and 33.8 percent in 2009 and 2008, respectively (excluding for 2008 the non-cash, non-deductible goodwill impairment charge of \$3.1 billion at Aerospace Systems and Shipbuilding). The company's effective tax rates reflect tax credits, manufacturing deductions and the impact of settlements with the Internal Revenue Service (IRS).

In 2010, the company received final approval from the IRS and the U.S. Congressional Joint Committee on Taxation (Joint Committee) of the IRS' examination of the company's tax returns for the years 2004 through 2006. As a result of the settlement, the company recognized net tax benefits of approximately \$296 million (of which \$66 million was in cash), which were recorded as a reduction to the company's provision for income taxes.

During 2009, the company reached a final settlement with the IRS regarding its audit of the company's tax returns for the years ended December 31, 2001 through 2003 and recognized \$75 million of net benefit upon settlement, including \$20 million of interest. During 2008, the company reached a final settlement with the IRS regarding its audit of the TRW tax returns for the years ended 1999 through 2002 and recognized \$35 million of benefit upon settlement, including \$4 million of interest.

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Income Taxes on Continuing Operations			
Currently payable			
Federal income taxes	\$ 500	\$ 527	\$ 728
Foreign income taxes	11	34	35
Total federal and foreign income taxes currently payable	511	561	763
Change in deferred federal and foreign income taxes	46	132	96
Total federal and foreign income taxes	\$557	\$ 693	\$ 859

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Domestic income (loss)	\$2,548	\$ 2,140	\$(622)
Foreign income	47	126	102
Earnings (loss) from continuing operations before income taxes	\$2,595	\$2,266	\$(520)

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

<i>\$ in millions</i>	Year Ended December 31		
	2010	2009	2008
Income tax expense (benefit) on continuing operations at statutory rate	\$ 908	\$ 793	\$ (183)
Goodwill impairment			1,071
Manufacturing deduction	(34)	(24)	(19)
Research tax credit	(15)	(17)	(13)
Settlement of IRS appeals cases, net of additional uncertain tax position accruals	(296)	(75)	(35)
Other, net	(6)	16	38
Total federal and foreign income taxes	\$ 557	\$ 693	\$ 859

Uncertain Tax Positions – In 2010, the company reached a final settlement with the IRS and Joint Committee with respect to the IRS' examination of the company's tax returns for the years 2004 through 2006. As a result of this settlement, the company reduced its liability for uncertain tax positions, including previously accrued interest, by \$311 million, which was recorded as a reduction to the company's effective tax rate.

In 2009, the company reached a final settlement agreement with the IRS and Joint Committee with respect to the IRS' examination of the company's tax returns for the years 2001 through 2003. As a result of this settlement, the company reduced its liability for uncertain tax positions by \$60 million, which was recorded as a reduction to the company's effective tax rate.

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

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As of December 31, 2010, the estimated value of the company's uncertain tax positions which are more-likely-than-not to be sustained on examination was a liability of \$137 million which includes accrued interest of \$11 million. This liability is included in other current liabilities and other long-term liabilities in the consolidated statements of financial position. Assuming sustainment of these positions by the taxing authorities, the reversal of the amounts accrued would reduce the company's effective tax rate.

Unrecognized Tax Benefits – Unrecognized tax benefits represent the gross value of the company's tax positions that have not been reflected in the consolidated statements of operations and includes the value of the company's recorded uncertain tax positions. If the income tax benefits from these tax positions are ultimately realized, such realization would affect the company's effective tax rate.

The change in unrecognized tax benefits during 2010 and 2009, excluding interest, is as follows:

<i>\$ in millions</i>	December 31		
	2010	2009	2008
Unrecognized tax benefits at beginning of the year	\$ 429	\$416	\$ 488
Additions based on tax positions related to the current year	19	12	5
Additions for tax positions of prior years	4	61	15
Statute expiration			(9)
Settlements	(326)	(60)	(83)
Net change in unrecognized tax benefits	(303)	13	(72)
Unrecognized tax benefits at end of the year	\$ 126	\$429	\$416

Although the company believes that it has adequately provided for all of its tax positions, amounts asserted by taxing authorities in future years could be greater than the company's accrued positions. Accordingly, additional provisions on income tax related matters could be recorded in the future due to revised estimates, settlement or other resolution of the underlying tax matters. In addition, open tax years related to state and foreign jurisdictions remain subject to examination but are not considered material. The IRS is currently conducting an examination of the company's tax returns for the years 2007 through 2009.

During the year ended December 31, 2010, 2009, and 2008, the company recorded approximately \$88 million, \$6 million, and \$(29) million of net interest income (expense), respectively, within its federal and foreign, and state income tax provisions.

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

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

<i>\$ in millions</i>	December 31	
	2010	2009
Deferred Tax Assets		
Retirement benefits	\$ 1,745	\$ 1,979
Provisions for accrued liabilities	775	815
Workers' compensation	234	207
Stock-based compensation	104	83
Other	36	26
Gross deferred tax assets	2,894	3,110
Less valuation allowance		
Net deferred tax assets	2,894	3,110
Deferred Tax Liabilities		
Goodwill amortization	603	528
Depreciation and amortization	521	544
Purchased intangibles	262	259
Contract accounting differences	186	245
Gross deferred tax liabilities	1,572	1,576
Total net deferred tax assets	\$ 1,322	\$ 1,534

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

<i>\$ in millions</i>	December 31	
	2010	2009
Net current deferred tax assets	\$ 710	\$ 524
Net non-current deferred tax assets	612	1,010
Total net deferred tax assets	\$ 1,322	\$ 1,534

Foreign Income – As of December 31, 2010, the company had approximately \$668 million of accumulated undistributed earnings generated by its foreign subsidiaries. No deferred tax liability has been recorded on these earnings since the company intends to permanently reinvest these earnings, thereby indefinitely postponing their remittance. Should these earnings be distributed in the form of dividends or otherwise, the distributions would be subject to U.S. federal income tax at the statutory rate of 35 percent, less foreign tax credits available to offset such distributions, if any. In addition, such distributions would be subject to withholding taxes in the various tax jurisdictions.

12. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

Goodwill

Goodwill and other purchased intangible assets are included in the identifiable assets of the segment to which they have been assigned. Impairment tests are performed at least annually and more often as circumstances require. Any goodwill impairment, as well as the amortization of other purchased intangible assets, is charged against the respective segment's operating income. The annual impairment test for all segments was performed as of November 30, 2010, with no indication of impairment. In performing the goodwill impairment tests, the company uses a discounted cash flow approach corroborated by comparative market multiples, where appropriate, to determine the fair value of its businesses. Accumulated goodwill impairment losses at December 31, 2010, and

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2009, totaled \$3.1 billion of which \$570 million and \$2,490 million were at the Aerospace Systems and Shipbuilding segments, respectively.

The changes in the carrying amounts of goodwill during 2009 were as follows:

<i>\$ in millions</i>	Aerospace Systems	Electronic Systems	Information Systems	Shipbuilding	Technical Services	Total
Balance as of January 1, 2009	\$ 3,748	\$ 2,428	\$ 5,390	\$ 1,141	\$ 802	\$ 13,509
Goodwill transferred due to						
segment realignment	41	(26)	(138)		123	
Goodwill acquired	5					5
Other	7		(4)			3
Balance as of December 31, 2009 and 2010	\$ 3,801	\$ 2,402	\$ 5,248	\$ 1,141	\$ 925	\$ 13,517

Segment Realignments – As discussed in Note 8, in January 2009, the company realigned certain logistics, services, and technical support programs and transferred assets from the Information Systems and Electronic Systems segments to the Technical Services segment. As a result of this realignment, goodwill of approximately \$123 million was reallocated among these segments. Additionally during the first quarter of 2009, the company transferred certain optics and laser programs from the Information Systems segment to the Aerospace Systems segment, resulting in the reallocation of goodwill of approximately \$41 million.

Purchased Intangible Assets

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

<i>\$ in millions</i>	December 31, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Contract and program intangibles	\$ 2,644	\$ (1,883)	\$ 761	\$ 2,644	\$ (1,793)	\$ 851
Other purchased intangibles	100	(82)	18	100	(78)	22
Total	\$ 2,744	\$ (1,965)	\$ 779	\$ 2,744	\$ (1,871)	\$ 873

The company's purchased intangible assets are subject to amortization and are being amortized on a straight-line basis over an aggregate weighted-average period of 33 years. Aggregate amortization expense for 2010, 2009, and 2008, was \$94 million, \$104 million, and \$136 million, respectively. The 2008 amount includes a \$19 million impairment of purchased intangibles recorded in the first quarter of 2008 associated with the LHD 8 and other Gulf Coast shipbuilding programs.

The table below shows expected amortization for purchased intangibles as of December 31, 2010, for each of the next five years:

<i>\$ in millions</i>	
Year ending December 31	
2011	\$ 57
2012	56
2013	48
2014	36
2015	34

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments in Marketable Securities – The company holds a portfolio of marketable securities, primarily consisting of equity securities that are classified as either trading or available-for-sale and can be liquidated without restriction. These assets are recorded at fair value, substantially all of which are based upon quoted market prices for identical instruments in active markets (Level 1 inputs). As of December 31, 2010, and 2009, respectively, there were marketable equity securities of \$68 million and \$58 million included in prepaid expenses and other current assets and \$262 million and \$233 million of marketable equity securities included in miscellaneous other assets in the consolidated statements of financial position.

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

Derivative financial instruments are recognized as assets or liabilities in the financial statements and measured at fair value, substantially all of which are based on active or inactive markets for identical or similar instruments or model-derived valuations whose inputs are observable (Level 2 inputs). Where model-derived valuations are appropriate, the company utilizes the income approach to determine fair value and uses the applicable London Interbank Offered Rate (LIBOR) swap rate as the discount rate. Changes in the fair value of derivative financial instruments that qualify and are designated as fair value hedges are recorded in earnings from continuing operations, while the effective portion of the changes in the fair value of derivative financial instruments that qualify and are designated as cash flow hedges are recorded in other comprehensive income. Credit risk related to derivative financial instruments is considered minimal and is managed by requiring high credit standards for counterparties and through periodic settlements of positions.

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

As of December 31, 2010, an interest rate swap with a notional value of \$200 million, and foreign currency purchase and sale forward contract agreements with notional values of \$52 million and \$86 million, respectively, were designated for hedge accounting. The remaining notional values outstanding at December 31, 2010, under foreign currency purchase and sale forward contracts of \$12 million and \$75 million, respectively, were not designated for hedge accounting.

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

The derivative fair values and related unrealized gains and losses at December 31, 2010, and December 31, 2009, were not material.

There were no material transfers of financial instruments between the three levels of fair value hierarchy during the year ended December 31, 2010.

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Cash Surrender Value of Life Insurance Policies – The company maintains whole life insurance policies on a group of executives which are recorded at their cash surrender value as determined by the insurance carrier. Additionally, the company has split-dollar life insurance policies on former officers and executives from acquired businesses which are recorded at the lesser of their cash surrender value or premiums paid. The policies are utilized as a partial funding source for deferred compensation and other non-qualified employee retirement plans. As of December 31, 2010, and 2009, the carrying values associated with these policies of \$257 million and \$242 million, respectively, were recorded in miscellaneous other assets.

Long-Term Debt – As of December 31, 2010, and 2009, the carrying values of long-term debt were \$4.8 billion and \$4.3 billion, respectively, and the related estimated fair values were \$5.2 billion and \$4.8 billion, respectively. The fair value of long-term debt was calculated based on interest rates available for debt with terms and maturities similar to the company's existing debt arrangements.

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

14. NOTES PAYABLE TO BANKS AND LONG-TERM DEBT

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

Credit Facility – The company has a revolving credit facility in an aggregate principal amount of \$2 billion that matures on August 10, 2012. The credit facility permits the company to request additional lending commitments of up to \$500 million from the lenders under the agreement or through other eligible lenders under certain circumstances. The agreement provides for swingline loans and letters of credit as sub-facilities for the credit facilities provided for in the agreement. Borrowings under the credit facility bear interest at various rates, including the London Interbank Offered Rate, adjusted based on the company's credit rating, or an alternate base rate plus an incremental margin. The credit facility also requires a facility fee based on the daily aggregate amount of commitments (whether or not utilized) and the company's credit rating level, and contains a financial covenant relating to a maximum debt to capitalization ratio, and certain restrictions on additional asset liens. There were no borrowings during 2010 and 2009. There was no balance outstanding under this facility at December 31, 2010, and 2009. As of December 31, 2010, the company was in compliance with all covenants.

Debt Tender Offers – In November 2010, the company made a tender offer for approximately \$1.9 billion of debt securities held by its subsidiary Northrop Grumman Systems Corporation and maturing in 2016 to 2036 with interest rates ranging from 6.98 percent to 7.875 percent. Approximately \$682 million in aggregate principal amount was purchased for a total price of \$919 million (including accrued and unpaid interest on the securities). The company also recorded a pre-tax charge of \$229 million principally related to the premiums paid on the debt tendered.

Also in November 2010, the company made a tender offer for \$200 million of Gulf Opportunity Zone Industrial Revenue Bonds held by its subsidiary Northrop Grumman Shipbuilding, Inc. and maturing in 2028 with an interest rate of 4.55 percent. Approximately \$178 million in aggregate principal amount was purchased for a total price of \$178 million (including accrued and unpaid interest on the securities). The company also recorded a pre-tax charge of \$2 million principally related to the write-off of unamortized debt issuance costs.

Debt Issuance – In November 2010, the company issued \$500 million of 5-year, \$700 million of 10-year, and \$300 million of 30-year unsecured senior obligations. Interest on the notes is payable semi-annually in arrears at fixed rates of 1.85 percent, 3.50 percent, and 5.05 percent per annum, and the notes will mature on November 15, 2015, March 15, 2021 and November 15, 2040, respectively. These senior notes are subject to redemption at the company's discretion at any time prior to maturity in whole or in part at the principal amount plus any make-whole premium and accrued and unpaid interest. The net proceeds from these notes are being

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used for general corporate purposes including debt repayment, pension plan funding, acquisitions, share repurchases and working capital. A portion of the net proceeds was used to fund the purchase of the debt securities and bonds tendered and accepted for purchase in November 2010 as discussed above. The net proceeds may also be used to repay at maturity the \$750 million of 7.125 percent senior notes due February 15, 2011.

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

Long-term debt consisted of the following:

<i>\$ in millions</i>	December 31	
	2010	2009
Notes and debentures due 2011 to 2040, rates from 1.85% to 9.375%	\$4,673	\$3,964
Other indebtedness due 2011 to 2028, rates from 4.55% to 7.81%	146	318
Total long-term debt	4,819	4,282
Less current portion	774	91
Long-term debt, net of current portion	\$ 4,045	\$4,191

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

Maturities of long-term debt as of December 31, 2010, are as follows:

<i>\$ in millions</i>	
Year Ending December 31	
2011	\$ 773
2012	5
2013	4
2014	353
2015	502
Thereafter	3,171
Total principal payments	4,808
Unamortized premium on long-term debt, net of discount	11
Total long-term debt	\$4,819

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

15. INVESTIGATIONS, CLAIMS AND LITIGATION

U.S. Government Investigations and Claims – Departments and agencies of the U.S. Government have the authority to investigate various transactions and operations of the company, and the results of such investigations may lead to administrative, civil or criminal proceedings, the ultimate outcome of which could be fines, penalties, repayments or compensatory or treble damages. U.S. Government regulations provide that certain findings against

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a contractor may lead to suspension or debarment from future U.S. Government contracts or the loss of export privileges for a company or a division or subdivision. Suspension or debarment could have a material adverse effect on the company because of its reliance on government contracts.

In the second quarter of 2007, the U.S. Coast Guard issued a revocation of acceptance under the Deepwater Modernization Program for eight converted 123-foot patrol boats (the vessels) based on alleged “hull buckling and shaft alignment problems” and alleged “nonconforming topside equipment” on the vessels. The company submitted a written response that argued that the revocation of acceptance was improper. The Coast Guard advised Integrated Coast Guard Systems, LLC (ICGS), which was formed by the contractors (Lockheed Martin Corporation and Northrop Grumman Shipbuilding, Inc.) to perform the Deepwater Modernization Program, that it was seeking approximately \$96 million from ICGS as a result of the revocation of acceptance. The majority of the costs associated with the 123-foot conversion effort are associated with the alleged structural deficiencies of the vessels, which were converted under contracts with the company and a subcontractor to the company. In 2008, the Coast Guard advised ICGS that the Coast Guard would support an investigation by the U.S. Department of Justice of ICGS and its subcontractors instead of pursuing its \$96 million claim independently. The Department of Justice conducted an investigation of ICGS under a sealed False Claims Act complaint filed in the U.S. District Court for the Northern District of Texas and decided in early 2009 not to intervene at that time. On February 12, 2009, the District Court unsealed the complaint filed by Michael J. DeKort, a former Lockheed Martin employee, against ICGS, Lockheed Martin Corporation and the company relating to the 123-foot conversion effort. Damages under the False Claims Act are subject to trebling. On October 27, 2010, the District Court entered summary judgment for the company on the hull, mechanical and electrical (“HM&E”) claims brought against the company. On November 10, 2010, DeKort acknowledged that with the dismissal of the HM&E claims, no issues remained against the company for trial and the District Court subsequently vacated the December 1, 2010 trial date. On November 12, 2010, DeKort filed a motion for reconsideration regarding the District Court’s denial of his motion to amend the Fifth Amended Complaint. On November 19, 2010, DeKort filed a second motion for reconsideration regarding the District Court’s order granting summary judgment on the HM&E claims. Based upon the information available to the company to date, the company believes that it has substantive defenses to any potential claims but can give no assurance that the company will prevail in this litigation.

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

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

Litigation – Various claims and legal proceedings arise in the ordinary course of business and are pending against the company and its properties.

The company is one of several defendants in litigation brought by the Orange County Water District in Orange County Superior Court in California on December 17, 2004, for alleged contribution to volatile organic chemical contamination of the County’s shallow groundwater. The lawsuit includes counts against the defendants for violation of the Orange County Water District Act, the California Super Fund Act, negligence, nuisance, trespass and declaratory relief. Among other things, the lawsuit seeks unspecified damages for the cost of

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remediation, payment of attorney fees and costs, and punitive damages. The June 2009 trial date was vacated. The litigation has been stayed until the next scheduled status conference, which has been set for May 19, 2011.

On March 27, 2007, the U.S. District Court for the Central District of California consolidated two Employee Retirement Income Security Act (ERISA) lawsuits that had been separately filed on September 28, 2006, and January 3, 2007, into In Re Northrop Grumman Corporation ERISA Litigation. The plaintiffs filed a consolidated Amended Complaint on September 15, 2010, alleging breaches of fiduciary duties by the Administrative Committees and the Investment Committees (as well as certain individuals who served on or supported those Committees) for two 401K Plans sponsored by Northrop Grumman Corporation. The company is not a defendant in the lawsuit. The plaintiffs claim that these alleged breaches of fiduciary duties caused the Plans to incur excessive administrative and investment fees and expenses to the detriment of the Plans' participants. On August 6, 2007, the District Court denied plaintiffs' motion for class certification, and the plaintiffs appealed the District Court's decision on class certification to the U.S. Court of Appeals for the Ninth Circuit. On September 8, 2009, the Ninth Circuit vacated the Order denying class certification and remanded the issue to the District Court for further consideration. As required by the Ninth Circuit's Order, the case was also reassigned to a different judge. The plaintiffs' renewed motion for class certification was rejected on a procedural technicality, and they re-filed on January 14, 2011. The District Court postponed the trial date of April 12, 2011, to an as yet undetermined date pending resolution of the class certification motion as well as summary judgment motions, which are to be filed by May 2, 2011. Based upon the information available to the company to date, the company believes that it has substantive defenses to any potential claims but can give no assurance that the company will prevail in this litigation.

On June 22, 2007, a putative class action was filed against the Northrop Grumman Pension Plan and the Northrop Grumman Retirement Plan B and their corresponding administrative committees, styled as *Skinner et al. v. Northrop Grumman Pension Plan, etc., et al.*, in the U.S. District Court for the Central District of California. The putative class representatives alleged violations of ERISA and breaches of fiduciary duty concerning a 2003 modification to the Northrop Grumman Retirement Plan B. The modification relates to the employer funded portion of the pension benefit available during a five-year transition period that ended on June 30, 2008. The plaintiffs dismissed the Northrop Grumman Pension Plan, and in 2008 the District Court granted summary judgment in favor of all remaining defendants on all claims. The plaintiffs appealed, and in May 2009, the U.S. Court of Appeals for the Ninth Circuit reversed the decision of the District Court and remanded the matter back to the District Court for further proceedings, finding that there was ambiguity in a 1998 summary plan description related to the employer-funded component of the pension benefit. After the remand, the plaintiffs filed a motion to certify a class. The parties also filed cross-motions for summary judgment. On January 26, 2010, the District Court granted summary judgment in favor of the Plan and denied plaintiffs' motion for summary judgment. The District Court also denied plaintiffs' motion for class certification and struck the trial date of March 23, 2010 as unnecessary given the District Court's grant of summary judgment for the Plan. Plaintiffs appealed the District Court's order to the Ninth Circuit.

Based upon the information available, the company believes that the resolution of any of these claims and legal proceedings listed above would not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Hurricane Katrina Insurance Recoveries – The company is pursuing legal action against an insurance provider, Factory Mutual Insurance Company (FM Global), arising out of a disagreement concerning the coverage of certain losses related to Hurricane Katrina (Katrina) (see Note 16). Legal action commenced against FM Global

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on November 4, 2005, which is now pending in the U.S. District Court for the Central District of California, Western Division. In August 2007, the District Court issued an order finding that the excess insurance policy provided coverage for the company's Katrina-related loss. FM Global appealed the District Court's order and on August 14, 2008, the U.S. Court of Appeals for the Ninth Circuit reversed the earlier summary judgment order in favor of the company's interest, holding that the FM Global excess policy unambiguously excludes damage from the storm surge caused by Katrina under its "Flood" exclusion. The Ninth Circuit remanded the case to the District Court to determine whether the California efficient proximate cause doctrine affords the company coverage under the policy even if the Flood exclusion of the policy is unambiguous. On April 2, 2009, the Ninth Circuit denied the company's Petition for Rehearing and remanded the case to the District Court. On June 10, 2009, the company filed a motion seeking leave of court to file a complaint adding Aon Risk Services, Inc. of Southern California (Aon) as a defendant. On July 1, 2009, FM Global filed a motion for partial summary judgment seeking a determination that the California efficient proximate cause doctrine is not applicable or that it affords no coverage under the policy. On August 26, 2010, the District Court denied the company's motion to add Aon as a defendant to the case pending in the District Court, finding that the company has a viable option to bring suit against Aon in state court. Also on August 26, the District Court granted FM Global's motion for summary judgment based upon California's doctrine of efficient proximate cause, and denied FM Global's motion for summary judgment based upon breach of contract, finding that triable issues of fact remained as to whether and to what extent Northrop Grumman sustained wind damage apart from the storm surge. The company believes that it is entitled to full reimbursement of its covered losses under the excess policy. The District Court has scheduled trial on the merits for April 3, 2012. On January 27, 2011, the company filed an action against Aon Insurance Services West, Inc., formerly known as Aon Risk Services, Inc. of Southern California in Superior Court in California alleging breach of contract, professional negligence, and negligent misrepresentation. Based on the current status of the litigation, no assurances can be made as to the ultimate outcome of these matters; however, if the company is successful in either of its claims, the potential impact to the company's consolidated financial position, results of operations or cash flows would be favorable.

During 2008, the company received notification from Munich-American Risk Partners (Munich Re), the only remaining insurer within the primary layer of insurance coverage with which a resolution has not been reached, that it will pursue arbitration proceedings against the company related to approximately \$19 million owed by Munich Re to Northrop Grumman Risk Management Inc. (NGRMI), a wholly-owned subsidiary of the company, for certain losses related to Katrina. An arbitration was later invoked by Munich Re in the United Kingdom under the reinsurance contract. The company was subsequently notified that Munich Re is seeking reimbursement of approximately \$44 million of funds previously advanced to NGRMI for payment of claim losses of which Munich Re provided reinsurance protection to NGRMI pursuant to an executed reinsurance contract, and \$6 million of adjustment expenses. The arbitral panel has set a hearing for November 14, 2011. The company believes that NGRMI is entitled to full reimbursement of its covered losses under the reinsurance contract and has substantive defenses to the claim of Munich Re for return of the funds paid to date. If matters are resolved in NGRMI's favor, then NGRMI would be entitled to the remaining \$19 million owed for covered losses and it would have no further obligations to Munich Re. Payments to be made to NGRMI in connection with this matter would be for the benefit of the company and reimbursements to be made to Munich Re would be made by the company, if any.

Subsequent Event – On January 31, 2011, the U.S. Department of Justice first informed the company and Northrop Grumman Shipbuilding, Inc. of a False Claims Act complaint that the company believes was filed under seal by a relator in mid-2010 in the United States District Court for the District of Columbia. The redacted copy of the complaint that the company received alleges that through largely unspecified fraudulent means the company obtained federal funds that were restricted by law for the consequences of Katrina, and used those funds to cover costs under certain shipbuilding contracts that were unrelated to Katrina and for which the company was not entitled to recovery under the contracts. The complaint seeks monetary damages of at least \$835 million, plus penalties, attorney's fees and other costs of suit. Damages under the False Claims Act may be trebled upon a finding of liability.

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For several years, the company has pursued recovery under its insurance policies for Katrina related property damage and business interruption losses. One of the insurers involved in those actions has made allegations that overlap significantly with certain of the issues raised in the complaint, including allegations that the company used certain Katrina related funds for losses under the contracts unrelated to the hurricane. The company believes that the insurer's defenses, including those related to the use of Katrina funding, are without merit.

The company has agreed to cooperate with the government investigation relating to the False Claims Act complaint. The company has been advised that the Department of Justice has not made a decision whether to intervene. Based upon the information available to the company to date, the company believes it has substantive defenses to the allegations in the complaint but can give no assurance that there will be no material adverse impact on its financial position, results of operations or cash flows from this matter.

16. COMMITMENTS AND CONTINGENCIES

Contract Performance Contingencies – Contract profit margins may include estimates of revenues not contractually agreed to between the customer and the company for matters such as settlements in the process of negotiation, contract changes, claims and requests for equitable adjustment for previously unanticipated contract costs. These estimates are based upon management's best assessment of the underlying causal events and circumstances, and are included in determining contract profit margins to the extent of expected recovery based on contractual entitlements and the probability of successful negotiation with the customer. As of December 31, 2010, the recognized amounts related to claims and requests for equitable adjustment are not material individually or in the aggregate.

Guarantees of Subsidiary Performance Obligations – From time to time in the ordinary course of business, the company guarantees performance obligations of its subsidiaries under certain contracts. In addition, the company's subsidiaries may enter into joint ventures, teaming and other business arrangements (collectively, Business Arrangements) to support the company's products and services in domestic and international markets. The company generally strives to limit its exposure under these arrangements to its subsidiary's investment in the Business Arrangements, or to the extent of such subsidiary's obligations under the applicable contract. In some cases, however, the company may be required to guarantee performance by the Business Arrangements and, in such cases, the company generally obtains cross-indemnification from the other members of the Business Arrangements. At December 31, 2010, the company is not aware of any existing event of default that would require it to satisfy any of these guarantees.

Environmental Matters – The estimated cost to complete remediation has been accrued where it is probable that the company will incur such costs in the future to address environmental impacts at currently or formerly owned or leased operating facilities, or at sites where it has been named a Potentially Responsible Party (PRP) by the Environmental Protection Agency, or similarly designated by other environmental agencies. These accruals do not include any litigation costs related to environmental matters, nor do they include amounts recorded as asset retirement obligations. To assess the potential impact on the company's consolidated financial statements, management estimates the range of reasonably possible remediation costs that could be incurred by the company, taking into account currently available facts on each site as well as the current state of technology and prior experience in remediating contaminated sites. These estimates are reviewed periodically and adjusted to reflect changes in facts and technical and legal circumstances. Management estimates that as of December 31, 2010, the range of reasonably possible future costs for environmental remediation sites is \$280 million to \$674 million, of which \$109 million is accrued in other current liabilities and \$207 million is accrued in other long-term liabilities. A portion of the environmental remediation costs is expected to be recoverable through overhead charges on government contracts and, accordingly, such amounts are deferred in inventoried costs (current portion) and miscellaneous other assets (non-current portion). Factors that could result in changes to the company's estimates include: modification of planned remedial actions, increases or decreases in the estimated time required to remediate, changes to the determination of legally responsible parties, discovery of more extensive contamination than anticipated, changes in laws and regulations affecting remediation requirements, and

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improvements in remediation technology. Should other PRPs not pay their allocable share of remediation costs, the company may have to incur costs in addition to those already estimated and accrued. In addition, there are some potential remediation sites where the costs of remediation cannot be reasonably estimated. Although management cannot predict whether new information gained as projects progress will materially affect the estimated liability accrued, management does not anticipate that future remediation expenditures will have a material adverse effect on the company's consolidated financial position, results of operations or cash flows.

Hurricane Impacts – In 2008, a subcontractor's operations in Texas were severely impacted by Hurricane Ike. The subcontractor produces compartments for two of the LPD amphibious transport dock ships under construction at the Gulf Coast shipyards. In 2009, the company received \$25 million of insurance proceeds representing interim payments for property damages on the Hurricane Ike insurance claim. In 2010, the company received \$17 million in final settlement of its claim and recorded the insurance proceeds as operating income at the Shipbuilding segment.

In August 2005, the company's Gulf Coast operations were significantly impacted by Katrina and the company's shipyards in Louisiana and Mississippi sustained significant windstorm damage from the hurricane. As a result of the storm, the company incurred costs to replace or repair destroyed or damaged assets, suffered losses under its contracts, and incurred substantial costs to clean up and recover its operations. As of the date of the storm, the company had a comprehensive insurance program that provided coverage for, among other things, property damage, business interruption impact on net profitability, and costs associated with clean-up and recovery. The company expects that its remaining claims will be resolved separately with the two remaining insurers, FM Global and Munich Re (see Note 15).

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

In accordance with U.S. Government cost accounting regulations affecting the majority of the company's contracts, the cost of insurance premiums for property damage and business interruption coverage, other than "coverage of profit," is an allowable expense that may be charged to contracts. Because a substantial portion of long-term contracts at the shipyards are flexibly-priced, the government customer would benefit from a portion of insurance recoveries in excess of the net book value of damaged assets. When such insurance recoveries occur, the company is obligated to provide the benefit of a portion of these amounts to the government. In recent discussions, the U.S. Navy has expressed its intention to challenge the allowability of certain post-Katrina depreciation costs charged or expected to be charged on contracts under construction in the Gulf Coast shipyards. It is premature to estimate the amount, if any, that the U.S. Navy will ultimately challenge. The company believes all of the replacement costs should be recoverable under its insurance coverage and the amounts that may be challenged are included in the insurance claim. However, if the company is unsuccessful in its insurance recovery, the company believes there are specific rules in the CAS and FAR that should still render the depreciation on those assets allowable and recoverable through its contracts with the U.S. Navy as these replacement costs provide benefit to the government. The company believes that its depreciation practices are in conformity with the FAR, and that, if the U.S. Navy were to challenge the allowability of such costs, the company would be able to successfully resolve this matter with no material adverse impact to the company's consolidated financial position or results of operations.

Shipbuilding Quality Issues – In conjunction with a second quarter 2009 review of design, engineering and production processes at Shipbuilding undertaken as a result of leaks discovered in the USS San Antonio's (LPD 17) lube oil system, the company became aware of quality issues relating to certain pipe welds on ships under production in the Gulf Coast as well as those that had previously been delivered. Since that discovery, the

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company has been working with its customer to determine the nature and extent of the pipe weld issue and its possible impact on related shipboard systems. This effort has resulted in the preparation of a technical analysis of the problem, additional inspections on the ships, a rework plan for ships previously delivered and in various stages of production, and modifications to the work plans for ships being placed into production, all of which has been done with the knowledge and support of the U.S. Navy. Incremental costs associated with the anticipated resolution of these matters, and determined to be Shipbuilding's responsibility, have been reflected in the financial performance analysis and contract booking rates beginning with the second quarter of 2009.

In the fourth quarter of 2009, certain bearing wear and debris were found in the lubrication system of the main propulsion diesel engines (MPDE) installed on LPD 21. Shipbuilding is participating with the U.S. Navy and other industry participants involved with the MPDEs in a review panel established by the U.S. Navy to examine the MPDE lubrication system's design, construction, operation and maintenance for the LPD 17 class of ships. The team is focusing on identification and understanding of the root causes of the MPDE diesel bearing wear and debris in the lubrication system and the potential future impacts on maintenance costs. To date the review has identified several potential system improvements for increasing the system reliability. Certain changes are being implemented on ships under construction at this time and the U.S. Navy is implementing some changes on in-service ships in the class at the earliest opportunity. The U.S. Navy has requested a special MPDE flush procedure be used on LPDs 22 through 25 under construction at the Gulf Coast shipyards. The company has informed the U.S. Navy of its position that should the U.S. Navy direct use of this new flush procedure, the company believes such direction would be a change to the contracts for all LPDs under construction, and that such a change would entitle the company to an equitable adjustment to cover the cost and schedule impacts. However, the company can give no assurance that the U.S. Navy will agree that any such direction would constitute a contract change.

In July 2010, the Navy released its report documenting the results of a Judge Advocate General's manual (JAGMAN) investigation of the failure of MPDE bearings on LPD 17 subsequent to the Navy's Planned Maintenance Availability (PMA), which was completed in October 2009. During sea trials following the completion of the Navy conducted PMA, one of the ship's MPDEs suffered a casualty as the result of a bearing failure. The JAGMAN investigation determined that the bearing failure could be attributed to a number of possible factors, including deficiencies in the acquisition process, maintenance, training, and execution of shipboard programs, as well as debris from the construction process. Shipbuilding's technical personnel reviewed the JAGMAN report and provided feedback to the Navy on the report, recommending that the company and the Navy perform a comprehensive review of the LPD 17 Class propulsion system design and its associated operation and maintenance procedure in order to enhance reliability. Discussions between the company and the Navy on this recommendation are ongoing.

The company and the U.S. Navy continue to work in partnership to investigate and identify any additional corrective actions to address quality issues associated with ships manufactured in the company's Gulf Coast shipyards, and the company will implement appropriate corrective actions. The company does not believe that the ultimate resolution of the matters described above will have a material adverse effect upon its consolidated financial position, results of operations or cash flows.

The company has also encountered various quality issues on its aircraft carrier construction and overhaul programs and its *Virginia*-class submarine construction program at its Newport News shipyards. These primarily involve matters related to filler metal used in pipe welds identified in 2007, and in 2009, issues associated with non-nuclear weld inspection and the installation of weapons handling equipment on certain submarines, and certain purchased material quality issues. The company does not believe that resolution of these issues will have a material adverse effect upon its consolidated financial position, results of operations or cash flows.

Financial Arrangements – In the ordinary course of business, the company uses standby letters of credit and guarantees issued by commercial banks and surety bonds issued principally by insurance companies to guarantee the performance on certain contracts and to support the company's self-insured workers' compensation plans. At

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December 31, 2010, there were \$303 million of stand-by letters of credit, \$192 million of bank guarantees, and \$446 million of surety bonds outstanding.

The company has also guaranteed the remaining \$22 million of bonds outstanding from the Gulf Opportunity Zone Industrial Revenue Development Bonds issued by the Mississippi Business Finance Corporation in December 2006. Under the guaranty, the company guaranteed the repayment of all payments due under the trust indenture and loan agreement. In addition, a subsidiary of the company has guaranteed Shipbuilding's outstanding \$84 million Economic Development Revenue Bonds (Ingalls Shipbuilding, Inc. Project), Taxable Series 1999A.

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

U.S. Government Claims – From time to time, customers advise the company of claims and penalties concerning certain potential disallowed costs. When such findings are presented, the company and the U.S. Government representatives engage in discussions to enable the company to evaluate the merits of these claims as well as to assess the amounts being claimed. Where appropriate, provisions are made to reflect the company's expected exposure to the matters raised by the U.S. Government representatives and such provisions are reviewed on a quarterly basis for sufficiency based on the most recent information available. The company believes that the outcome of any such matters would not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Operating Leases – Rental expense for operating leases, excluding discontinued operations, was \$492 million in 2010, \$549 million in 2009, and \$567 million in 2008. These amounts are net of immaterial amounts of sublease rental income. Minimum rental commitments under long-term noncancellable operating leases as of December 31, 2010, total approximately \$1.5 billion, which are payable as follows: 2011 – \$367 million; 2012 – \$289 million; 2013 – \$210 million; 2014 – \$181 million; 2015 – \$149 million and thereafter – \$318 million.

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

17. RETIREMENT BENEFITS

Plan Descriptions

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

Defined Contribution Plans – The company also sponsors 401(k) defined contribution plans in which most employees are eligible to participate, as well as certain bargaining unit employees. Company contributions for most plans are based on a cash matching of employee contributions up to 4 percent of compensation. Certain hourly employees are covered under a target benefit plan. The company also participates in a multiemployer plan for certain of the company's union employees. In addition to the 401(k) defined contribution benefit, non-represented employees hired after June 30, 2008, are eligible to participate in a defined contribution program in lieu of a defined benefit pension plan. The company's contributions to these defined contribution plans for the years ended December 31, 2010, 2009, and 2008, were \$338 million, \$341 million, and \$311 million, respectively.

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

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Medical and Life Benefits – The company provides a portion of the costs for certain health care and life insurance benefits for a substantial number of its active and retired employees. Covered employees achieve eligibility to participate in these contributory plans upon retirement from active service if they meet specified age and years of service requirements. Qualifying dependents are also eligible for medical coverage. Approximately 64 percent of the company’s current retirees participate in the medical plans. The company reserves the right to amend or terminate the plans at any time. In November 2006, the company adopted plan amendments and communicated to plan participants that it would cap the amount of its contributions to substantially all of its remaining post retirement medical and life benefit plans that were previously not subject to limits on the company’s contributions.

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

The effect of the Medicare prescription drug subsidy from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 to reduce the company’s net periodic post-retirement benefit cost and accumulated post-retirement benefit obligation for the periods presented was not material. Pursuant to the new healthcare law described below, the tax benefits related to Medicare Part D subsidies will expire on December 31, 2012.

New Health Care Legislation – The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act became law during the first quarter of 2010. The provisions of these new laws will affect the company’s costs of providing health care benefits to its employees beginning in 2011. The company participated in the Early Retiree Reinsurance Program and continues to assess the extent to which the provisions of the new laws will affect its future health care and related employee benefit plan costs.

Summary Plan Results

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

<i>\$ in millions</i>	Pension Benefits			Medical and Life Benefits		
	2010	2009	2008	2010	2009	2008
Components of Net Periodic Benefit Cost						
Service cost	\$ 658	\$ 661	\$ 721	\$ 49	\$ 48	\$ 55
Interest cost	1,394	1,350	1,335	155	164	166
Expected return on plan assets	(1,749)	(1,559)	(1,895)	(56)	(48)	(64)
Amortization of						
Prior service cost (credit)	48	50	40	(60)	(59)	(65)
Net loss from previous years	244	337	24	26	28	22
Other		17				
Net periodic benefit cost	\$ 595	\$ 856	\$ 225	\$114	\$ 133	\$ 114

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The table below summarizes the components of changes in unamortized benefit plan costs for the years ended December 31, 2010, 2009, and 2008:

<i>\$ in millions</i>	Pension Benefits	Medical and Life Benefits	Total
Changes in Unamortized Benefit Plan Costs			
Change in net actuarial loss	\$ 4,558	\$ 132	\$ 4,690
Change in prior service cost	73	30	103
Amortization of			
Prior service (cost) credit	(40)	65	25
Net loss from previous years	(24)	(22)	(46)
Tax benefits related to above items	(1,807)	(81)	(1,888)
Change in unamortized benefit plan costs – 2008			
Change in net actuarial loss	\$ (524)	\$ (60)	\$ (584)
Change in prior service cost	5		5
Amortization of			
Prior service (cost) credit	(50)	59	9
Net loss from previous years	(337)	(28)	(365)
Tax benefits related to above items	363	11	374
Change in unamortized benefit plan costs – 2009			
Change in net actuarial loss	\$ (158)	\$ (64)	\$ (222)
Amortization of			
Prior service (cost) credit	(48)	60	12
Net loss from previous years	(244)	(26)	(270)
Tax benefits related to above items	171	12	183
Change in unamortized benefit plan costs – 2010			
	\$ (279)	\$ (18)	\$ (297)

Unamortized benefit plan costs consist primarily of accumulated net after-tax actuarial losses totaling \$2,771 million and \$3,082 million as of December 31, 2010, and 2009, respectively. Net actuarial gains or losses are re-determined annually and principally arise from gains or losses on plan assets due to variations in the fair market value of the underlying assets and changes in the benefit obligation due to changes in actuarial assumptions. Net actuarial gains or losses are amortized to expense in future periods when they exceed ten percent of the greater of plan assets or projected benefit obligations by benefit plan. The excess of gains or losses over the ten percent threshold are subject to amortization over the average future service period of employees of approximately ten years.

<i>\$ in millions</i>	Pension Benefits		Medical and Life Benefits	
	2010	2009	2010	2009
Amounts Recorded in Accumulated Other Comprehensive Loss				
Net actuarial loss	\$(4,246)	\$ (4,648)	\$(361)	\$(451)
Prior service (cost) credit	(194)	(242)	238	298
Income tax benefits related to above items	1,752	1,923	49	61
Unamortized benefit plan costs	\$(2,688)	\$(2,967)	\$ (74)	\$ (92)

The following tables set forth the funded status and amounts recognized in the consolidated statements of financial position for the company's defined benefit pension and retiree health care and life insurance benefit

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plans. Pension benefits data include the qualified plans as well as 14 domestic unfunded non-qualified plans for benefits provided to directors, officers, and certain employees. During 2010, nine such plans were merged. The company uses a December 31 measurement date for all of its plans.

<i>\$ in millions</i>	Pension Benefits		Medical and Life Benefits	
	2010	2009	2010	2009
Change in Projected Benefit Obligation				
Projected benefit obligation at beginning of year	\$23,723	\$ 22,147	\$ 2,780	\$ 2,716
Service cost	658	661	49	48
Interest cost	1,394	1,350	155	164
Plan participants' contributions	20	16	98	106
Plan amendments		5		—
Actuarial loss (gain)	778	869	(12)	15
Benefits paid	(1,282)	(1,359)	(274)	(289)
Other	(28)	34	21	20
Projected benefit obligation at end of year	25,263	23,723	2,817	2,780
Change in Plan Assets				
Fair value of plan assets at beginning of year	20,973	18,501	843	718
Gain on plan assets	2,667	2,945	108	126
Employer contributions	894	858	138	162
Plan participants' contributions	20	16	98	106
Benefits paid	(1,282)	(1,359)	(274)	(289)
Other	(7)	12	20	20
Fair value of plan assets at end of year	23,265	20,973	933	843
Funded status	\$ (1,998)	\$ (2,750)	\$ (1,884)	\$ (1,937)
Amounts Recognized in the Consolidated Statements of Financial Position				
Non-current assets	\$ 405	\$ 264	\$ 45	\$ 36
Current liability	(98)	(47)	(118)	(66)
Non-current liability	(2,305)	(2,967)	(1,811)	(1,907)

The following table shows those amounts expected to be recognized in net periodic benefit cost in 2011:

<i>\$ in millions</i>	Pension Benefits	Medical and Life Benefits
Amounts Expected to be Recognized in 2011 Net Periodic Benefit Cost		
Net loss	\$ 195	\$ 20
Prior service cost (credit)	36	(60)

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The accumulated benefit obligation for all defined benefit pension plans was \$23.6 billion and \$22.1 billion at December 31, 2010, and 2009, respectively.

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

<i>\$ in millions</i>	December 31	
	2010	2009
Projected benefit obligation	\$8,667	\$ 20,687
Accumulated benefit obligation	7,845	19,162
Fair value of plan assets	6,829	17,739

Plan Assumptions

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

	Pension Benefits		Medical and Life Benefits	
	2010	2009	2010	2009
Assumptions Used to Determine Benefit Obligation at December 31				
Discount rate	5.76%	6.03%	5.62%	5.80%
Rate of compensation increase	3.50%	3.75%		
Initial health care cost trend rate assumed for the next year			8.00%	7.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			5.00%	5.00%
Year that the rate reaches the ultimate trend rate			2017	2014
Assumptions Used to Determine Benefit Cost for the Year Ended December 31				
Discount rate	6.00%	6.25%	5.79%	6.25%
Expected long-term return on plan assets	8.50%	8.50%	6.90%	6.95%
Rate of compensation increase	3.75%	4.00%		
Initial health care cost trend rate assumed for the next year			7.00%	7.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			5.00%	5.00%
Year that the rate reaches the ultimate trend rate			2014	2014

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

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

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

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

<i>\$ in millions</i>	1-Percentage- Point Increase	1-Percentage- Point Decrease
Increase (Decrease) From Change In Health Care Cost Trend Rates To		
Post-retirement benefit expense	\$ 6	\$ (7)
Post-retirement benefit liability	74	(86)

Plan Assets and Investment Policy

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

All investment policies and procedures are designed to ensure that the plans' investments are in compliance with ERISA. Guidelines are established defining permitted investments within each asset class. Derivatives are used for transitioning assets, asset class rebalancing, managing currency risk, and for management of fixed income and alternative investments. For the majority of the plans' assets, the investment policies require that the asset allocation be maintained within the following ranges as of December 31, 2010:

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

The table below provides the fair values of the company's pension and VEBA trust plan assets at December 31, 2010, and 2009, by asset category. The table also identifies the level of inputs used to determine the fair value of assets in each category (see Note 1 for definition of levels). The significant amount of Level 2 investments in the table results from including in this category investments in pooled funds that contain investments with values

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

<i>\$ in millions</i>	Level 1		Level 2		Level 3		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Asset Category								
Domestic equities	\$ 4,738	\$ 3,671	\$ 3		\$ 2	\$ 2	\$ 4,743	\$ 3,673
International equities	1,413	1,516	2,458	\$ 1,571			3,871	3,087
Fixed income securities								
Cash & cash equivalents(1)	93	139	1,146	2,122			1,239	2,261
U.S. Treasuries			1,648	1,307			1,648	1,307
Other U.S. Government								
Agency Securities			857	738			857	738
Non-U.S. Government								
Securities			256	219			256	219
Corporate debt			4,076	4,575			4,076	4,575
Asset backed			844	808	4	4	848	812
High yield debt			1,003	560	87	67	1,090	627
Bank loans			115	104			115	104
Real estate and other								
Hedge funds					1,703	1,470	1,703	1,470
Private equities					2,172	1,893	2,172	1,893
Real estate					1,571	997	1,571	997
Other(2)			9	53			9	53
Fair value of plan assets at the end of the year	\$ 6,244	\$ 5,326	\$ 12,415	\$ 12,057	\$ 5,539	\$ 4,433	\$ 24,198	\$ 21,816

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

(2) Other includes futures, swaps, options, swaptions and insurance contracts at year end.

The changes in the fair value of the pension and VEBA plan trust assets measured using significant unobservable inputs during 2010 and 2009, are as follows:

<i>\$ in millions</i>	Domestic equities	Asset Backed	High yield debt	Hedge funds	Private equities	Real estate	Total
Balance as of December 31, 2008	\$ 1	\$ 4	\$ 46	\$ 1,321	\$ 1,874	\$ 1,316	\$ 4,562
Actual return on plan assets:							
Assets still held at reporting date			21	187	(125)	(439)	(356)
Assets sold during the period				(11)	1	(11)	(21)
Purchases, sales, and settlements	1			(27)	143	131	248
Balance as of December 31, 2009	\$ 2	\$ 4	\$ 67	\$ 1,470	\$ 1,893	\$ 997	\$ 4,433
Actual return on plan assets:							
Assets still held at reporting date	2		20	134	208	131	495
Assets sold during the period						(10)	(10)
Purchases, sales, and settlements	(2)			99	71	453	621
Balance as of December 31, 2010	\$ 2	\$ 4	\$ 87	\$ 1,703	\$ 2,172	\$ 1,571	\$ 5,539

Generally, investments are valued based on information in financial publications of general circulation, statistical and valuation services, records of security exchanges, appraisal by qualified persons, transactions and bona fide offers. Domestic and international equities consist primarily of common stocks and institutional common trust funds. Investments in common and preferred shares are valued at the last reported sales price of the stock on the

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last business day of the reporting period. Units in common trust funds and hedge funds are valued based on the redemption price of units owned by the trusts at year-end. Fair value for real estate and private equity partnerships is primarily based on valuation methodologies that include third party appraisals, comparable transactions, discounted cash flow valuation models, and public market data.

Non-government fixed income securities are invested across various industry sectors and credit quality ratings. Generally, investment guidelines are written to limit securities, for example, to no more than 5 percent of each trust account, and to exclude the purchase of securities issued by the company. The number of real estate and private equity partnerships is 167 and the unfunded commitments are \$1.2 billion and \$1.1 billion as of December 31, 2010, and 2009, respectively. For alternative investments that cannot be redeemed, such as limited partnerships, the typical investment term is ten years. For alternative investments that permit redemptions, such redemptions are generally made quarterly and require a 90-day notice. The company is generally unable to determine the final redemption amount until the request is processed by the investment fund and therefore categorizes such alternative investments as Level 3 assets.

At December 31, 2010, and 2009, the defined benefit pension and VEBA trusts did not hold any Northrop Grumman common stock.

Benefit Payments

The following table reflects estimated future benefit payments, based upon the same assumptions used to measure the benefit obligation, and includes expected future employee service, as of December 31, 2010:

<i>\$ in millions</i>	Pension Plans	Medical and Life Plans
Year Ending December 31		
2011	\$ 1,222	\$ 186
2012	1,292	191
2013	1,381	199
2014	1,477	207
2015	1,561	214
2016 through 2020	9,135	1,143

In 2011, the company expects to contribute the required minimum funding level of approximately \$62 million to its pension plans and approximately \$160 million to its other post-retirement benefit plans and also expects to make additional voluntary pension contributions of approximately \$500 million. During 2010 and 2009, the company made voluntary pension contributions of \$830 million and \$800 million, respectively.

18. STOCK COMPENSATION PLANS**Plan Descriptions**

At December 31, 2010, Northrop Grumman had stock-based compensation awards outstanding under the following plans: the 2001 Long-Term Incentive Stock Plan (2001 LTISP) applicable to employees, and the 1993 Stock Plan for Non-Employee Directors (1993 SPND) and 1995 Stock Plan for Non-Employee Directors (1995 SPND) as amended. All of these plans were approved by the company's shareholders. The company has historically issued new shares to satisfy award grants.

Employee Plans – The 2001 LTISP permits grants to key employees of three general types of stock incentive awards: stock options, stock appreciation rights (SARs), and stock awards. Each stock option grant is made with an exercise price either at the closing price of the stock on the date of grant (market options) or at a premium over the closing price of the stock on the date of grant (premium options). Outstanding stock options granted prior to 2008 generally vest in 25 percent increments over four years from the grant date, and grants outstanding expire ten years after the grant date. Stock options granted 2008 and later vest in 33 percent increments over three years from the grant date and grants outstanding expire seven years after the grant date. No SARs have

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been granted under the LTISP. Stock awards, in the form of restricted performance stock rights and restricted stock rights, are granted to key employees without payment to the company.

Recipients of restricted performance stock rights earn shares of stock, based on financial metrics determined by the board of directors in accordance with the plan. For grants prior to 2007, if the objectives have not been met at the end of the applicable performance period, up to 100 percent of the original grant for the eight highest compensated employees and up to 70 percent of the original grant for all other recipients will be forfeited. If the financial metrics are met or exceeded during the performance period, all recipients can earn up to 150 percent of the original grant. Beginning in 2007, all members of the Corporate Policy Council (consisting of the CEO and certain other leadership positions) could forfeit up to 100 percent of the original grant, and all recipients could earn up to 200 percent of the original grant. Restricted stock rights issued under either plan generally vest after three years. Termination of employment can result in forfeiture of some or all of the benefits extended. Of the 50 million shares approved for issuance under the 2001 LTISP, approximately 9.4 million shares were available for future grants as of December 31, 2010.

Non-Employee Plans – Under the 1993 SPND, at least half of the retainer fee earned by each director must be deferred into a stock unit account (Automatic Stock Units). Effective January 1, 2010, the amended SPND provides that the Automatic Stock Units be awarded at the conclusion of board service or as specified by the director. If a director has less than 5 years of service, the stock units are awarded at the conclusion of board service. In addition, directors may defer payment of all or part of the remaining retainer fee and other annual committee fees, which are placed in a stock unit account (Elective Stock Units). The Elective Stock Units are awarded at the conclusion of board service or as specified by the director, regardless of years of service. Directors are credited with dividend equivalents in connection with the stock units until the shares are awarded. The 1995 SPND provided for annual stock option grants, and effective June 1, 2005, no new grants have been issued from this plan. The 1995 SPND was amended in May 2007 to permit payment of the stock unit portion of the retainer fee described above. Each grant of stock options under the 1995 SPND was made at the closing market price on the date of the grant, was immediately exercisable, and expires ten years after the grant date. At December 31, 2010, approximately 93 thousand shares were available for future grants under the 1995 SPND.

Compensation Expense

Total stock-based compensation for the years ended December 31, 2010, 2009, and 2008, was \$134 million, \$101 million, and \$111 million, respectively, of which \$27 million, \$20 million, and \$15 million related to stock options and \$107 million, \$81 million, and \$96 million, related to stock awards, respectively. Tax benefits recognized in the consolidated statements of operations for stock-based compensation during the years ended December 31, 2010, 2009, and 2008, were \$53 million, \$40 million, and \$44 million, respectively. In addition, the company realized tax benefits of \$17 million from the exercise of stock options and \$34 million from the issuance of stock awards in 2010.

At December 31, 2010, there was \$172 million of unrecognized compensation expense related to unvested awards granted under the company's stock-based compensation plans, of which \$19 million relates to stock options and \$153 million relates to stock awards. These amounts are expected to be charged to expense over a weighted-average period of 1.4 years.

Stock Options

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

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experience under the company's stock-based compensation plans and represents the period of time that awards granted are expected to be outstanding.

The significant weighted-average assumptions relating to the valuation of the company's stock options for the years ended December 31, 2010, 2009, and 2008, was as follows:

	2010	2009	2008
Dividend yield	2.9%	3.6%	1.8%
Volatility rate	25%	25%	20%
Risk-free interest rate	2.2%	1.7%	2.8%
Expected option life (years)	6	5-6	6

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

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2010, 2009, and 2008, was \$11, \$7, and \$15, per share, respectively.

Stock option activity for the year ended December 31, 2010, was as follows:

	Shares Under Option (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (\$ in millions)
Outstanding at January 1, 2010	14,442	\$ 53	3.8 years	\$ 88
Granted	2,092	60		
Exercised	(2,913)	48		
Cancelled and forfeited	(400)	54		
Outstanding at December 31, 2010	13,221	\$ 55	3.8 years	\$ 149
Vested and expected to vest in the future at December 31, 2010	13,084	\$ 55	3.7 years	\$ 147
Exercisable at December 31, 2010	9,813	\$ 55	3.1 years	\$ 115
Available for grant at December 31, 2010	7,257			

The total intrinsic value of options exercised during the years ended December 31, 2010, 2009, and 2008, was \$42 million, \$11 million, and \$66 million, respectively. Intrinsic value is measured using the fair market value at the date of exercise (for options exercised) or at December 31, 2010 (for outstanding options), less the applicable exercise price.

Stock Awards

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

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Stock award activity for the years ended December 31, 2010, 2009, and 2008, is presented in the table below. Vested awards include stock awards fully vested during the year and net adjustments to reflect the final performance measure for issued shares.

	Stock Awards (in thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2008	5,144	\$ 67	1.3 years
Granted	1,505	80	
Vested	(2,950)	64	
Forfeited	(423)	65	
Outstanding at December 31, 2008	3,276	\$ 75	1.4 years
Granted	2,356	45	
Vested	(1,645)	71	
Forfeited	(329)	66	
Outstanding at December 31, 2009	3,658	\$ 58	1.6 years
Granted	2,317	60	
Vested	(1,319)	79	
Forfeited	(356)	56	
Outstanding at December 31, 2010	4,300	\$ 53	1.5 years
Available for grant at December 31, 2010	2,110		

The company issued 1.3 million, 2.5 million, and 2.9 million shares to employees in settlement of prior year stock awards that were fully vested, which had total fair values at issuance of \$76 million, \$111 million, and \$233 million and grant date fair values of \$91 million, \$161 million, and \$155 million during the years ended December 31, 2010, 2009, and 2008, respectively. The differences between the fair values at issuance and the grant date fair values reflect the effects of the performance adjustments and changes in the fair market value of the company's common stock.

In 2011, the company expects to issue to employees 1.3 million shares of common stock that vested as of December 31, 2010, with a grant date fair value of \$101 million.

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19. UNAUDITED SELECTED QUARTERLY DATA

Unaudited quarterly financial results are set forth in the following tables. It is the company's long-standing practice to establish actual interim closing dates using a "fiscal" calendar, which requires the businesses to close their books on a Friday, in order to normalize the potentially disruptive effects of quarterly close on business processes. The effects of this practice only exist within a reporting year. The company's common stock is traded on the New York Stock Exchange (trading symbol NOC).

2010

<i>\$ in millions, except per share</i>	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Sales and service revenues	\$8,610	\$8,826	\$8,714	\$8,607
Operating income	765	716	801	788
Earnings from continuing operations	462	711	489	376
Net earnings	469	711	497	376
Basic earnings per share from continuing operations	1.53	2.37	1.67	1.29
Basic earnings per share	1.55	2.37	1.69	1.29
Diluted earnings per share from continuing operations	1.51	2.34	1.64	1.27
Diluted earnings per share	1.53	2.34	1.67	1.27

Significant 2010 Fourth Quarter Events – In the fourth quarter of 2010, the company recorded a pre-tax charge of \$231 million related to the redemption of outstanding debt and made a \$440 million contribution to the company's pension plans.

2009

<i>\$ in millions, except per share</i>	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Sales and service revenues	\$7,935	\$8,545	\$8,350	\$8,925
Operating income	619	614	619	631
Earnings from continuing operations	366	368	464	375
Net earnings	389	394	490	413
Basic earnings per share from continuing operations	1.12	1.14	1.46	1.20
Basic earnings per share	1.19	1.22	1.55	1.32
Diluted earnings per share from continuing operations	1.10	1.13	1.45	1.19
Diluted earnings per share	1.17	1.21	1.53	1.31

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

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

No information is required in response to this item.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our principal executive officer (Chief Executive Officer and President) and principal financial officer (Corporate Vice President and Chief Financial Officer) have evaluated the company's disclosure controls and procedures as of December 31, 2010, and have concluded that these controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (15 USC § 78a et seq) is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit is accumulated and communicated to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of 2010, no change occurred in the company's internal control over financial reporting that materially affected, or is likely to materially affect, the company's internal control over financial reporting.

Item 9B. Other Information

No information is required in response to this item.

NORTHROP GRUMMAN CORPORATION

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, the company designed and implemented a structured and comprehensive assessment process to evaluate its internal control over financial reporting across the enterprise. The assessment of the effectiveness of the company's internal control over financial reporting was based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Management regularly monitors its internal control over financial reporting, and actions are taken to correct any deficiencies as they are identified. Based on its assessment, management has concluded that the company's internal control over financial reporting is effective as of December 31, 2010.

Deloitte & Touche LLP issued an attestation report dated February 8, 2011, concerning the company's internal control over financial reporting, which is contained in this Annual Report. The company's consolidated financial statements as of and for the year ended December 31, 2010, have been audited by the independent registered public accounting firm of Deloitte & Touche LLP in accordance with the standards of the Public Company Accounting Oversight Board (United States).

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

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

February 8, 2011

NORTHROP GRUMMAN CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Northrop Grumman Corporation and subsidiaries (the “Company”) as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated February 8, 2011 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Los Angeles, California
February 8, 2011

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PART III

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

Information about our Directors will be incorporated herein by reference to the Proxy Statement for the 2011 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year.

Executive Officers

Our executive officers as of February 8, 2011 are listed below, along with their ages on that date, positions and offices with the company, and principal occupations and employment during the past five years.

<u>Name</u>	<u>Age</u>	<u>Office Held</u>	<u>Since</u>	<u>Prior Business Experience (Last Five Years)</u>
Sid Ashworth	59	Corporate Vice President, Government Relations	2010	Vice President of Washington Operations, GE Aviation (2010); Prior to March 2010, Principal, the Ashworth Group (2009-2010); Professional Staff Member, U.S. Senate Committee on Appropriations (1995-2009)
Wesley G. Bush	49	Chief Executive Officer and President	2010	President and Chief Operating Officer (2007-2009); Prior to March 2007, President and Chief Financial Officer (2006-2007); Corporate Vice President and Chief Financial Officer (2005-2006)
Sheila C. Cheston	52	Corporate Vice President and General Counsel	2010	Executive Vice President and Director, BAE Systems, Inc. (2009-2010); Prior to September 2009, Senior Vice President, General Counsel, Secretary and Director, BAE Systems, Inc. (2002-2009)
Gary W. Ervin	53	Corporate Vice President and President, Aerospace Systems Sector	2009	Corporate Vice President and President, Integrated Systems Sector (2008); Prior to 2008, Corporate Vice President (2007-2008); Vice President, Western Region, Integrated Systems Sector (2005-2007)
Gloria A. Flach	52	Corporate Vice President and President, Northrop Grumman Enterprise Shared Services	2010	Sector Vice President and General Manager, Targeting Systems Division, Electronic Systems (ES) Sector (2010); Prior to 2010, Sector Vice President and General Manager of Engineering, Manufacturing and Logistics, ES Sector (2009); Sector Vice President and General Manager of Engineering & Logistics, ES Sector (2007-2008); Sector Vice President and Chief Information Officer, ES Sector (2004-2006)
Darryl M. Fraser	52	Corporate Vice President, Communications	2008	Sector Vice President of Business Development and Strategic Initiatives, Mission Systems Sector (2007-March 2008); Prior to May 2007, Sector Vice President, Strategic Initiatives, Mission Systems Sector (2007); Vice President, Washington Operations, Mission Systems and Space Technology Sectors (2005-2007)

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Name	Age	Office Held	Since	Prior Business Experience (Last Five Years)
Kenneth N. Heintz	64	Corporate Vice President, Controller and Chief Accounting Officer	2005	
Alexis C. Livanos	62	Corporate Vice President and Chief Technology Officer	2009	Corporate Vice President and President, Space Technology Sector (2005-2008)
Linda A. Mills	61	Corporate Vice President and President, Information Systems Sector	2009	Corporate Vice President and President, Information Technology Sector (2008); Prior to 2008, President of the Civilian Agencies business group, Information Technology Sector (2007-2008); Vice President for Operations and Processes, Information Technology Sector (2005-2007)
James F. Palmer	61	Corporate Vice President and Chief Financial Officer	2007	Executive Vice President and Chief Financial Officer, Visteon Corporation (2004-2007)
C. Michael Petters	51	Corporate Vice President and President, Shipbuilding Sector	2008	Corporate Vice President and President, Newport News Sector (2004-January 2008)
James F. Pitts	59	Corporate Vice President and President, Electronic Systems Sector	2005	
Mark Rabinowitz	49	Corporate Vice President and Treasurer	2007	Vice President and Assistant Treasurer (2006-2007); Prior to June 2006, Corporate Director and Assistant Treasurer, Banking and Capital Markets (2003-2006)
Thomas E. Vice	48	Corporate Vice President and President, Technical Services Sector	2010	Sector Vice President and General Manager, Battle Management and Engagement Systems Division, Aerospace Systems Sector (2008-2010); Prior to 2008, Vice President, Airborne Early Warning and Battle Management Command and Control – Navy Programs, Integrated Systems Sector (2006-2007); Sector Vice President of Business Development, Integrated Systems Sector (2004-2006)

Audit Committee Financial Expert

The information as to the Audit Committee and the Audit Committee Financial Expert will be incorporated herein by reference to the Proxy Statement for the 2011 Annual Meeting of Stockholders to be filed within 120 days after the end of the company’s fiscal year.

Code of Ethics

We have adopted Standards of Business Conduct for all of our employees, including the principal executive officer, principal financial officer and principal accounting officer. The Standards of Business Conduct can be found on our internet web site at www.northropgrumman.com under “Investor Relations – Corporate

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Governance – Overview.” A copy of the Standards of Business Conduct is available to any stockholder who requests it by writing to: Northrop Grumman Corporation, c/o Office of the Secretary, 1840 Century Park East, Los Angeles, CA 90067.

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

Other Disclosures

Other disclosures required by this Item will be incorporated herein by reference to the Proxy Statement for the 2011 Annual Meeting of Stockholders to be filed within 120 days after the end of the company’s fiscal year.

Item 11. Executive Compensation

Information concerning Executive Compensation, including information concerning Compensation Committed Interlocks and Insider Participation and Compensation Committee Report, will be incorporated herein by reference to the Proxy Statement for the 2011 Annual Meeting of Stockholders to be filed within 120 days after the end of the company’s fiscal year.

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

The information as to Securities Authorized for Issuance Under Equity Compensation Plans and Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters will be incorporated herein by reference to the Proxy Statement for the 2011 Annual Meeting of Stockholders to be filed within 120 days after the end of the company’s fiscal year.

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

The information as to Certain Relationships and Related Transactions, and Director Independence will be incorporated herein by reference to the Proxy Statement for the 2011 Annual Meeting of Stockholders to be filed within 120 days after the end of the company’s fiscal year.

Item 14. Principal Accountant Fees and Services

The information as to principal accountant fees and services will be incorporated herein by reference to the Proxy Statement for the 2011 Annual Meeting of Shareholders to be filed within 120 days after the end of the company’s fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

Financial Statements

Consolidated Statements of Operations

Consolidated Statements of Financial Position

Consolidated Statements of Cash Flows

Consolidated Statements of Changes in Shareholders’ Equity

Notes to Consolidated Financial Statements

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2. Financial Statement Schedules

All schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes to the financial statements.

3. Exhibits

- 3(a) Restated Certificate of Incorporation of Northrop Grumman Corporation dated May 19, 2010 (incorporated by reference to Exhibit 3.1 to Form 8-K dated May 19, 2010, and filed May 25, 2010)
- *3(b) Bylaws of Northrop Grumman Corporation, as amended May 19, 2010
- 4(a) Registration Rights Agreement dated as of January 23, 2001, by and among Northrop Grumman Corporation (now Northrop Grumman Systems Corporation), NNG, Inc. (now Northrop Grumman Corporation) and Unitrin, Inc. (incorporated by reference to Exhibit(d)(6) to Amendment No. 4 to Schedule TO filed January 31, 2001)
- 4(b) Indenture dated as of October 15, 1994, between Northrop Grumman Corporation (now Northrop Grumman Systems Corporation) and The Chase Manhattan Bank (National Association), Trustee (incorporated by reference to Exhibit 4.1 to Form 8-K dated October 20, 1994, and filed October 25, 1994)
- 4(c) Form of Officers' Certificate (without exhibits) establishing the terms of Northrop Grumman Corporation's (now Northrop Grumman Systems Corporation's) 7.75 percent Debentures due 2016 and 7.875 percent Debentures due 2026 (incorporated by reference to Exhibit 4-3 to Form S-4 Registration Statement No. 333-02653 filed April 19, 1996)
- 4(d) Form of Northrop Grumman Corporation's (now Northrop Grumman Systems Corporation's) 7.75 percent Debentures due 2016 (incorporated by reference to Exhibit 4-5 to Form S-4 Registration Statement No. 333-02653 filed April 19, 1996)
- 4(e) Form of Northrop Grumman Corporation's (now Northrop Grumman Systems Corporation's) 7.875 percent Debentures due 2026 (incorporated by reference to Exhibit 4-6 to Form S-4 Registration Statement No. 333-02653 filed April 19, 1996)
- 4(f) Form of Officers' Certificate establishing the terms of Northrop Grumman Corporation's (now Northrop Grumman Systems Corporation's) 7.125 percent Notes due 2011 and 7.75 percent Debentures due 2031 (incorporated by reference to Exhibit 10.9 to Form 8-K dated April 3, 2001, and filed April 17, 2001)
- 4(g) Indenture dated as of April 13, 1998, between Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and The Bank of New York, as trustee, under which its 6.75 percent Senior Debentures due 2018 were issued (incorporated by reference to Exhibit 4.1 to the Form 10-Q of Litton Industries, Inc. for the quarter ended April 30, 1998, filed June 15, 1998)
- 4(h) Supplemental Indenture with respect to Indenture dated April 13, 1998, dated as of April 3, 2001, among Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation), Northrop Grumman Corporation, Northrop Grumman Systems Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.5 to Form 10-Q for the quarter ended March 31, 2001, filed May 10, 2001)
- 4(i) Supplemental Indenture with respect to Indenture dated April 13, 1998, dated as of December 20, 2002, among Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation), Northrop Grumman Corporation, Northrop Grumman Systems Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(q) to Form 10-K for the year ended December 31, 2002, filed March 24, 2003)

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- 4(j) Senior Indenture dated as of December 15, 1991, between Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and The Bank of New York, as trustee, under which its 7.75 percent and 6.98 percent debentures due 2026 and 2036 were issued, and specimens of such debentures (incorporated by reference to Exhibit 4.1 to the Form 10-Q of Litton Industries, Inc. for the quarter ended April 30, 1996, filed June 11, 1996)
- 4(k) Supplemental Indenture with respect to Indenture dated December 15, 1991, dated as of April 3, 2001, among Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation), Northrop Grumman Corporation, Northrop Grumman Systems Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.7 to Form 10-Q for the quarter ended March 31, 2001, filed May 10, 2001)
- 4(l) Supplemental Indenture with respect to Indenture dated December 15, 1991, dated as of December 20, 2002, among Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation), Northrop Grumman Corporation, Northrop Grumman Systems Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(t) to Form 10-K for the year ended December 31, 2002, filed March 24, 2003)
- 4(m) Indenture between TRW Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and Mellon Bank, N.A., as trustee, dated as of May 1, 1986 (incorporated by reference to Exhibit 2 to the Form 8-A Registration Statement of TRW Inc. dated July 3, 1986)
- 4(n) First Supplemental Indenture between TRW Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and Mellon Bank, N.A., as trustee, dated as of August 24, 1989 (incorporated by reference to Exhibit 4(b) to Form S-3 Registration Statement No. 33-30350 of TRW Inc.)
- 4(o) Fifth Supplemental Indenture between TRW Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) and The Chase Manhattan Bank, as successor trustee, dated as of June 2, 1999 (incorporated by reference to Exhibit 4(f) to Form S-4 Registration Statement No. 333-83227 of TRW Inc. filed July 20, 1999)
- 4(p) Ninth Supplemental Indenture dated as of December 31, 2009 among Northrop Grumman Space & Mission Systems Corp. (predecessor--in-interest to Northrop Grumman Systems Corporation); The Bank of New York Mellon, as successor trustee; Northrop Grumman Corporation; and Northrop Grumman Systems Corporation (incorporated by reference to Exhibit 4(p) to Form 10-K for the year ended December 31, 2009, filed February 9, 2010)
- 4(q) Indenture dated as of November 21, 2001, between Northrop Grumman Corporation and JPMorgan Chase Bank, as trustee (incorporated by reference to Exhibit 4.1 to Form 8-K dated and filed November 21, 2001)
- 4(r) First Supplemental Indenture dated as of July 30, 2009, between Northrop Grumman Corporation and The Bank of New York Mellon, as successor trustee, to Indenture dated as of November 21, 2001 (incorporated by reference to Exhibit 4(a) to Form 8-K dated July 23, 2009, and filed July 30, 2009)
- 4(s) Form of Northrop Grumman Corporation's 3.70 percent Senior Note due 2014 (incorporated by reference to Exhibit 4(b) to Form 8-K dated July 23, 2009, and filed July 30, 2009)
- 4(t) Form of Northrop Grumman Corporation's 5.05 percent Senior Note due 2019 (incorporated by reference to Exhibit 4(c) to Form 8-K dated July 23, 2009, and filed July 30, 2009)
- 4(u) Second Supplemental Indenture dated as of November 8, 2010, between Northrop Grumman Corporation and The Bank of New York Mellon, as successor trustee, to Indenture dated as of November 21, 2001 (incorporated by reference to Exhibit 4(a) to Form 8-K dated and filed November 8, 2010)

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- 4(v) Form of Northrop Grumman Corporation's 1.850% Senior Note due 2015 (incorporated by reference to Exhibit 4(b) to Form 8-K dated and filed November 8, 2010)
- 4(w) Form of Northrop Grumman Corporation's 3.500% Senior Note due 2021 (incorporated by reference to Exhibit 4(c) to Form 8-K dated and filed November 8, 2010)
- 4(x) Form of Northrop Grumman Corporation's 5.050% Senior Note due 2024 (incorporated by reference to Exhibit 4(d) to Form 8-K dated and filed November 8, 2010)
- 10(a) Form of Amended and Restated Credit Agreement dated as of August 10, 2007, among Northrop Grumman Corporation, as Borrower; Northrop Grumman Systems Corporation and Northrop Grumman Space & Mission Systems Corp. (predecessor-in-interest to Northrop Grumman Systems Corporation), as Guarantors; the Lenders party thereto; JPMorgan Chase Bank, N.A., as Payment Agent, an Issuing Bank, Swingline Lender and Administrative Agent; Credit Suisse, as Administrative Agent; Citicorp USA, Inc., as Syndication Agent; Deutsche Bank Securities Inc. and The Royal Bank of Scotland PLC, as Documentation Agents; and BNP Paribas as Co-Documentation Agent (incorporated by reference to Exhibit 10.1 to Form 8-K dated August 10, 2007, and filed August 13, 2007)
- 10(b) Form of Guarantee dated as of April 3, 2001, by Northrop Grumman Corporation of the indenture indebtedness issued by Litton Industries, Inc. (predecessor-in-interest to Northrop Grumman Systems Corporation) (incorporated by reference to Exhibit 10.10 to Form 8-K dated April 3, 2001, and filed April 17, 2001)
- 10(c) Form of Guarantee dated as of April 3, 2001, by Northrop Grumman Corporation of Northrop Grumman Systems Corporation indenture indebtedness (incorporated by reference to Exhibit 10.11 to Form 8-K dated April 3, 2001, and filed April 17, 2001)
- 10(d) Form of Guarantee dated as of March 27, 2003, by Northrop Grumman Corporation, as Guarantor, in favor of JP Morgan Chase Bank, as trustee, of certain debt securities issued by the former Northrop Grumman Space & Mission Systems Corp. (predecessor-in-interest to Northrop Grumman Systems Corporation) (incorporated by reference to Exhibit 4.2 to Form 10-Q for the quarter ended March 31, 2003, filed May 14, 2003)
- +10(e) Consultant Contract dated June 28, 2010 between Ronald D. Sugar and Northrop Grumman Corporation (incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2010, filed July 29, 2010)
- +10(f) Northrop Grumman Corporation 1993 Stock Plan for Non-Employee Directors (as Amended and Restated January 1, 2010) (incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2009, filed July 23, 2009)
- +10(g) Northrop Grumman Corporation 1995 Stock Plan for Non-Employee Directors, as Amended as of May 16, 2007 (incorporated by reference to Exhibit A to the Company's Proxy Statement on Schedule 14A for the 2007 Meeting of Shareholders filed April 12, 2007)
- +10(h) Northrop Grumman 2001 Long-Term Incentive Stock Plan (As amended through December 19, 2007) (incorporated by reference to Exhibit A to the Company's Proxy Statement on Schedule 14A for the 2008 Annual Meeting of Shareholders filed April 21, 2008)
 - (i) Form of Notice of Non-Qualified Grant of Stock Options and Option Agreement (incorporated by reference to Exhibit 10.5 to Form S-4 Registration Statement No. 333-83672 filed March 4, 2002)
 - (ii) Form of Agreement for 2005 Stock Options (officer) (incorporated by reference to Exhibit 10(d)(v) to Form 10-K for the year ended December 31, 2004, filed March 4, 2005)
 - (iii) Form of letter from Northrop Grumman Corporation regarding Stock Option Retirement Enhancement (incorporated by reference to Exhibit 10.2 to Form 8-K dated March 14, 2005 and filed March 15, 2005)

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- (iv) Form of Agreement for 2006 Stock Options (officer) (incorporated by reference to Exhibit 10(d)(viii) to Form 10-K for the year ended December 31, 2005, filed February 17, 2006)
 - (v) Terms and Conditions Applicable to 2006 CPC Incentive Restricted Stock Rights Agreement of Wesley G. Bush dated May 16, 2006, as amended (incorporated by reference to Exhibit 10(i)(ix) to Form 10-K for the year ended December 31, 2007, filed February 20, 2008)
 - (vi) Form of Restricted Performance Stock Rights Agreement, applicable to 2007 Restricted Performance Stock Rights, as amended (incorporated by reference to Exhibit 10(i)(xi) to Form 10-K for the year ended December 31, 2007, filed February 20, 2008)
 - (vii) Form of Agreement for 2007 Stock Options (officers) (incorporated by reference to Exhibit 10(2)(ii) to Form 10-Q for the quarter ended March 31, 2007, filed April 24, 2007)
 - (viii) Terms and Conditions Applicable to Special 2007 Restricted Stock Rights Granted to James F. Palmer dated March 12, 2007, as amended (incorporated by reference to Exhibit 10(i)(xiii) to Form 10-K for the year ended December 31, 2007, filed February 20, 2008)
 - (ix) Form of Agreement for 2008 Stock Options (officer) (incorporated by reference to Exhibit 10(4)(i) to Form 10-Q for the quarter ended March 31, 2008, filed April 24, 2008)
 - (x) Form of Agreement for 2008 Restricted Performance Stock Rights (incorporated by reference to Exhibit 10(4)(ii) to Form 10-Q for the quarter ended March 31, 2008, filed April 24, 2008)
 - (xi) Form of Agreement for 2009 Stock Options (incorporated by reference to Exhibit 10.2(i) to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
 - (xii) Form of Agreement for 2009 Restricted Performance Stock Rights (incorporated by reference to Exhibit 10.2(ii) to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
 - (xiii) Form of Agreement for 2010 Restricted Performance Stock Rights (incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended March 31, 2010, filed April 28, 2010)
 - (xiv) Form of Agreement for 2010 Stock Options (incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended March 31, 2010, filed April 28, 2010)
 - (xv) Form of Agreement for 2010 Restricted Stock Rights (incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ended March 31, 2010, filed April 28, 2010)
 - *(xvi) Terms and Conditions Applicable to 2010 Restricted Stock Rights Granted to Sheila C. Cheston dated November 11, 2010
- +10(i) Northrop Grumman Supplemental Plan 2 (Amended and Restated Effective as of January 1, 2009) (incorporated by reference to Exhibit 10(i) to Form 10-K for the year ended December 31, 2009, filed February 9, 2010)
- (i) Appendix A: Northrop Supplemental Retirement Income Program for Senior Executives (Amended and Restated Effective as of January 1, 2009) (incorporated by reference to Exhibit 10(i)(i) to Form 10-K for the year ended December 31, 2009, filed February 9, 2010)

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- (ii) Appendix B: ERISA Supplemental Program 2 (Amended and Restated Effective as of January 1, 2009) (incorporated by reference to Exhibit 10(i)(ii) to Form 10-K for the year ended December 31, 2009, filed February 9, 2010)
- (iii) Appendix F: CPC Supplemental Executive Retirement Program (Amended and Restated Effective as of January 1, 2011) (incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 2010, filed October 27, 2010)
- (iv) Appendix G: Officers Supplemental Executive Retirement Program (Amended and Restated Effective as of January 1, 2011) (incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended September 30, 2010, filed October 27, 2010)
- *(v) Appendix I: Officers Supplemental Executive Retirement Program II (Amended and Restated Effective as of January 1, 2011)
- +10(j) Northrop Grumman ERISA Supplemental Plan (Amended and Restated Effective as of January 1, 2009) (incorporated by reference to Exhibit 10(j) to Form 10-K for the year ended December 31, 2009, filed February 9, 2010)
- +*10(k) Northrop Grumman Supplementary Retirement Income Plan (formerly TRW Supplementary Retirement Income Plan) (Amended and Restated Effective January 1, 2010)
- +*10(l) Northrop Grumman Electronic Systems Executive Pension Plan (Amended and Restated Effective as of January 1, 2011)
- +10(m) Northrop Grumman Corporation January 2010 Change in Control Severance Plan (effective as of January 1, 2010) (incorporated by reference to Exhibit 10(p) to Form 10-K for the year ended December 31, 2009, filed February 9, 2010)
- +*10(n) Confidential Separation Agreement and General Release between James L. Cameron and Northrop Grumman Corporation dated May 10, 2010
- +10(o) Form of Northrop Grumman Corporation January 2010 Special Agreement (relating to severance program for change-in-control) (incorporated by reference to Exhibit 10.1 to Form 8-K dated and filed October 8, 2009)
- +10(p) Letter dated September 21, 2010 from Lewis W. Coleman, Chairman of the Board, regarding terms of the relocation arrangement for Wesley G. Bush, Chief Executive Officer and President, in connection with relocation of Company headquarters (incorporated by reference to Exhibit 10.1 to Form 8-K dated and filed September 21, 2010)
- +*10(q) Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation As amended and restated effective August 1, 2010
- +10(r) Non-Employee Director Compensation Term Sheet, effective January 1, 2010 (incorporated by reference to Exhibit 10.1 to Form 8-K dated and filed December 21, 2009)
- +10(s) Non-Employee Director Compensation Term Sheet, effective May 19, 2010 (incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 2010, filed July 29, 2010)
- +10(t) Form of Indemnification Agreement between Northrop Grumman Corporation and its directors and executive officers (incorporated by reference to Exhibit 10.39 to Form S-4 Registration Statement No. 333-83672 filed March 4, 2002)
- +*10(u) Northrop Grumman Deferred Compensation Plan (Amended and Restated Effective as of January 1, 2011)
- +10(v) The 2002 Incentive Compensation Plan of Northrop Grumman Corporation, As Amended and Restated effective January 1, 2009 (incorporated by reference to Exhibit 10.6 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
- +10(w) Northrop Grumman 2006 Annual Incentive Plan and Incentive Compensation Plan (for Non-Section 162(m) Officers), as amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10.7 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)

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- +*10(x) Northrop Grumman Savings Excess Plan (Amended and Restated Effective as of January 1, 2011)
- +10(y) Northrop Grumman Officers Retirement Account Contribution Plan (Effective as of October 1, 2009) (incorporated by reference to Exhibit 10(y) to Form 10-K for the year ended December 31, 2009, filed February 9, 2010)
- +10(z) Compensatory Arrangements of Certain Officers (Named Executive Officers) for 2010 (incorporated by reference to Item 5.02(e) of Form 8-K dated February 16, 2010, and filed February 22, 2010)
- +10(aa) Offering letter dated February 1, 2007 from Northrop Grumman Corporation to James F. Palmer relating to position of Corporate Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10(3) to Form 10-Q for the quarter ended March 31, 2007, filed April 24, 2007), as amended by Amendment to Letter Agreement between Northrop Grumman Corporation and James F. Palmer dated December 17, 2008 (incorporated by reference to Exhibit 10.3 to Form 8-K dated December 17, 2008 and filed December 19, 2008)
- +*10(bb) Litton Industries, Inc. Restoration Plan 2 (Amended and Restated Effective as of January 1, 2010)
- +10(cc) Litton Industries, Inc. Restoration Plan (Amended and Restated Effective as of January 1, 2009) (incorporated by reference to Exhibit 10(cc) to Form 10-K for the year ended December 31, 2009, filed February 9, 2010)
- +10(dd) Litton Industries, Inc. Supplemental Executive Retirement Plan (Amended and Restated and Effective as of October 1, 2004 (incorporated by reference to Exhibit 10(ee) to Form 10-K for the year ended December 31, 2004, filed March 4, 2005)
- +10(ee) Northrop Grumman Supplemental Retirement Replacement Plan, as Restated, dated January 1, 2008 between Northrop Grumman Corporation and James F. Palmer (incorporated by reference to Exhibit 10.4 to Form 8-K dated December 17, 2008 and filed December 19, 2008)
- +10(ff) Northrop Grumman Corporation Special Officer Retiree Medical Plan (Amended and Restated Effective January 1, 2008) (incorporated by reference to Exhibit 10(2) to Form 10-Q for the quarter ended March 31, 2008, filed April 24, 2008)
- +10(gg) Executive Life Insurance Policy (incorporated by reference to Exhibit 10(gg) to Form 10-K for the year ended December 31, 2004, filed March 4, 2005)
- +10(hh) Executive Accidental Death, Dismemberment and Plegia Insurance Policy Terms applicable to Executive Officers dated January 1, 2009 (incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009)
- +10(ii) Executive Long-Term Disability Insurance Policy as amended by Amendment No. 2 dated June 19, 2008 and effective as of October 4, 2007 (incorporated by reference to Exhibit 10(2) to Form 10-Q for the quarter ended June 30, 2008, filed July 29, 2008)
- +10(jj) Executive Dental Insurance Policy Group Numbers 5134 and 5135 (incorporated by reference to Exhibit 10(m) to Form 10-K for the year ended December 31, 1995, filed February 22, 1996), as amended by action of the Compensation Committee of the Board of Directors of Northrop Grumman Corporation effective July 1, 2009 (incorporated by reference to Item 5.02(e) of Form 8-K dated May 19, 2009 and filed May 26, 2009)
- +10(kk) Group Personal Excess Liability Policy (incorporated by reference to Exhibit 10(ll) to Form 10-K for the year ended December 31, 2004, filed March 4, 2005)
- +10(ll) Northrop Grumman Executive Health Plan Matrix effective July 1, 2008 (incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ended March 31, 2009, filed April 22, 2009), as amended by action of the Compensation Committee of the Board of Directors of Northrop Grumman Corporation effective July 1, 2009 (incorporated by reference to Item 5.02(e) of Form 8-K dated May 19, 2009 and filed May 26, 2009)

NORTHROP GRUMMAN CORPORATION

+10(mm)	Letter dated December 16, 2009 from Northrop Grumman Corporation to Wesley G. Bush regarding compensation effective January 1, 2010 (incorporated by reference to Exhibit 10.2 to Form 8-K dated December 15, 2009 and filed December 21, 2009)
+10(nn)	Letter agreement dated December 17, 2008 between Northrop Grumman Corporation and Ronald D. Sugar relating to termination of Employment Agreement dated February 19, 2003 (incorporated by reference to Exhibit 10.2 to Form 8-K dated December 17, 2008 and filed December 19, 2008)
+10(oo)	Letter dated September 16, 2009 from Northrop Grumman Corporation to Dr. Ronald D. Sugar regarding Retirement and Transition (incorporated by reference to Exhibit 99.1 to Form 8-K dated September 16, 2009 and filed September 17, 2009)
+10(pp)	Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments dated March 1, 2010 (incorporated by reference to Exhibit 10.5 to Form 10-Q for the quarter ended March 31, 2010, filed April 28, 2010)
+*10(qq)	Offering letter dated June 7, 2010, from Northrop Grumman Corporation to Sheila C. Cheston relating to position of Corporate Vice President and General Counsel
*12(a)	Computation of Ratio of Earnings to Fixed Charges
*21	Subsidiaries
*23	Consent of Independent Registered Public Accounting Firm
*24	Power of Attorney
*31.1	Rule 13a-15(e)/15d-15(e) Certification of Wesley G. Bush (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.2	Rule 13a-15(e)/15d-15(e) Certification of James F. Palmer (Section 302 of the Sarbanes-Oxley Act of 2002)
**32.1	Certification of Wesley G. Bush pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of James F. Palmer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**101	Northrop Grumman Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010, formatted in XBRL (Extensible Business Reporting Language); (i) the Consolidated Statements of Operations, (ii) Consolidated Statements of Financial Position, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Changes in Shareholders' Equity, and (v) Notes to Consolidated Financial Statements
+	Management contract or compensatory plan or arrangement
*	Filed with this Report
**	Furnished with this Report

**BYLAWS
OF
NORTHROP GRUMMAN CORPORATION**
(A Delaware Corporation)

**ARTICLE I
OFFICES**

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

Section 1.02. Principal Executive Office. The principal executive office of the Corporation shall be located at 1840 Century Park East, Los Angeles, California 90067. The Board of Directors of the Corporation (the “Board of Directors”) may change the location of said principal executive office from time to time.

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

**ARTICLE II
MEETINGS OF STOCKHOLDERS**

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

Section 2.02. Special Meetings.

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

(b) A stockholder may not submit a written request to call a special meeting unless such stockholder is a holder of record of Voting Stock on the record date fixed to determine the stockholders entitled to request the call of a special meeting. Any stockholder seeking to call a special meeting to transact business shall, by written notice to the Secretary, request that the

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

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

(1) the name and address of such party;

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

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

(4) any other information relating to each such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal in a contested election pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the "Exchange Act");

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

(6) a statement whether or not any such party will deliver a proxy statement and form of proxy to holders of at least the percentage of voting power of all of the shares of

capital stock of the Corporation required under applicable law to carry the proposal (such statement, a “Solicitation Statement”).

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

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

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

(e) The Board of Directors shall determine in good faith whether the requirements set forth in subparagraphs (d)(ii) through (v) have been satisfied. Either the Secretary or the Board of Directors shall determine in good faith whether all other requirements set forth in this bylaw have been satisfied. Any determination made pursuant to this paragraph shall be binding on the Corporation and its stockholders.

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

Section 2.03. Place of Meetings.

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

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

(1) participate in a meeting of stockholders; and

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

Section 2.04. Notice of Meetings.

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

(b) Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the

DGCL, the Certificate of Incorporation of the Corporation (the "Certificate") or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent, and (ii) such inability becomes known to the Secretary or an assistant secretary of the Corporation or to the transfer agent or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given pursuant to this Section 2.04(b) shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice, (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice, (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (1) such posting and (2) the giving of such separate notice, and (iv) if by any other form of electronic transmission, when directed to the stockholder. For purposes of these Bylaws, "electronic transmission" means any form of communication not directly involving the physical transmission of paper that creates a record the recipient may retain, retrieve and review and reproduce in paper form through an automated process.

(c) Without limiting the manner by which notice otherwise may be given effectively to stockholders, but subject to Section 233(d) of the DGCL (or any successor provision thereof), any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate or these Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within 60 days of having been given written notice by the Corporation of its intention to send the single notice described in the preceding sentence, shall be deemed to have consented to receiving such single written notice.

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

Section 2.06. Adjourned Meetings. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, then notice of the place, if any, date and time of the adjourned meeting and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity herewith. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such

adjourned meeting in accordance with Section 213(a) of the DGCL, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 2.07. Conduct of Meetings. All annual and special meetings of stockholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine subject to the requirements of applicable law and, as to matters not governed by such rules and procedures, as the chairperson of such meeting shall determine. Such rules or procedures, whether adopted by the Board of Directors or prescribed by the chairperson of such meeting, may include without limitation the following: (a) the establishment of an agenda or order of business for the meeting, (b) rules and procedures for maintaining order at the meeting and the safety of those present, (c) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairperson of the meeting shall determine, (d) restrictions on entry to the meeting after the time fixed for commencement thereof, and (e) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairperson of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

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

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

For nominations or business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, (1) the Record Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) any such business must be a proper matter for stockholder action under applicable law, and (3) the Record Stockholder and the beneficial owner, if any, on whose behalf any such proposal or nomination is made, must have acted in accordance with the representations set forth in the Solicitation Statement required by these Bylaws. To be timely, a Record Stockholder's notice shall be received by the Secretary at the principal executive offices of the Corporation not less than 90 or more than 120 days prior to the one-year anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that if the annual meeting is convened more than 30 days prior

to or delayed by more than 30 days after the Anniversary of the preceding year's annual meeting, or if no annual meeting was held in the preceding year, notice by the Record Stockholder to be timely must be so received not later than the close of business on the later of (i) the 135th day before such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. Notwithstanding anything in the preceding sentence to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board made by the Corporation at least 10 days before the last day a Record Stockholder may deliver a notice of nomination in accordance with the preceding sentence, a Record Stockholder's notice required by this bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation. In no event shall an adjournment of an annual meeting, or the postponement of a special meeting for which notice has been given, commence a new time period for the giving of a stockholder's notice as described herein.

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

clause shall be supplemented by such party not later than 10 days after the record date for determining the stockholders entitled to notice of the special meeting to disclose such ownership as of such record date); (v) any other information relating to each such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act; (vi) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting; and (vii) a statement whether or not each such party will deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to carry the proposal or, in the case of a nomination or nominations, at least the percentage of voting power of all of the shares of capital stock of the Corporation reasonably believed by the Record Stockholder or the beneficial holder, as the case may be, to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder and/or intends otherwise to solicit proxies from stockholders in support of such proposal or nomination (such statement, a "Solicitation Statement").

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

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

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

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

Section 2.09. Quorum. At any meeting of stockholders, the presence, in person or by proxy, of the holders of record of a majority of the voting power of the shares then issued and outstanding and entitled to vote at the meeting shall constitute a quorum for the transaction of business. Where a separate vote by a class or classes or series is required, a majority of the voting power of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to the vote on that matter. In the absence of a quorum, the chairperson of the meeting may adjourn the meeting from time to time. At any reconvened meeting following such an adjournment at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting.

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

Section 2.11. Proxies. A stockholder may vote the shares owned of record by such stockholder either in person or by proxy in any manner permitted by law, including by execution of a proxy in writing or by telex, telegraph, cable, facsimile or electronic transmission, by the stockholder or by the duly authorized officer, director, employee or agent of such stockholder. No proxy shall be voted or acted upon after 3 years from its date, unless the proxy provides for a longer period. A duly executed proxy will be irrevocable if it states it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

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

Section 2.12. Stockholder Action. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual meeting or special meeting of stockholders of the Corporation, unless the Board of Directors authorizes such action to be taken by the written consent of the holders of outstanding shares of stock having not less than the minimum voting power that would be necessary to authorize or take such action at a meeting of stockholders at which all shares entitled to vote thereon were present and voted, provided all other requirements of applicable law and the Certificate have been satisfied.

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

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

Section 2.14. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint Inspectors of Election to act at such meeting or at any adjournment or adjournments thereof. The Corporation may designate one or more alternate inspectors to replace any inspector who fails to act. If such inspectors are not so appointed or fail or refuse to act, the chairperson of any such meeting may (and, to the extent required by law, shall) make such an appointment. The number of Inspectors of Election shall be 1 or 3. If there are 3 Inspectors of Election, the decision, act or certificate of a majority shall be effective and shall represent the decision, act or certificate of all. No such inspector need be a stockholder of the Corporation. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability.

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

ARTICLE III DIRECTORS

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

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

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

Section 3.04. Election and Term of Office. Except as provided in Section 3.07 hereof and subject to the right to elect additional directors under specified circumstances which may be granted, pursuant to the provisions of Section 2 of Article Fourth of the Certificate, to the holders of any class or series of Preferred Stock, directors shall be elected by the stockholders of the Corporation for a term expiring at the annual meeting of stockholders following their election. A nominee for director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which (i) the Secretary of the Corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors in compliance with Section 2.08 of these Bylaws and (ii) such nomination has not been withdrawn by such stockholder on or before the 10th day before the Corporation first mails its notice of meeting for such meeting to the stockholders. If directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote against a nominee.

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

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

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

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

Directors may participate in regular or special meetings of the Board of Directors or any committee designated by the Board of Directors by means of conference telephone or other communications equipment by means of which all other persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

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

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

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

Section 3.12. Votes Required. Except as otherwise required by applicable law, the Certificate or these Bylaws, the vote of a majority of the directors present at a meeting duly held at which a quorum is present shall be sufficient to pass any measure.

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

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

Section 3.15. Committees of the Board of Directors. The Board of Directors may from time to time designate committees of the Board of Directors, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any committee and any alternate member in his or

her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

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

Section 3.17. Subcommittees. Unless otherwise provided in the Certificate or the resolutions of the Board of Directors establishing a committee, or in the charter of a committee, a committee may create one or more subcommittees, which consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

ARTICLE IV OFFICERS

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

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

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

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

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

Section 4.06. Chief Legal Officer. The Chief Legal Officer of the Corporation shall be the General Counsel who shall be responsible to the Chief Executive Officer for the management and supervision of all legal matters. The Chief Legal Officer shall also perform such additional duties as may be assigned to the Chief Legal Officer from time to time by the Board of Directors or the Chief Executive Officer.

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

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

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

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

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

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

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

Section 4.14. Resignations. Any officer may resign at any time by submitting a resignation to the Corporation in writing or by electronic transmission. Any such resignation shall take effect at the time of receipt by the Corporation unless such resignation is effective at a future time or upon the happening of a future event or events, in which case it shall be effective at such time or upon the happening of such event or events. Unless the resignation provides otherwise, the acceptance of a resignation shall not be required to make it effective.

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

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

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

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

Section 5.02. Advancement of Expenses. The right to indemnification conferred in Section 5.01, shall include the right to have the expenses incurred in defending or preparing for any such proceeding in advance of its final disposition (hereinafter an “advancement of expenses”) paid by the Corporation; provided, however, that if the DGCL requires, an advancement of expenses incurred by an indemnatee in his or her capacity as a director or officer (and not in any other capacity in which service was or is to be rendered by such indemnatee, including, without limitation, service to an employee benefit plan) shall be made only upon

delivery to the Corporation of an undertaking containing such terms and conditions, including the requirement of security, as the Board of Directors deems appropriate (hereinafter an “undertaking”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Article or otherwise. The Corporation shall not be obligated to advance fees and expenses to a director, officer, employee or agent in connection with a proceeding instituted by the Corporation against such person.

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

Section 5.04. Nonexclusivity of Rights. (a) The rights to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provisions of the Certificate, Bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. (b) The Corporation may maintain insurance, at its expense, to protect itself and any past or present director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL. The Corporation may enter into contracts with any indemnitee in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including,

without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article. (c) The Corporation may without reference to Sections 5.01 through 5.04 (a) and (b) hereof, pay the expenses, including attorneys' fees, incurred by any director, officer, employee or agent of the Corporation who is subpoenaed, interviewed or deposed as a witness or otherwise incurs expenses in connection with any civil, arbitration, criminal or administrative proceeding or governmental or internal investigation to which the Corporation is a party, target, or potentially a party or target, or of any such individual who appears as a witness at any trial, proceeding or hearing to which the Corporation is a party, if the Corporation determines that such payments will benefit the Corporation and if, at the time such expenses are incurred by such individual and paid by the Corporation, such individual is not a party, and is not threatened to be made a party, to such proceeding or investigation.

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

Section 5.06. Nature of Rights. The rights conferred upon indemnitees in this Article V shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article V that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE VI STOCK

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

capital stock to such stockholder until such certificate representing such shares of capital stock shall have been surrendered to the Corporation (or, if such certificate has been lost, stolen or destroyed, the procedures required by the Corporation in Section 6.07 shall have been followed).

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

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

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

Section 6.02. Issuance of Stock; Lawful Consideration .

(a) Shares of stock may be issued for such consideration, having a value not less than the par value thereof, as determined from time to time by the Board of Directors. Treasury shares may be disposed of by the Corporation for such consideration as may be determined from time to time by the Board of Directors. The consideration for subscriptions to, or the purchase of, the capital stock to be issued by the Corporation shall be paid in such form and in such manner as the Board of Directors shall determine. The Board of Directors may authorize capital stock to be issued for consideration consisting of cash, any tangible or intangible property or any benefit to the Corporation, or any combination thereof. In the absence of actual fraud in the transaction, the judgment of the Board of Directors as to the value of such consideration shall be conclusive. The capital stock so issued shall be deemed to be fully paid and nonassessable stock

upon receipt by the Corporation of such consideration; provided, however, nothing contained herein shall prevent the Board of Directors from issuing partly paid shares in accordance with Section 6.02(b) and Section 156 of the DGCL.

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

Section 6.03. Transfer Agents and Registrars. The Corporation may have one or more transfer agents and one or more registrars of its stock whose respective duties the Board of Directors or the Secretary may, from time to time, define. No certificate of stock shall be valid until countersigned by a transfer agent, if the Corporation has a transfer agent, or until registered by a registrar, if the Corporation has a registrar. The duties of transfer agent and registrar may be combined.

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

Section 6.05. Voting Trusts and Voting Agreements One stockholder or two or more stockholders may by agreement in writing deposit capital stock of the Corporation of an original issue with or transfer capital stock of the Corporation to any person or persons, or entity or entities authorized to act as trustee, for the purpose of vesting in such person or persons, entity or entities, who may be designated voting trustee, or voting trustees, the right to vote thereon for any period of time determined by such agreement, upon the terms and conditions stated in such agreement. The agreement may contain any other lawful provisions not inconsistent with such purpose. After the filing of a copy of the agreement in the registered office of the Corporation in the State of Delaware, which copy shall be open to the inspection of any stockholder of the Corporation or any beneficiary of the trust under the agreement daily during business hours, certificates of stock or uncertificated stock shall be issued to the voting trustee or trustees to represent any stock of an original issue so deposited with such voting trustee or trustees, and any

certificates of stock or uncertificated stock so transferred to the voting trustee or trustees shall be surrendered and cancelled and new certificates or uncertificated stock shall be issued therefor to the voting trustee or trustees. In the certificate so issued, if any, it shall be stated that it is issued pursuant to such agreement, and that fact shall also be stated in the stock ledger of the Corporation. The voting trustee or trustees may vote the stock so issued or transferred during the period specified in the agreement. Stock standing in the name of the voting trustee or trustees may be voted either in person or by proxy, and in voting the stock, the voting trustee or trustees shall incur no responsibility as stockholder, trustee or otherwise, except for their own individual malfeasance. In any case where two or more persons or entities are designated as voting trustees, and the right and method of voting any stock standing in their names at any meeting of the Corporation are not fixed by the agreement appointing the trustees, the right to vote the stock and the manner of voting it at the meeting shall be determined by a majority of the trustees, or if they be equally divided as to the right and manner of voting the stock in any particular case, the vote of the stock in such case shall be divided equally among the trustees.

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

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

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

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

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

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

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

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

**ARTICLE VII
SUNDRY PROVISIONS**

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

Section 7.02. Seal. The seal of the Corporation shall bear the name of the Corporation and the words “Delaware” and “Incorporated January 16, 2001.”

Section 7.03. Voting of Stock in Other Corporations. Any shares of stock in other corporations or associations, which may from time to time be held by the Corporation, may be represented and voted in person or by proxy, at any of the stockholders’ meetings thereof by the Chief Executive Officer or the designee of the Chief Executive Officer. The Board of Directors, however, may by resolution appoint some other person or persons to vote such shares, in which case such person or persons shall be entitled to vote such shares.

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

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

As amended, May 19, 2010.

NORTHROP GRUMMAN CORPORATION
TERMS AND CONDITIONS APPLICABLE TO
2010 RESTRICTED STOCK RIGHTS
GRANTED UNDER THE 2001 LONG-TERM INCENTIVE STOCK PLAN

These Terms and Conditions (“Terms”) apply to certain “Restricted Stock Rights” (“RSRs”) granted by Northrop Grumman Corporation (the “Company”) to Sheila Cheston in November 2010. The date of grant of the RSR award is November 11, 2010 (the “Grant Date”). The number of RSRs applicable to the award is 33,000. The date of grant and number of RSRs are also reflected in the electronic stock plan award recordkeeping system (“Stock Plan System”) maintained by the Company or its designee. These Terms apply only with respect to the 2010 RSR award identified above. You are referred to as the “Grantee” with respect to your award. Capitalized terms are generally defined in Section 10 below if not otherwise defined herein.

Each RSR represents a right to receive one share of the Company’s Common Stock, or cash of equivalent value as provided herein, subject to vesting as provided herein. The number of RSRs subject to your award is subject to adjustment as provided herein. The RSR award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Committee, as such rules are in effect from time to time.

1. Vesting; Issuance of Shares.

Subject to Sections 2 and 5 below, fifty percent (50%) of the number of RSRs subject to your award (subject to adjustment as provided in Section 5.1) shall vest upon each of the first and second anniversaries of the Grant Date.

Except as otherwise provided below, the Company shall pay a vested RSR within 90 days following the corresponding vesting of the RSR as set forth in the immediately preceding paragraph. The Company shall pay such vested RSRs in either an equivalent number of shares of Common Stock, or, in the discretion of the Committee, in cash or in a combination of shares of Common Stock and cash. In the event of a cash payment, the amount of the payment for vested RSR to be paid in cash (subject to tax withholding as provided in Section 6 below) will equal the Fair Market Value (as defined below) of a share of Common Stock as of the date that such RSR became vested. No fractional shares will be issued.

2. Early Termination of Award; Termination of Employment

2.1 General. The RSRs subject to the award, to the extent not previously vested, shall terminate and become null and void if and when (a) the award terminates in connection with a Change in Control pursuant to Section 5 below, or (b) except as provided in Section 2.6 and in Section 5, the Grantee ceases for any reason to be an employee of the Company or one of its subsidiaries.

2.2 Leave of Absence. Unless the Committee otherwise provides (at the time of the leave or otherwise), if the Grantee is granted a leave of absence

by the Company, the Grantee (a) shall not be deemed to have incurred a termination of employment at the time such leave commences for purposes of the award, and (b) shall be deemed to be employed by the Company for the duration of such approved leave of absence for purposes of the award. A termination of employment shall be deemed to have occurred if the Grantee does not timely return to active employment upon the expiration of such approved leave or if the Grantee commences a leave that is not approved by the Company.

2.3 Salary Continuation. Subject to Section 2.2 above, the term “employment” as used herein means active employment by the Company and salary continuation without active employment (other than a leave of absence approved by the Company that is covered by Section 2.2) will not, in and of itself, constitute “employment” for purposes hereof (in the case of salary continuation without active employment, the Grantee’s cessation of active employee status shall, subject to Section 2.2, be deemed to be a termination of “employment” for purposes hereof). Furthermore, salary continuation will not, in and of itself, constitute a leave of absence approved by the Company for purposes of the award.

2.4 Sale or Spinoff of Subsidiary or Business Unit. For purposes of the RSRs subject to the award, a termination of employment of the Grantee shall be deemed to have occurred if the Grantee is employed by a subsidiary or business unit and that subsidiary or business unit is sold, spun off, or otherwise divested and the Grantee does not otherwise continue to be employed by the Company after such event.

2.5 Continuance of Employment Required. Except as expressly provided in Section 2.6 and in Section 5, the vesting of the RSRs subject to the award

requires continued employment through the applicable vesting date set forth in Section 1 as a condition to the vesting of the corresponding portion of the award. Employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment. Nothing contained in these Terms, the Stock Plan System, or the Plan constitutes an employment commitment by the Company or any subsidiary, affects the Grantee's status (if the Grantee is otherwise an at-will employee) as an employee at will who is subject to termination without cause, confers upon the Grantee any right to continue in the employ of the Company or any subsidiary, or interferes in any way with the right of the Company or of any subsidiary to terminate such employment at any time.

2.6 Death or Disability. If the Grantee dies or incurs a Disability, the outstanding and unvested RSRs subject to the award shall vest as of the date of the Grantee's death or Disability, as applicable. If the Grantee's death or Disability occurs before the scheduled vesting date of the RSRs as set forth in Section 1, the outstanding and vested RSRs (after giving effect to any accelerated vesting required in the circumstances) shall be paid in the calendar year containing the 75th day (and generally will be paid on or about such 75th day) following the earlier of (a) Grantee's death or (b) Grantee's Disability (otherwise, such vested RSRs shall be paid as provided in Section 1). In the event of the Grantee's death prior to the delivery of shares or other payment with respect to any vested RSRs, the Grantee's Successor shall be entitled to any payments to which the Grantee would have been entitled under this Agreement with respect to such vested and unpaid RSRs.

3. Non-Transferability and Other Restrictions.

3.1 Non-Transferability. The award, as well as the RSRs subject to the award, are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to: (a) transfers to the Company; or (b) transfers pursuant to a qualified domestic relations order (as defined in the Code). Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company's ability to register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements.

3.2 Recoupment of Awards. Any payments or issuances of shares with respect to the award are subject to recoupment pursuant to the Company's Policy

Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time, and the Grantee shall promptly make any reimbursement requested by the Board or Committee pursuant to such policy with respect to the award. Further, the Grantee agrees, by accepting the award, that the Company and its affiliates may deduct from any amounts it may owe the Grantee from time to time (such as wages or other compensation) to the extent of any amounts the Grantee is required to reimburse the Company pursuant to such policy with respect to the award.

4. Compliance with Laws; No Stockholder Rights Prior to Issuance.

The Company's obligation to make any payments or issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission, the Commissioner of Corporations of the State of California, or other regulatory agencies having jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed. The Grantee shall not have the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends, with respect to any shares which may be issued in respect of the RSRs until the date appearing on the certificate(s) for such shares (or, in the case of shares entered in book entry form, the date that the shares are actually recorded in such form for the benefit of the Grantee), if such shares become deliverable.

5. Adjustments; Possible Acceleration of Vesting; Change in Control.

5.1 Adjustments. The RSRs and the shares subject to the award are subject to adjustment upon the occurrence of events such as stock splits, stock dividends and other changes in capitalization in accordance with Section 6(a) of the Plan. In the event of any adjustment, the Company will give the Grantee written notice thereof which will set forth the nature of the adjustment.

5.2 Possible Acceleration. Notwithstanding the Company's ability to terminate the award as provided in Section 5.3 below, the outstanding and previously unvested RSRs subject to the award shall become fully vested as of the date of the Grantee's termination of employment in the following circumstances:

- (a) if the Grantee is covered by a Change in Control Severance Arrangement at the time of the termination, if the termination of employment constitutes a "Qualifying Termination" (as such term, or any similar successor term, is defined in such Change in Control Severance Arrangement) that triggers the Grantee's right to

severance benefits under such Change in Control Severance Arrangement.

- (b) if the Grantee is not covered by a Change in Control Severance Arrangement at the time of the termination and if the termination occurs either within the Protected Period corresponding to a Change in Control of the Company or within twenty-four (24) calendar months following the date of a Change in Control of the Company, the Grantee's employment by the Company and its subsidiaries is involuntarily terminated by the Company and its subsidiaries for reasons other than Cause or by the Grantee for Good Reason.
- (c) The Grantee's termination of employment is due to the Grantee's VP Severance Plan Disability or Accidental Death.
- (d) The Grantee's termination of employment is a Qualifying Termination.

Subject to Section 2.6, payment of any amount due under this Section will be made within 90 days after the applicable scheduled vesting date of the RSRs as set forth in Section 1.

5.3 Automatic Acceleration; Early Termination. If the Company undergoes a Change in Control triggered by clause (iii) or (iv) of the definition thereof and the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control, or if for any other reason the award would not continue after the Change in Control, then upon the Change in Control the outstanding and previously unvested RSRs subject to the award shall vest fully and completely. Unless the Committee expressly provides otherwise in the circumstances, no acceleration of vesting of the award shall occur pursuant to this Section 5.3 in connection with a Change in Control if either (a) the Company is the surviving entity, or (b) the successor to the Company (if any) (or a Parent thereof) agrees in writing prior to the Change in Control to assume the award. The award shall terminate, subject to such acceleration provisions, upon a Change in Control triggered by clause (iii) or (iv) of the definition thereof in which the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control. The Committee may make adjustments pursuant to Section 6(a) of the Plan and/or deem an acceleration of vesting of the award pursuant to this Section 5.3 to occur sufficiently prior to an event if necessary or deemed appropriate to permit the Grantee to realize the benefits intended to be conveyed

with respect to the shares underlying the RSRs; provided, however, that, the Committee may reinstate the original terms of the award if the related event does not actually occur.

Subject to Section 2.6, payment of any amount due under this Section will be made within 90 days after the applicable scheduled vesting date of the RSRs as set forth in Section 1.

6. Tax Matters.

6.1 Tax Withholding. The Company or the subsidiary which employs the Grantee shall be entitled to require, as a condition of making any payments or issuing any shares upon vesting of the RSRs, that the Grantee or other person entitled to such shares or other payment pay any sums required to be withheld by federal, state, local or other applicable tax law with respect to such vesting or payment. Alternatively, the Company or such subsidiary, in its discretion, may make such provisions for the withholding of taxes as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Grantee or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy such withholding obligations at the flat percentage rates applicable to supplemental wages).

6.2 Transfer Taxes. The Company will pay all federal and state transfer taxes, if any, and other fees and expenses in connection with the issuance of shares in connection with the vesting of the RSRs.

6.3 Compliance with Code. The Committee shall administer and construe the award, and may amend the Terms of the award, in a manner designed to comply with the Code and to avoid adverse tax consequences under Code Section 409A or otherwise.

6.4 Unfunded Arrangement. The right of the Grantee to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Grantee nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

7. Committee Authority.

The Committee has the discretionary authority to determine any questions as to the date when the Grantee's employment terminated and the cause of such termination and to interpret any provision of these Terms, the Stock Plan System, the Plan, and any other applicable rules. Any action taken by, or inaction of, the Committee relating to or pursuant to these Terms, the Stock Plan System, the Plan, or any other applicable

rules shall be within the absolute discretion of the Committee and shall be conclusive and binding on all persons.

8. Plan; Amendment.

The RSRs are governed by, and the Grantee's rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Committee, as the foregoing may be amended from time to time. The Grantee shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the provisions of the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall govern.

9. Required Holding Period.

The holding requirements of this Section 9 shall apply to any Grantee who is an elected or appointed officer of the Company on the date vested RSRs are paid (or, if earlier, on the date the Grantee's employment by the Company and its subsidiaries terminates for any reason). Any Grantee subject to this Section 9 shall not be permitted to sell, transfer, anticipate, alienate, assign, pledge, encumber or charge 50% of the total number (if any) of shares of Common Stock the Grantee receives as payment for vested RSRs until the earlier of (A) the third anniversary of the date such shares of Common Stock are paid to the Grantee, or (B) the date the Grantee's employment by the Company and its subsidiaries terminates due to the Grantee's death or Disability. For purposes of this Section 9, the total number of shares of Common Stock the Grantee receives as payment for vested RSRs shall be determined on a net basis after taking into account any shares otherwise deliverable with respect to the award that the Company withholds to satisfy tax obligations pursuant to Section 6.1. Any shares of Common Stock received in respect of shares that are covered by the holding period requirements of this Section 9 (such as shares received in respect of a stock split or stock dividend) shall be subject to the same holding period requirements as the shares to which they relate.

10. Definitions.

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

“**Accidental Death**” has the meaning give to that term in the Company's Accidental Death and Dismemberment Plan applicable to Corporate Vice

Presidents who are members of the Company's Corporate Policy Council.

“**Board**” means the Board of Directors of the Company.

“**Cause**” means the occurrence of either or both of the following:

- (i) The Grantee's conviction for committing an act of fraud, embezzlement, theft, or other act constituting a felony (other than traffic related offenses or as a result of vicarious liability); or
- (ii) The willful engaging by the Grantee in misconduct that is significantly injurious to the Company. However, no act, or failure to act, on the Grantee's part shall be considered “willful” unless done, or omitted to be done, by the Grantee not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

“**Change in Control**” is used as defined in the Plan.

“**Change in Control Severance Arrangement**” means a “Special Agreement” entered into by and between the Grantee and the Company that provides severance protections in the event of certain changes in control of the Company or the Company's Change-in-Control Severance Plan, as each may be in effect from time to time, or any similar successor agreement or plan that provides severance protections in the event of a change in control of the Company.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Committee**” means the Company's Compensation Committee or any successor committee appointed by the Board to administer the Plan.

“**Common Stock**” means the Company's common stock.

“**Disability**” means, with respect to a Grantee, that the Grantee: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Grantee's employer; all construed and interpreted

consistent with the definition of “Disability” set forth in Code Section 409A(a)(2)(C).

“**Fair Market Value**” is used as defined in the Plan; provided, however, the Committee in determining such Fair Market Value for purposes of the award may utilize such other exchange, market, or listing as it deems appropriate.

“**Good Reason**” means, without the Grantee’s express written consent, the occurrence of any one or more of the following:

- (i) A material and substantial reduction in the nature or status of the Grantee’s authorities or responsibilities (when such authorities and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period, other than (A) an inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Grantee, and/or (B) changes in the nature or status of the Grantee’s authorities or responsibilities that, in the aggregate, would generally be viewed by a nationally-recognized executive placement firm as resulting in the Grantee having not materially and substantially fewer authorities and responsibilities (taking into consideration the Company’s industry) when compared to the authorities and responsibilities applicable to the position held by the Grantee immediately prior to the start of the Protected Period. The Company may retain a nationally-recognized executive placement firm for purposes of making the determination required by the preceding sentence and the written opinion of the firm thus selected shall be conclusive as to this issue.

In addition, if the Grantee is a vice president, the Grantee’s loss of vice-president status will constitute “Good Reason”; provided that the loss of the title of “vice president” will not, in and of itself, constitute Good Reason if the Grantee’s lack of a vice president title is generally consistent with the manner in which the title of vice president is used within the Grantee’s business unit or if the loss of the title is the result of a promotion to a higher level office. For the purposes of the preceding sentence, the Grantee’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 Grantee 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 Grantee’s annualized rate of base salary as in effect at the start of the Protected Period, or as the same shall be increased from time to time.
- (iii) A material reduction in the aggregate value of the Grantee’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 Grantee participates immediately prior to the start of the Protected Period; provided, however, that a reduction in the aggregate value shall not be deemed to be “Good Reason” if the reduced value remains substantially consistent with the average level of other employees who have positions commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.
- (iv) A material reduction in the Grantee’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 Grantee immediately prior to the start of the Protected Period.
- (v) The Grantee is informed by the Company that his or her principal place of employment for the Company will be relocated to a location that is greater than fifty (50) miles away from the Grantee’s principal place of employment for the Company at the start of the corresponding Protected Period; provided that, if the Company communicates an intended effective date for such relocation, in no event shall Good Reason exist pursuant to this clause (v) more than ninety (90) days before such intended effective date.

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

“**Parent**” is used as defined in the Plan.

“**Plan**” means the Northrop Grumman 2001 Long-Term Incentive Stock Plan, as it may be amended from time to time.

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.

“**Qualifying Termination**” has the meaning given to such term in the VP Severance Plan.

“**Successor**” means the person acquiring a Grantee’s rights to a grant under the Plan by will or by the laws of descent or distribution.

“**VP Severance Plan**” means the Company’s Severance Plan for Elected and Appointed Officers, as in effect on the Grant Date.

“**VP Severance Plan Disability**” means a “Disability” as that term is defined in the VP Severance Plan.

APPENDIX I
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

Officers Supplemental Executive Retirement Program II

(Amended and Restated Effective as of January 1, 2011)

Appendix I to the Northrop Grumman Supplemental Plan 2 (the "Appendix") is hereby amended and restated effective as of January 1, 2011. This restatement amends a prior version of the Appendix which was also effective January 1, 2011.

I.01 Purpose. The purpose of this Program is to give enhanced retirement benefits to eligible officers of the Company.

I.02 Definitions and Construction.

- (a) Capitalized terms used in this Appendix that are not defined in this Appendix or Article I of the Plan are taken from the Qualified Plans, and are intended to have the same meaning.
- (b) "Cash Balance Program" means the Northrop Grumman Corporation Cash Balance Program, or any successor thereto.
- (c) Eligible Pay. Subject to paragraphs (1) through (3) below, Eligible Pay will be based on the eligible pay a Participant would have under the Cash Balance Program if (i) the Participant was eligible to participate in the Cash Balance Program, (ii) there were no limits on eligible pay under the Cash Balance Program under applicable limitations of the Code, including section 401(a)(17), and (iii) amounts deferred under the Northrop Grumman Deferred Compensation Plan and the Northrop Grumman Savings Excess Plan counted as eligible pay under the Cash Balance Program.
 - (1) If a Participant experiences a Termination of Employment before December 31 or is hired after January 1 of any year, Eligible Pay for the year in which the Participant's Termination of Employment or date of hire occurs is determined in accordance with the Standard Annualization Procedure in Article 2 of the Cash Balance Program.
 - (2) The following shall not be considered as Eligible Pay for purposes of determining the amount of any benefit under the Program:
 - (A) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and

(B) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

(3) Eligible Pay shall include amounts earned after a Participant attains age 65.

(d) Final Average Salary for any Plan Year is the Participant's average Eligible Pay for the highest three Plan Years in which the Participant was an employee of an Affiliated Company.

(e) Months of Benefit Service.

(1) Except as provided in (2) and (3) below, a Participant shall be credited with a Month of Benefit Service for each month that would count as Credited Service under the Cash Balance Program if the Participant was eligible to participate in the Cash Balance Program.

(2) Months of Benefit Service will continue to be counted for a Participant until cessation of the Participant's status as an elected or appointed officer of the Company (except as otherwise provided in Section I.04(f)).

(3) Months of Benefit Service shall not include any time that counts as service under any portion of a plan spun out of the Company's controlled group, if the service would no longer be treated as benefit accrual service under the Cash Balance Program if the Participant was eligible to participate in the Cash Balance Program.

(4) Months of Benefit Service shall continue to be earned after a Participant has attained age 65.

(f) Benefits are calculated without regard to the limits in sections 401(a)(17) and 415 of the Code.

I.03 Eligibility. Eligibility for benefits under this Program is limited to the elected or appointed officers of the Company hired or rehired after June 2008 and on or before December 31, 2009 and designated for participation in the Program by the Vice President, Compensation, Benefits & International (as such title may be modified from time to time).

I.04 Benefit Amount.

(a) A Participant's annual Normal Retirement Benefit under this Program equals the sum of (1) through (3) below, subject to the limit described in Section I.05:

(1) $2.0\% \times \text{Final Average Salary} \times \text{Months of Benefit Service up to 120 months} \div 12$

- (2) $1.5\% \times \text{Final Average Salary} \times \text{Months of Benefit Service in excess of 120 months up to 240 months} \div 12$
- (3) $1.0\% \times \text{Final Average Salary} \times \text{Months of Benefit Service in excess of 240 months up to 540 months} \div 12$
- (b) The total benefit payable is a straight life annuity commencing at age 65, assuming an annual benefit equal to the gross benefit under (a). The form of benefit and timing of commencement will be determined under Section I.06.
- (c) If a Participant's benefit is paid under this Program before age 65, the benefit will be adjusted as follows. The Early Retirement Benefit is a monthly benefit equal to the Normal Retirement Benefit reduced by the lesser of:
 - (1) $1/12\text{th of } 2.5\%$ for each calendar month the payment of benefits begins before age 65; or
 - (2) 2.5% for each benefit point less than 85 where the Participant's benefit points (truncated to reach a whole number) equal the sum of:
 - (A) his or her age (computed to the nearest $1/12\text{th}$ of a year) at the annuity starting date, and
 - (B) $1/12\text{th}$ of his or her Months of Benefit Service (also computed to the nearest $1/12\text{th}$ of a year) as of the date his or her employment terminated.
- (d) Except as provided otherwise in this Appendix I, no benefit will be paid under this Program if a Participant experiences a Termination of Employment before (1) attaining age 55 and completing 120 Months of Benefit Service, or (2) attaining age 65 and completing 60 Months of Benefit Service.
- (e) A Participant shall be entitled to benefits notwithstanding the Participant's failure to meet the requirements of Section I.04(d) if the following requirements are satisfied:
 - (1) the Participant has been involuntarily terminated or terminated due to the divestiture of his business unit;
 - (2) the Participant has reached age 53 and completed 10 years of early retirement eligibility service, or has accumulated 75 points, as of the date of termination, all as determined under the terms of the Northrop Grumman Pension Plan (assuming the Participant were eligible to participate in such plan); and
 - (3) the Participant is actively accruing benefits under the Program as of the date of termination.

If a Participant receives a notice of an involuntary termination and then transfers to another related entity instead of being involuntarily terminated, the Participant will not qualify for vesting under this subsection (e). If an involuntarily terminated Participant is rehired by the Company, vesting under this subsection (e) would not apply unless the Participant is subsequently terminated and meets the requirements described above.

All benefits payable pursuant to this subsection (e) shall be subject to reduction for early retirement as applicable under Section I.04(c).

- (f) The rules set forth in this Section I.04(f) shall apply in the event a Participant ceases to satisfy the eligibility requirements of Section I.03 (the “eligibility requirements”) because the Participant is no longer an elected or appointed officer of the Company:
- (1) for purposes of calculating the Participant’s benefit amount pursuant to Section I.04(a), “Eligible Pay” and “Months of Benefit Service” shall not reflect amounts paid or service on or after the date the Participant ceases to satisfy the eligibility requirements, except that in the event the Participant subsequently satisfies the eligibility requirements, “Eligible Pay” and “Months of Benefit Service” shall reflect all pay and past service to the extent consistent with the terms of this Program in effect for newly eligible employees at the time the Participant satisfies the eligibility requirements for the second time;
 - (2) for purposes of applying the 60% limitation pursuant to Section I.05, “Eligible Pay” shall include amounts paid on or after the date the Participant ceases to satisfy the eligibility requirements;
 - (3) for purposes of applying Sections I.04(d) and I.04(e), service on or after the date the Participant ceases to satisfy the eligibility requirements shall continue to count as service;
 - (4) for purposes of applying the reduction for early retirement pursuant to Section I.04(c), service on or after the date the Participant ceases to satisfy the eligibility requirements shall continue to count as service.
- (g) If a Participant experiences a Termination of Employment after earning at least three Years of Vesting Service and is not vested in benefits under the Program under subsection (d), (e), or (f) above, he shall be entitled to a benefit equal to the benefit he would have received had he participated in the Cash Balance Program from his date of hire to the date of his Termination of Employment and if there were no Code limits on compensation or benefits under the Cash Balance Program. This benefit will be payable in accordance with Section I.06. Any Participant entitled to a benefit under this subsection (g) shall not be entitled to a benefit under subsection (a).

- I.05 Benefit Limit. A Participant's total accrued benefits under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified (but not contributory or defined contribution plans, programs, or arrangements) in which he or she participates, including the benefit accrued under Section I.04, may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the Participant's benefit accrued under this Program will be reduced to the extent necessary to satisfy the limit.
- (a) The Participant's Final Average Salary will be reduced for early retirement applying the factors in Sections I.04(c) and I.09.
 - (b) The limit in this subsection may not be exceeded even after the benefits under this Program have been enhanced under any Special Agreements.
- I.06 Payment of Benefits. Benefits will be paid in accordance with Appendix 2.
- I.07 Death Benefits. Any payments to be made upon the death of a Participant shall be determined under and distributed in accordance with Appendix 2.
- I.08 Individual Arrangements. This Section applies to a Participant who has an individually-negotiated arrangement with the Company for supplemental retirement pension benefits. Notwithstanding any other provision to the contrary, this Section does not apply to any individually-negotiated arrangements between a Participant and the Company concerning severance payments.
- (a) This Section is intended to coordinate the benefits under this Program with those of any individually-negotiated arrangement. Participants with such arrangements will be paid the better of the benefits under the arrangement or under Sections I.04 or I.07 (as limited by I.05).
 - (b) In no case will duplicate benefits be paid under this Program and such an individual arrangement. Any payments under this Program will be counted toward the Company's obligations under an individual arrangement, and vice-versa.
 - (c) If the benefit under an individually-negotiated arrangement exceeds the one payable under this Program, then the individual benefit will be substituted as the benefit payable under this Program (even if it exceeds the limit under I.05).
 - (d) To determine which benefit is greater, all benefits will be compared, subject to adjustment for early retirement using the applicable factors and methodologies under Section I.04(c).
 - (e) For purposes of (d), the individually-negotiated benefit will be determined in accordance with all of its terms and conditions. Nothing in this Section is meant to alter any of those terms and conditions.
 - (f) This Section does not apply to the Special Agreements.

I.09 Actuarial Assumptions. The following defined terms and actuarial assumptions will be used to the extent necessary under Sections I.05 and I.08 to convert benefits to straight life annuity form commencing upon the Participant reaching age 65:

Interest: Five percent (5%)

Mortality: The applicable mortality table which would be used to calculate a lump sum value for the benefit under the Qualified Plans.

Increase in Code Section 415 Limit: 2.8% per year.

Variable Unit Values Variable Unit Values are presumed not to increase for future periods after commencement of benefit.

I.10 Forfeiture of Benefits. Notwithstanding any other provision of this Program, this Section applies to a Participant's total accrued benefit under this Program earned after 2010.

- (a) Determination of a Forfeiture Event. The Compensation Committee or its delegate will, in its sole discretion, determine whether a Forfeiture Event (as defined in subsection (b)) has occurred; provided that no Forfeiture Event shall be incurred by a Participant who has a termination of employment due to mandatory retirement pursuant to Company policy. Such a determination may be made by the Compensation Committee or its delegate for up to one year following the date that the Compensation Committee has actual knowledge of the circumstances that could constitute a Forfeiture Event.
- (b) Forfeiture Event Defined. A "Forfeiture Event" means that, while employed by any of the Affiliated Companies or at any time in the two year period immediately following the Participant's last day of employment by one of the Affiliated Companies, the Participant, either directly or indirectly through any other person, is employed by, renders services (as a director, consultant or otherwise) to, has any ownership interest in, or otherwise participates in the financing, operation, management or control of, any business that is then in competition with the business of any of the Affiliated Companies. A Participant will not, however, be considered to have incurred a Forfeiture Event solely by reason of owning up to (and not more than) two percent (2%) of any class of capital stock of a corporation that is registered under the Securities Exchange Act of 1934.

- (c) Forfeiture of Benefits.
- (1) If the Compensation Committee or its delegate determines that a Forfeiture Event has occurred, the relevant Participant may forfeit up to 100% of his or her total accrued benefit under this Program earned after 2010. The amount forfeited, if any, will be determined by the Compensation Committee or its delegate in its sole discretion, and may consist of all or a portion of the Program benefits earned after 2010 and not yet paid.
 - (2) Program benefits earned by a Participant after 2010 shall be deemed to constitute a proportionate share of each payment of benefits for purposes of determining the portion of each such payment to be forfeited under subsection (1).
 - (3) Any forfeiture pursuant to this Section will also apply with respect to survivor benefits or benefits assigned under a Qualified Domestic Relations Order.
- (d) Coordination with 60% Benefit Limit. For purposes of applying the 60% of Final Average Salary benefit limit of Section I.05, or any other similar provision in other plans, programs and arrangements of the Affiliated Companies, such benefit limit will be applied as if no forfeiture occurred under this Section I.10.
- (e) Notice and Claims Procedure.
- (1) The Company will provide timely notice to any Participant who incurs a forfeiture pursuant to this Section I.10. Any delay by the Company in providing such notice will not otherwise affect the amount or timing of any forfeiture determined by the Compensation Committee or its delegate.
 - (2) The procedures set forth in the Company's standardized Northrop Grumman Nonqualified Plans Claims and Appeals Procedures ("Claims Procedures") will apply to any claims and appeals arising out of or related to any forfeiture under this Section I.10, except as provided below:
 - (A) The Compensation Committee, or its delegate, will serve in place of the designated decision-makers on any such claims and appeals.
 - (B) After a claimant has exhausted his remedies under the Claims Procedures, including the appeal stage, the claimant forgoes any right to file a civil action under ERISA section 502(a), but instead may present any claims arising out of or related to any forfeiture under this Section I.10 to final and binding arbitration in the manner described below:
 - (i) A claimant must file a demand for arbitration no later than one year following a final decision on the appeal under the

Claims Procedures. After such period, no claim for arbitration may be filed, and the decision becomes final. A claimant must deliver a demand for arbitration to the Company's General Counsel.

- (ii) Any claims presented shall be settled by arbitration consistent with the Federal Arbitration Act, and consistent with the then-current Arbitration Rules and Procedures for Employment Disputes, or equivalent, established by JAMS, a provider of private dispute resolution services.
- (iii) The parties will confer to identify a mutually acceptable arbitrator. If the parties are unable to agree on an arbitrator, the parties will request a list of proposed arbitrators from JAMS and:
 - (a) If there is an arbitrator on the list acceptable to both parties, that person will be selected. If there is more than one arbitrator on the list acceptable to both parties, each party will rank each arbitrator in order of preference, and the arbitrator with the highest combined ranking will be selected.
 - (b) If there is no arbitrator acceptable to both parties on the list, the parties will alternately strike names from the list until only one name remains, who will be selected.
- (iv) The fees and expenses of the arbitrator will be borne equally by the claimant and the Company. Each side will be entitled to use a representative, including an attorney, at the arbitration. Each side will bear its own deposition, witness, expert, attorneys' fees, and other expenses to the same extent as if the matter were being heard in court. If, however, any party prevails on a claim, which (if brought in court) affords the prevailing party attorneys' fees and/or costs, then the arbitrator may award reasonable fees and/or costs to the prevailing party to the same extent as would apply in court. The arbitrator will resolve any dispute as to who is the prevailing party and as to the reasonableness of any fee or cost.
- (v) The arbitrator will take into account all comments, documents, records, other information, arguments, and theories submitted by the claimant relating to the claim, or considered by the Compensation Committee or its delegate relating to the claim, but only to the extent that it was

previously provided as part of the initial decision or appeal request on the claim.

The arbitrator may grant a claimant's claim only if the arbitrator determines it is justified based on: (a) the Compensation Committee, or its delegate erred upon an issue of law in the appeal request, or (b) the Compensation Committee's, or its delegate's, findings of fact during the appeal process were not supported by the evidence.

- (vi) The arbitrator shall issue a written opinion to the parties stating the essential findings and conclusions upon which the arbitrator's award is based. The decision of the arbitrator will be final and binding upon the claimant and the Company. A reviewing court may only confirm, correct, or vacate an award in accordance with the standards set forth in the Federal Arbitration Act, 9 U.S.C. §§ 1-16.
- (vii) In the event any court finds any portion of this procedure to be unenforceable, the unenforceable section(s) or provision(s) will be severed from the rest, and the remaining section(s) or provisions(s) will be otherwise enforced as written.

- (f) Application. Should a Forfeiture Event occur, this Section I.10 is in addition to, and does not in any way limit, any other right or remedy of the Affiliated Companies, at law or otherwise, in connection with such Forfeiture Event.

I.11 TASC Participants. Participants who are actively employed in a TASC Entity: 254 or 255 on the date the entities are transferred to an unrelated buyer ("TASC Closing Date") will be 100% vested in their benefit determined under Section I.04(a), (b) and (c) of the Program on the TASC Closing Date. No pay or service after the TASC Closing Date will count for purposes of determining the amount of such a Participant's benefit under the Program. If the TASC Closing Date occurs before 2010, the TASC Closing Date shall be deemed to be January 1, 2010 for purposes of determining the rights of Participants.

I.12 Special Rules for Certain Participants. The Vice President, Compensation, Benefits & International (as such title may be modified from time to time) may designate certain Participants who were rehired in 2009 as subject to the following special rules notwithstanding anything in the Program to the contrary.

- (a) Service Credit. For vesting and benefit accrual purposes, the Participant will be credited with Months of Benefit Service from the Participant's original date of hire through the Participant's original termination date and from the Participant's rehire date through December 31, 2010. After 2010, for vesting and benefit accrual purposes, the Participant will be credited with Months of Benefit Service

in accordance with the terms of the Program. The Participant's rehire date will be considered the Participant's date of hire for purposes of Section I.04(g).

- (b) Benefit Amount. The amount of the Participant's benefit under the Program will be reduced by all benefits accrued as of December 31, 2010 under Company qualified and nonqualified defined benefit retirement plans. Offset procedures shall follow those established in Section G.05(c) of Appendix G.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 20th day of December, 2010.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas _____

Debora L. Catsavas
Vice President, Compensation,
Benefits & International

**NORTHROP GRUMMAN SUPPLEMENTARY
RETIREMENT INCOME PLAN**

Amended and Restated

Effective January 1, 2010

1. Purpose. The purpose of the Northrop Grumman Supplementary Retirement Income Plan (SRIP) is to provide supplemental retirement and death benefits to those:

(i) employees, including officers, of Northrop Grumman Space & Mission Systems Corp. and its subsidiaries (“NGSMSC”) whose benefits under the Northrop Grumman Space & Mission Systems Corp. Salaried Pension Plan (“SPP”) have been limited by virtue of §415 of the Internal Revenue Code of 1986 (“Code”);

(ii) management and highly-compensated employees of NGSMSC whose benefits under the SPP are limited by Code §401(a)(17);

(iii) management and highly-compensated employees of NGSMSC whose compensation otherwise included as pensionable earnings received by such individual within the meaning of the SPP could not be so included because such compensation was deferred in accordance with the provisions of the Northrop Grumman Space & Mission Systems Corp. Deferred Compensation Plan or the Northrop Grumman Deferred Compensation Plan (“DC Plan” or DC Plans”); and

(iv) management and highly-compensated employees of NGSMSC whose compensation otherwise included as “Earnings” under the SPP and service otherwise included as Benefit Service under the SPP would not be so included because of a determination by NGSMSC that such inclusion could violate the regulations under Code §401(a)(4).

The SRIP is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act (“ERISA”) and is designed to provide benefits which mirror the provisions of the SPP but cannot be paid from the SPP because of certain Code limitations.

The SRIP is hereby amended and restated effective as of January 1, 2010, except as otherwise provided. This restatement amends the January 1, 2009 restatement of the SRIP and includes changes that apply to Grandfathered Amounts (as defined below).

The SRIP is intended to comply with Code section 409A and official guidance issued thereunder (except for SRIP benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder (“Grandfathered Amounts”). Notwithstanding any other provision of the SRIP, the SRIP shall be interpreted, operated and administered in a manner consistent with this intention.

2. Eligibility. Employees of NGSMSC covered by the SPP and not otherwise covered by the BDM International, Inc. Defined Contribution Supplemental Executive Retirement Plan (the “BDM DC SERP”) whose base pay and bonus paid in any year (or deferred pursuant to the DC Plan) exceed the limitations of Code §401(a)(17) shall automatically be covered under the SRIP. All SPP participants not otherwise covered by the BDM DC SERP who are eligible to receive benefits from the SPP shall automatically receive a benefit from the SRIP if their benefit cannot be fully provided under the SPP because of the limits under Code §415. In addition, Grandfathered Participants, as defined in Appendix C, shall remain eligible to participate in the SRIP on and after January 1, 2009 and shall continue to accrue benefits as set forth in Appendix C.

The foregoing notwithstanding, effective as of February 28, 2003, individuals who qualify as “TRW Automotive Participants” under the February 28, 2003 Employee Matters Agreement between Northrop Grumman Space & Mission Systems Corp. and TRW Automotive Acquisition Corp. cease to participate in the SRIP, and the SRIP and NGSMSC cease to be liable for TRW Automotive Participants’ benefits.

3. Benefits.

a. In General. The amount of the benefit payable under the SRIP shall be equal to the amount which would be payable to or in respect of a participant under the SPP if the limitations identified in §1 above were inapplicable, less the amount of the benefit payable under the SPP, taking into account such limitations. The amount of benefit payable under the SRIP to a participant shall also be reduced to the extent that any other nonqualified plan established by NGSMSC or any other entity affiliated with NGSMSC under Code §414(b) or (c) (“Affiliate”) pays benefits to the participant that are attributable to limits imposed upon the SPP other than those identified in §1 above. The benefit payable under the SRIP for those participants who were participants in The BDM Corporation Supplemental Executive Retirement Plan which was merged into the SRIP (the “BDM SERP”) on the close of business on December 31, 1998 (the “Merger Effective Date”) will not be less than the benefit which had accrued under the BDM SERP as of the Merger Effective Date for such participants. Schedule A attached hereto sets forth the relevant provisions of the BDM SERP necessary to calculate such accrued benefits. The benefit payable under the SRIP for the sole participant who was a “Covered Executive” in the Astro Aerospace Corporation Supplemental Executive Retirement Plan (the “Astro SERP”) on the close of business on November 30, 1999 will not be less than the benefit which had accrued under the Astro SERP as of November 30, 1999 for

such participant, as determined in accordance with the terms of the Astro SERP as in effect on November 30, 1999 (a copy of which is attached hereto as Schedule B) and the benefit payable to such participant's spouse under the SRIP shall not be less than the benefit which would have been payable to such spouse under the terms of the Astro SERP had the participant died on November 30, 1999.

b. Benefit Limit. The amount of the SRIP benefit will be limited as provided below:

i. A participant's total accrued benefits under all defined benefit plans, programs, and arrangements maintained by Northrop Grumman Corporation and its affiliates (as determined under Code section 414) in which he or she participates, including the SRIP, may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the participant's benefit accrued under the SRIP will be reduced to the extent necessary to satisfy the limit.

(1) For this purpose, "Final Average Salary" has the meaning provided under Appendix G to the Northrop Grumman Supplemental Plan 2 (the "OSERP").

(2) The Participant's Final Average Salary will be reduced for early retirement applying the factors in the OSERP.

(3) The limit in this subsection may not be exceeded even after the benefits under the SRIP have been enhanced under any change in control agreements or Northrop Grumman Corporation Special Agreements.

c. Compensation. The following shall not be considered as compensation for purposes of determining the amount of any benefit under the SRIP:

i. Any payment authorized by the Compensation Committee of Northrop Grumman Corporation that is (i) calculated pursuant to the method for determining a bonus amount under the Northrop Grumman Corporation Annual Incentive Plan (AIP) for a given year, and (ii) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and

ii. Any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

4. Payment of Benefits. The distribution rules of this Section 4 only apply to Grandfathered Amounts. See Appendix A and Appendix B for the rules that apply to other benefits earned under the SRIP.

a. Except as provided below, no benefit is payable from the SRIP, even if the participant has terminated his/her employment, unless a participant has five years of vesting service as defined under the SPP and has attained age fifty-five, provided, however, a benefit will be payable from the SRIP prior to a participant's attainment of age fifty-five if the participant terminates his or her employment in connection with (i) a special voluntary early retirement program offered under the SPP, the terms of which provide for eligibility prior to age fifty-five, or (ii) a special early commencement option under the SPP, the terms of which provide for commencement of the SPP benefit before age fifty-five.

b. If a participant who has five or more years of vesting service dies before his/her benefit commencement date under the SPP, the SRIP benefit shall be paid in the same form and shall commence at the same time as a pre-retirement survivor benefit under the SPP.

c. Except as provided in paragraph g., i., j., or as provided below, any participant in the SPP and the SRIP who is entitled to a vested or deferred vested pension under the SPP shall have his SRIP benefit (i) commence at the same time as his benefit commencement date under the SPP and (ii) paid in the same form and with the same designated joint annuitant, if any, as his form of payment under the SPP unless otherwise provided under the terms of any Qualified Domestic Relations Order (as defined in Section 5) applicable to said participant or unless otherwise determined by the Administrative Committee in its sole discretion. Any such participant who is eligible for the special early commencement option under the SPP may petition the Administrative Committee at any time at least two months prior to his severance from service date under the SPP to change such form of payment into a single sum or annual installments from two to ten years, or any other payment form approved by the Administrative Committee in their or its discretion. If annual installment payments are elected, interest, if any, on such installments shall be determined by the Actuary, subject to approval by the Administrative Committee. If a participant receiving installment payments dies, his remaining installment payments shall be made as scheduled to any properly designated beneficiary, or if none exists, in a single lump sum to the participant's estate.

d. Except as provided above or in paragraph g., i., or j., payment of benefits under the SRIP shall be made commencing with the January following the date the participant becomes eligible, having terminated his employment with NGSMSC and all Affiliates, for benefits under the SPP; provided, however, that if the participant's termination of employment is the result of a divestiture of the NGSMSC or Affiliate unit or operation where the participant worked prior to termination of employment and the participant obtains employment with the entity that acquired such unit or operations, then the SRIP benefit shall not be payable until such participant is eligible for and receives (or commences to receive) his SPP benefit (even if the SRIP benefit is less than \$5,000).

e. Except as provided above and in paragraph g., i., or j., the automatic form of benefit payable under the Plan shall be, for an unmarried

participant, a single life annuity, and, for a married participant, a 50% joint and survivor annuity, with the participant's eligible spouse being the survivor annuitant. Notwithstanding the above, the participant may elect, by notice to the administrator for the SRIP, at any time at least two months prior to the severance from service date under the SPP (the "Severance from Service Date") to change such form of payment into a single sum or annual installments from two to ten years, or any other payment form approved by the Administrative Committee in its discretion. If annual installment payments are elected, interest, if any, on such installments shall be determined by the Actuary, subject to approval by the Administrative Committee. If a participant receiving installment payments dies, his remaining installment payments shall be made as scheduled to any properly designated beneficiary, or if none exists, in a single lump sum to the participant's estate.

f. If not rejected by the Administrative Committee at least 14 days prior to the Severance from Service Date, any election of a form of payment or benefit commencement date other than the automatic form and commencement date shall be irrevocable.

g. If the present value of a participant's interest in the SRIP, determined as of the later of the participant's age 55 or severance from service date under the SPP, is less than an amount which, if converted to a single sum equals \$5,000, the benefit shall be paid out in a single sum, either at the same time as his benefit commencement date under the SPP or at another date as determined by the Administrative Committee in its sole discretion. (See paragraph i for the rule that applies as of January 1, 2008.)

h. Payments to be made pursuant to the SRIP shall be made by NGSMSC, with any appropriate reimbursement being made by subsidiaries of NGSMSC. The SRIP shall be unfunded, and NGSMSC shall not be required to establish any special or separate fund nor to make any other segregation of assets in order to assure the payment of any amounts under the SRIP. Participants of the SRIP shall have the status of general unsecured creditors of NGSMSC and the SRIP constitutes a mere promise by NGSMSC to make benefit payments in the future.

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

i. Post-2007 Terminations. Participants who have a complete termination of employment with NGSMSC and the Affiliates after 2007 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of such termination (without interest), if such present value is below the Code section 402(g) limit in effect at the termination.

ii. Pre-2008 Terminations. Participants who had a complete termination of employment with NGSMSC and the Affiliates before 2008 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of the time they commence payment of their underlying qualified pension plan benefits (without interest), if such present value is below the Code section 402(g) limit in effect at the time such payments commence.

j. Optional Payment Forms. Participants with Grandfathered Amounts shall be permitted to elect i. or ii. below:

i. To receive their Grandfathered Amounts in any form of distribution available under the SRIP at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under the SRIP on October 3, 2004.

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

Interest Rate: 6%

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

k. Special Tax Distribution. On the date a participant's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the participant's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the SRIP, including Grandfathered Amounts. This payment will reduce the participant's future benefit payments under the SRIP on an actuarial basis.

5. Non-Alienation of Benefits. Neither a participant nor any other person shall have any right to sell, assign, transfer, pledge, mortgage or otherwise encumber, in advance of actual receipt, any SRIP benefit. Any such attempted assignment or transfer shall be ineffective; NGSMSC's sole obligation under the SRIP shall be to pay benefits to the participant, his beneficiary or his estate, as appropriate. No part of any SRIP benefit shall, prior to actual payment, be subject to the payment of any debts, judgments, alimony or separate maintenance owed by a participant or any other person; nor shall any SRIP benefit be transferable by operation of law in the event of a participant's or any other person's bankruptcy or insolvency, except as required or permitted by law.

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

- a. Issued pursuant to a State's domestic relations law;
- b. Relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the participant;
- c. Creates or recognizes the right of a spouse, former spouse, child or other dependent of the participant to receive all or a portion of the participant's benefits under the SRIP; and
- d. Meets such other requirements established by the plan administrator.

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

6. Committees.

a. An Administrative Committee and an Investment Committee (together, the "Committees"), each of one or more persons, shall be appointed by and serve at the pleasure of the board of directors of NGSMS (the "Board"). The number of members comprising the Committees shall be determined by the Board, which may from time to time vary the number of members. A member of the Committees may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Committees shall be filled promptly by the Board.

b. i. Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of the Committees may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committees then in office. A member of the Committees shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

ii. The Board shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The members of the Investment Committee will elect one of their members as Chairman and will appoint a Secretary and any other officers as the Investment Committee may deem necessary. The Committees shall conduct their business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Committees may deem appropriate. The Committees shall hold meetings from time to time in any convenient location.

c. The Administrative Committee shall enforce the SRIP in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

i. To construe and interpret the terms and provisions of the SRIP and make all factual determinations;

ii. To compute and certify to the amount and kind of benefits payable to participants and their beneficiaries;

iii. To maintain all records that may be necessary for the administration of the SRIP;

iv. To provide for the disclosure of all information and the filing or provision of all reports and statements to participants, beneficiaries or governmental agencies as shall be required by law;

v. To make and publish such rules for the regulation of the SRIP and procedures for the administration of the SRIP as are not inconsistent with the terms hereof;

vi. To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the SRIP as the Administrative Committee may from time to time prescribe (including the power to subdelegate);

vii. To exercise powers granted the Administrative Committee under other Sections of the SRIP; and

viii. To take all actions necessary for the administration of the SRIP, including determining whether to hold or discontinue insurance policies purchased in connection with the SRIP.

d. The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

i. To oversee the rabbi trust, if any; and

ii. To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

e. The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of the SRIP, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliates and any participant or beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the SRIP.

f. To enable the Committees to perform their functions, the Affiliates adopting the SRIP shall supply full and timely information to the Committees on all matters relating to the compensation of all participants, their death or other events that cause termination of their participation in the SRIP, and such other pertinent facts as the Committees may require.

g. i. The members of the Committees shall serve without compensation for their services hereunder.

ii. Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.

iii. To the extent permitted by ERISA and applicable state law, NGSMSC shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliates against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the SRIP, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by NGSMSC or provided by NGSMSC under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

7. Claims Procedure.

The standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under the SRIP.

8. Amendment and Termination. NGSMSC may, in its sole discretion, terminate, suspend or amend the SRIP at any time or from time to time, in whole

or in part for any reason. This includes the right to amend or eliminate any of the provisions of the SRIP with respect to lump sum distributions, including any lump sum calculation factors, whether or not a participant has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the SRIP shall reduce the amount of a participant's accrued benefit under the SRIP as of the date of such amendment or termination.

No amendment of the SRIP shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a SRIP amendment from resulting in an inadvertent "material modification" to the Grandfathered Amounts.

9. Miscellaneous.

- a. As used herein, the masculine gender shall include the feminine gender. To the extent that any term is not defined under the SRIP, it shall have the same meaning as defined in the SPP.
- b. Employment rights with NGSMSC shall not be enlarged or affected by the existence of the SRIP.
- c. In case any provision of the SRIP shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions.
- d. The SRIP shall be governed by the laws of the State of Ohio to the extent not preempted by ERISA.

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 20th day of December, 2010.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation, Benefits & International

APPENDIX A

2005-2007 TRANSITION RULES

This Appendix A provides the distribution rules that apply to the portion of benefits under the SRIP subject to Code section 409A for participants with benefit commencement dates after January 1, 2005 and before January 1, 2008.

A.1 Election. Participants scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the SRIP as of December 31, 2004. Participants electing optional forms of benefits under this provision will commence payments on the participant's selected benefit commencement date.

A.2 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, participants commencing payments in 2005 from the SRIP may elect a form of distribution from among those available under the SRIP on December 31, 2004, and benefit payments shall begin at the time elected by the participant.

a. Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with SRIP distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and SRIP distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.

For purposes of Appendix A and Appendix B, A "Key Employee" is an employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of NGSMSC or an Affiliate (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) if NGSMSC's or an Affiliate's stock is publicly traded on an established securities market or otherwise. NGSMSC shall determine in accordance with a uniform NGSMSC policy which participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

For purposes of Appendix A and Appendix B, "Separation from Service" or "Separates from Service" means a "separation from service" within the meaning of Code section 409A.

b. Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:

i. In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, a participant must be an elected or appointed officer of NGSMSC and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;

ii. The lump sum payment shall be made in 2005 as soon as feasible after the election; and

iii. Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the SRIP's procedures for calculating lump sums as of December 31, 2004.

A.3 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007), distribution of SRIP benefits subject to Code section 409A shall begin 12 months after the later of: (a) the participant's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the participant's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

APPENDIX B

POST 2007 DISTRIBUTION OF 409A AMOUNTS

The provisions of this Appendix B shall apply only to the portion of benefits under the SRIP that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Section 4, and Appendix A addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008.

B.1 Time of Distribution. Subject to the special rules provided in this Appendix B, distributions to a participant of his vested retirement benefit shall commence as of the 1st of the month coincident with or following the later of (a) the date the participant attains age 55, or (b) the date the participant Separates from Service ("Payment Date").

B.2 Special Rule for Key Employees. If a participant is a Key Employee and age 55 or older at his Separation from Service, distributions to the participant shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the participant's death). Amounts otherwise payable to the participant during such period of delay shall be accumulated and paid on the first day of the seventh month following the participant's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).

B.3 Forms of Distribution. Subject to the special rules provided in this Appendix B, a participant's vested retirement benefit shall be distributed in the form of a single life annuity. However, a participant may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:

- a. 50% joint and survivor annuity
- b. 75% joint and survivor annuity
- c. 100% joint and survivor annuity.

If a participant is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a SRIP representative or notary public. No spousal consent is necessary if NGSMSC determines that there is no spouse or that the spouse cannot be found.

B.4 Death. If a married participant dies before the Payment Date, a death benefit will be payable to the participant's spouse commencing 90 days after the participant's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of a participant's vested retirement benefit based on a 100% joint and survivor annuity determined on the participant's date of death. This benefit is also payable to a participant's domestic partner who is properly registered with NGSMSC in accordance with procedures established by NGSMSC.

B.5 Actuarial Assumptions. Except as provided in Section B.6, all forms of payment under this Appendix B shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

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

B.6 Accelerated Lump Sum Payouts.

a. Post-2007 Separations. Notwithstanding the provisions of this Appendix B, for participants who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of a participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the participant (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section B.2, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the participant's Separation from Service.

b. Pre-2008 Separations. Notwithstanding the provisions of this Appendix B, for participants who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of a participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the participant attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the participant (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the participant attains age 55, but no earlier than January 1, 2008.

c. Conflicts of Interest. The present value of a participant's vested retirement benefit shall also be payable in an immediate lump sum to the

extent required under conflict of interest rules for government service and permissible under Code section 409A.

d. Present Value Calculation. The conversion of a participant's retirement benefit into a lump sum payment and the present value calculations under this Section B.6 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the participant's immediate benefit if the participant is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the participant will be eligible to receive at age 55.

B.7 Effect of Early Taxation. If the participant's benefits under the SRIP are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the participant.

B.8 Permitted Delays. Notwithstanding the foregoing, any payment to a participant under the SRIP shall be delayed upon NGSMSC's reasonable anticipation of one or more of the following events:

- a. NGSMSC's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- b. The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section B.8 shall be paid in accordance with Code section 409A.

APPENDIX C

CUTTING EDGE OPTRONICS TRANSFER

The provisions of this Appendix C are intended to comply with Code section 409A, and to maintain the exempt status of the Grandfathered Amounts accrued by any employees of Cutting Edge Optronics. Each such employee with a Grandfathered Amount is referred to below as a "Grandfathered Participant".

C.1 Transferred Employees. Except for any Grandfathered Participants, the employees of Cutting Edge Optronics that would otherwise have been eligible to participate and accrue benefits under the SRIP prior to 2009 (the "Transferred Employees") shall cease to participate in the SRIP as of January 1, 2009 (the "Transfer Date").

C.2 Transferred Employee Benefits. Any benefits accrued by the Transferred Employees under the SRIP for services prior to the Transfer Date shall be transferred to and payable under the Litton Industries, Inc. Restoration Plan 2 ("LRP 2"). Such benefits will thus no longer be payable under the SRIP.

C.3 Grandfathered Participant Benefits. Each Grandfathered Participant shall remain eligible to participate in the SRIP after 2008. Subject to Section 3(b), the accrued benefits of a Grandfathered Participant under the SRIP shall equal the benefits accrued under the SRIP for services performed prior to 2009, plus the benefits that such Grandfathered Participant would otherwise have accrued and become vested in based on services performed after 2008 had he or she been eligible to participate in the LRP 2.

Article 2

BENEFITS

2.1 Computation of Benefits.

a. **Total Benefit Objective.** Total retirement benefits from the Company, coupled with expected Social Security benefits, are designed to provide a level of income during retirement based on the Member's service and income while with the Company. The Benefit Objective (as determined on or prior to Normal Retirement Date) for a Member who retires on or after his/her Normal Retirement Date with 20 or more years of Benefit Service (Benefit Service accrues to age 65), is 45% of the Member's Average Annual Compensation for the five highest consecutive plan years of his/her employment with the Company. For Members who retire with less than 20 years of Benefit Service, the Benefit Objective is the amount calculated above reduced by multiplying that amount by a fraction the numerator of which is the number of years of Benefit Service and the denominator of which is 20. The Benefit Objective, as defined above, is intended to be met by unreduced retirement income (without any reductions associated with any payment option) from both the Company's Retirement Plan and Supplemental Executive Retirement Plan plus the unreduced Social Security Benefit (commencing as late as age 67).

b. **Calculation of Benefits Under This Plan.** The benefit payable under this Plan shall be equal to the Benefit Objective as stated in paragraph a. above, reduced, as applicable, by the factors and in accordance with the provisions set forth for such purposes in the Retirement Plan, (i) for commencement prior to Normal Retirement Date, (ii) for election of a form of payment other than life only to the Member, and (iii) upon death, less the Retirement Plan Benefit and the unreduced Social Security Benefit as stated in paragraph a. above. If the benefit payable under this plan according to the preceding sentence plus the Retirement Plan Benefit is less than the Target Benefit Amount, as hereinafter defined, the benefit payable under this Plan shall be equal to the Target Benefit Amount less the Retirement Plan Benefit. The Target Benefit Amount shall mean \$90,000, reduced, as applicable, by the factors and in accordance with the provisions set forth for such purposes in the Retirement Plan, (i) for commencement prior to Normal Retirement Date, (ii) for election of a form of payment other than life only to the Member, and (iii) upon death.

2.2 Form of Benefit Payments.

The benefit payable to or on behalf of a Member as determined under Section 2.1 shall be paid in the same form, and to the same beneficiary, if any, as the Member's benefit under the Retirement Plan.

2.3 Time of Benefit Payments.

Benefits due under this Plan shall be paid coincident with the payment date of benefits under the Retirement Plan.

APPENDIX A
ASTRO AEROSPACE CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ASTRO AEROSPACE CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
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ASTRO AEROSPACE CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

INTRODUCTION

The purpose of this Supplemental Executive Retirement Plan (the "Plan") is to provide a further means whereby Astro Aerospace Corporation (the "Corporation") may afford financial security to a select group of Covered Executives of the Corporation, who render valuable services to the Corporation, constituting an important contribution toward its continued growth and success, by providing for additional future compensation so that such employees may be retained and their productive efforts encouraged, all as provided herein. Retirement Allowances under this Supplemental Executive Retirement Plan are in addition to benefits payable under the Astro Aerospace Corporation Employees' Pension Plan and any other qualified retirement plan maintained by the Corporation.

ARTICLE I
DEFINITIONS

- (a) "Administrator" means the Corporation which shall be responsible for the administration of this Plan.
- (b) "Astro Pension Plan" means the Astro Aerospace Corporation Employees' Pension Plan, as amended from time to time.
- (c) "Affiliate" means a member of a controlled group of corporations, within the meaning of section 414(b) of the Internal Revenue Code ("Code"), which includes the Corporation; a trade or business (whether or not incorporated) which is in common control with the Corporation as determined in accordance with section 414(c) of the Code; or any organization which is a member of an affiliated service group, within the meaning of section 414(m) of the Code, which includes the Corporation, and any other organization required to be aggregated with the Corporation pursuant to section 414(o) of the Code.
- (d) "Corporation" means Astro Aerospace Corporation.
- (e) "Covered Executive" means a person who is a member of the Astro Pension Plan and who is designated by the board of directors of the Corporation as being eligible to receive a Retirement Allowance.
- (f) "Covered Service" means, with respect to a Covered Executive, a number of years and completed months equal to his period of "Service" for purposes of the Astro Pension Plan. For purposes of this Plan, "Service", as defined under the Astro Pension Plan, shall include Service with the Corporation and its Affiliates. Covered Service shall not exceed 35 years.
- (g) "Early Retirement Date" means retirement from employment with Corporation and all Affiliates after attaining age 55 with 10 years of Covered Service.
- (h) "Effective Date" means September 1, 1993.
- (i) "Final Average Earnings" shall have the meaning ascribed under the terms of the Spar Pension Plan except that it will not be subject to the compensation limitation imposed by Internal Revenue Code Section 401(a)(17).
- (j) "Former Covered Executive" means a Covered Executive who is no longer an active Covered Executive of the Plan but who remains entitled to benefits under the Plan and is not yet receiving a Retirement Allowance.
- (k) "Normal Retirement Date" means retirement from employment with Corporation and all Affiliates after attaining age 65.

(l) "Postponed Retirement Date" means the actual retirement date of a Covered Executive who continues employment with the Corporation or any Affiliate beyond Normal Retirement Date.

(m) "Plan" means the plan to provide Retirement Allowances set forth herein and as amended from time to time, which shall be known as the Astro Aerospace Corporation Supplemental Executive Retirement Plan.

(n) "Plan Year" means the period January 1 to December 31.

(o) "Retired Executive" means a Covered Executive or Former Covered Executive who has retired and is receiving a Retirement Allowance under the Plan.

(p) "Retirement Allowance" means an amount payable to a Covered Executive, a Former Covered Executive or a Spouse under the terms of the Plan.

(q) "Spar Pension Plan" or "Registered Plan" means the Spar Aerospace Limited Pension Plan for Executive Employees, as amended from time to time.

(r) "Spar SERP" means the Spar Aerospace Limited Supplemental Executive Retirement Plan.

(s) "Spouse" means, with respect to a (Former) Covered Executive, that person to whom the (Former) Covered Executive is lawfully married at the relevant time.

(t) "Total and Permanent Disability" means a physical or mental condition which results in a Covered Executive being eligible to receive disability benefits under the federal Social Security program, or under any formal program of long-term disability insurance provided by the Corporation or its Affiliates.

ARTICLE II

DESIGNATION OF COVERED EXECUTIVES

The Board of Directors of the Corporation ("Board") shall, from time to time, in its discretion, designate as Covered Executives, for the purposes of the Plan, individuals who are members of the Astro Pension Plan. Once an individual is designated as a Covered Executive, the Board shall notify such Covered Executive in writing of his designation and shall provide him with a copy of the Plan.

ARTICLE III
RETIREMENT BENEFITS

3.01 Retirement Allowance on Normal or Postponed Retirement Date. A Covered Executive retiring on his Normal Retirement Date or on his Postponed Retirement Date shall be entitled to receive a monthly Retirement Allowance equal to the excess of:

(a) $1/12 \times 2\% \times$ the Covered Executive's Final Average Earnings multiplied by his Covered Service; over

(b) The sum of the monthly benefits payable to the Covered Executive under the Astro Pension Plan and any other qualified retirement plan to the extent such benefits are attributable to contributions of the Corporation or its Affiliates on the Covered Executive's behalf, excluding employee deferrals and employer matching contributions under the Astro Aerospace Corporation 401(k) Savings Plan ("401(k) Plan").

The benefits payable or benefits that would be payable under (a) and (b) above shall be determined as follows:

(i) under the Astro Pension Plan (or any other defined benefit plan of the Corporation or its Affiliates in which the Covered Executive participates or participated) assuming a straight life annuity form of benefit; and

(ii) under any defined contribution plan of the Corporation or its Affiliates in which the Covered Executive participates or participated assuming the Covered Executive's account balance(s) attributable to contributions by the Corporation or its Affiliates (other than elective salary deferrals, other employee contributions, employer matching contributions and earnings thereon) is paid in the form of a single life annuity beginning on the date the payment of the Retirement Allowance commences.

When determining the amount of the Covered Executive's benefits in any plan, any such benefits paid out prior to the date on which the Retirement Allowance is determined (e.g., hardship withdrawals, payments pursuant to a qualified domestic relations order or other in-service withdrawal) shall be treated as if no such payment was made and shall be included in the calculation of (a) and (b) above in accordance with Section 3.05 herein.

3.02 Retirement Allowance on Early Retirement Date. A Covered Executive who retires on an Early Retirement Date shall be entitled to receive a Retirement Allowance commencing on his Early Retirement Date calculated in accordance with Section 3.01 provided that:

(a) The amounts in Subsection 3.01(a) and 3.01(b) will be reduced to take into account the early receipt of the Retirement Allowance. The reduction will be

calculated consistent with the actuarial reduction applied to the benefit under the Astro Pension Plan; and

(b) The benefits under the Astro Pension Plan and any other qualified retirement plan of the Corporation or its Affiliates will be determined according to the applicable terms of such plan(s) at the Early Retirement Date.

3.03 Payment of Retirement Allowance. Retirement Allowances shall be paid on the first day of each month commencing after the Covered Executive's Normal Retirement Date, Early Retirement Date or Postponed Retirement Date, as the case may be, and, subject to Section 3.04, ceasing with the 360th monthly payment or, if earlier, the payment made coincident with or immediately preceding the death of the Covered Executive.

3.04 Retirement Allowance Payable to Surviving Spouse of a Covered Executive. If a Covered Executive who has a Spouse at the date payment of his Retirement Allowance commences, dies after retirement but before receiving 360 monthly payments of his Retirement Allowance under the Plan, such Spouse is entitled to receive a monthly amount equal to $66 \frac{2}{3}\%$ of the monthly amount paid to the Covered Executive in the month immediately preceding his date of death from the Plan.

This monthly amount is payable to the Spouse for the balance of the 360 payments or until the death of the Spouse, whichever occurs first.

3.05 Deeming Rule. If the benefits payable to a Covered Executive or his Spouse under the Astro Pension Plan or any other qualified plan of the Corporation or its Affiliates are (were):

(i) commuted at the election of the Covered Executive or his Spouse, or;

(ii) divided pursuant to a decree, order or judgment of a competent tribunal, or a written separation agreement, relating to a division of property between the Covered Executive and his Spouse or former Spouse in settlement of rights arising out of their marriage or other conjugal relationship, on or after the breakdown of the marriage or other relationship; for the purposes of calculating the amount of the Covered Executive's or the surviving Spouse's Retirement Allowance, the benefits payable under such plans shall be deemed to be equal to the amount of the benefit that would have been payable if such election to commute or such division of the benefits under the plans had not been made and payment of such benefits commenced at the same time as the Retirement Allowance.

ARTICLE IV
TERMINATION OF SERVICE

4.01 Termination Benefits. A Covered Executive, who has been a member of the Astro Pension Plan for 24 continuous months and whose employment with the Corporation and its Affiliates is terminated for any reason other than retirement or death prior to his Normal Retirement Date, shall be entitled to a Retirement Allowance commencing, subject to Section 4.02, on his Normal Retirement Date. The Retirement Allowance shall be determined in accordance with section 3.01.

4.02 Early Commencement of Deferred Retirement Allowance. A Former Covered Executive who is entitled to a Retirement Allowance payable under the terms of Section 4.01 who has elected to receive Early Retirement benefits under the Astro Pension Plan will commence receipt of his Retirement Allowance prior to his Normal Retirement Date coincident with the commencement of benefit payments from the Astro Pension Plan provided that he attained the age of 55 and had ten (10) years of Covered Service on his date of termination. The Retirement Allowance payable from such date shall be reduced to take into account the early receipt of the Retirement Allowance. The reduction will be calculated consistent with the actuarial reduction which would be applied under the Astro Pension Plan for an Early Retirement.

4.03 Applicable Provisions. The provisions of Section 3.03 and 3.04 apply to Retirement Allowances paid under Article IV, with such wording changes as may be necessary. However, the provisions of Article V shall apply when a Former Covered Executive dies prior to commencement of his Retirement Allowance.

ARTICLE V
DEATH BENEFITS

5.01 Benefits on Covered Executive's Death Prior to Retirement. If a Covered Executive dies prior to commencement of a Retirement Allowance, the person who is his Spouse at the date of his death shall be entitled to a monthly amount equal to the excess of:

(a) 66 2/3% of the amount in Subsection 3.01(a) of the Plan calculated at the date of the Covered Executive's death,
less

(b) an amount, if any, equal to the sum of the monthly survivor benefits from the Astro Pension Plan and any other qualified plan of the Corporation or Affiliate payable to the Spouse in the same month.

The actual benefits under the Astro Pension Plan and any other qualified plan of the Corporation or Affiliate will be determined according to the applicable terms of such plan(s) at the date of the Covered Executive's death and shall not include benefits attributable to the Covered Executive's salary deferrals or matching contributions and earnings thereon under the 401(k) Plan.

Payment of the Spouse's benefit will commence on the first day of the month following the Covered Executive's date of death.

This monthly amount is payable to the Spouse for 360 monthly payments or until the death of the Spouse, whichever occurs first.

5.02 Benefits on a Former Covered Executive's Death Prior to Retirement. If a Former Covered Executive dies prior to commencement of a Retirement Allowance, his Spouse at the date of death shall be entitled to receive a Retirement Allowance equal to the Retirement Allowance calculated in accordance with Section 5.01 provided that:

(a) The amounts in subsection 3.01 will be reduced to take into account the early receipt of the Retirement Allowance. The reduction will be calculated consistent with the actuarial reduction applied to the benefit under the Astro Pension Plan; and

(b) The actual benefits under the Astro Pension Plan and any other qualified plan of the Corporation or Affiliate will be determined according to the applicable terms of such plan(s) at the Former Covered Executive's date of termination of employment with the Corporation and its Affiliates.

Payment of the Spouse's benefit will commence on the later of (1) first day of the month following the Former Covered Executive's date of death, (2) the Annuity Starting Date (as defined under the Astro Pension) elected by the surviving Spouse, or (3) the

first date the surviving Spouse receives payment of the death benefit under the Astro Pension Plan.

This monthly amount is payable to the Spouse for 360 monthly payments or until the death of the Spouse, whichever occurs first.

ARTICLE VI

DISABILITY BENEFITS

6.01 Disabled Covered Executives. A Covered Executive who is receiving benefits under a long-term disability benefit plan designated by the Corporation shall continue to be a Covered Executive. Such Covered Executive's Covered Service shall continue to accrue during the covered disability. The Covered Executive's Final Average Earnings while on disability shall be deemed to be equal to the Final Average Earnings in effect immediately preceding the commencement of the disability.

If the disabled Covered Executive does not return to active employment with the Corporation or any Affiliate, he will be entitled to receive a Retirement Allowance commencing, subject to Section 6.02, on his Normal Retirement Date calculated in accordance with Section 3.01, based on his Final Average Earnings on his date of disability and his Covered Service at his Normal Retirement Date.

6.02 Disability Retirement. A Covered Executive who, while in the employ of the Corporation or any Affiliate and, prior to his Normal Retirement Date:

(1) incurs a Total and Permanent Disability;

(2) does not qualify or ceases to qualify for benefits under any salary continuance or long-term disability benefits plan designated by the Corporation, or any applicable Worker's Compensation legislation; and

(3) retires under the Astro Pension Plan;

will be entitled to receive a Retirement Allowance coincident with the commencement of the payment of his benefit under the Astro Pension Plan. Such Retirement Allowance shall be equal to the amount calculated in accordance with Section 3.02 based on his Final Average Earnings on his date of disability and his Covered Service at his date of retirement.

6.03 Applicable Provisions. The provisions of Sections 3.03 and 3.04 apply to Retirement Allowances paid under Article VI, with such wording changes as may be necessary. However, the provisions of Article V shall apply when a disabled Covered Executive dies prior to commencement of his Retirement Allowance.

ARTICLE VII
ADMINISTRATION

The Corporation is the Administrator of the Plan. The Administrator shall be responsible for the general administration of the Plan and shall perform all administrative functions and shall interpret, construe and apply the Plan provisions in accordance with its terms. The Corporation as Administrator may establish, adopt or revise rules and regulations as it deems necessary or advisable for the administration of the Plan. The Corporation may consult with and rely upon the advice of such counsel, actuaries and other advisors as it shall see fit.

ARTICLE VIII

AMENDMENT OR TERMINATION OF THE PLAN

It is the intention of the Corporation in establishing the Plan that it should operate to the indefinite future. The Corporation does however, reserve the sole right to terminate the Plan at any time. The Corporation further reserves the right in its sole discretion to amend the Plan in any respect; provided, however, that no such amendment that reduces the value of the benefits therefore accrued by the Covered Executive shall be effective unless the Covered Executive consents to such amendment in writing.

In the event of termination of the Plan, the value of the benefits accrued by the Covered Executive at the time of termination will be determined assuming the Astro Pension Plan and all other qualified retirement plans of the Corporation and its Affiliates are terminated at the same time. Any amendment or termination shall be made pursuant to a resolution of the Board of Directors of the Corporation and shall be effective as of the date specified in such resolution.

ARTICLE IX

CLAIMS REVIEW PROCEDURE

9.01 Denial of Benefits. If a Retirement Allowance under the Plan is wholly or partially denied, notice of the decision shall be furnished to the Covered or Former Covered Executive or Spouse (claimant) as the case may be by the Administrator within a reasonable period of time after such decision is reached.

9.02 Notice. Any claimant who is denied a claim for Benefits shall be furnished written notice setting forth:

- (a) the specific reason or reasons for the denial;
- (b) specific reference to the pertinent provision of the Plan upon which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim; and
- (d) an explanation of the claim review procedure under the Plan.

9.03 Appeals Procedure. In order that a claimant may appeal a denial of a claim, the claimant or the claimant's duly authorized representative may:

- (a) request a review by written application to the Administrator, or its designate, no later than 60 days after receipt by the claimant of written notification of denial of a claim;
- (b) review pertinent documents; and
- (c) submit issues and comments in writing.

9.04 Review. A decision on review of a denied claim shall be made not later than 60 days after receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered within a reasonable period of time, but not later than 120 days after receipt of a request for review. The decision on review shall be in writing and shall include the specific reason(s) for the decision and the specific reference(s) to the pertinent provisions of the Plan on which the decision is based.

ARTICLE X

GENERAL

10.01 No Employment Rights. Nothing herein shall constitute a contract of continuing employment or in any manner obligate the Corporation to continue the service of a Covered Executive, or obligate a Covered Executive to continue in the service of the Corporation, and nothing herein shall be construed as fixing or regulating the compensation paid to Covered Executive.

10.02 No Claim Against the Company. Neither a Covered Executive nor any other person shall acquire by reason of the Plan any right in or title to any assets, funds or property of the Corporation whatsoever including, without limiting the generality of the foregoing, any specific funds or assets which the Corporation, in its sole discretion, may set aside in anticipation of a liability hereunder. Any trust which is created in connection with this Plan or any agreement shall provide that the assets of the trust are subject to the claims of the Corporation's general creditors. A Covered Executive shall have only a Contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Corporation.

10.03 Incompetence. If the Administrator determines that any person entitled to any payment hereunder is incompetent by reason of any physical or mental disability, and consequently unable to give a valid receipt, the Administrator may cause any payment due to such person to be made to another person for his benefit, without responsibility on the part of the Administrator to follow the application of such funds. Payment made pursuant to this section 10.03 shall operate as a complete discharge of the responsibility of the Administrator.

10.04 Nonassignability. Neither a Covered Executive nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Covered Executive or any other person, nor be transferable by operation of law in the event of a Covered Executive's or any other person's bankruptcy or insolvency.

10.05 Continuance of Payments. The payment of a Retirement Allowance to a Covered Executive or Former Covered Executive, or to his surviving Spouse, is subject to satisfactory proof of the existence of a Covered Executive or Former Covered Executive, or his surviving Spouse, as the case may be, as may be required from time to time by the Administrator.

10.06 Notice. Any notice required or permitted to be given to the Administrator of the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Corporation, directed to the attention of the

Administrator. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification.

10.07 Gender and Number. Wherever appropriate herein, the masculine may mean the feminine and the singular may mean the plural or vice versa.

10.08 Corporate Successors. The Plan shall not be automatically terminated by a transfer or sale of assets of the Corporation or the merger or consolidation of the Corporation into or with any other corporation or other entity, but the Plan shall be continued after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event that the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate subject to the provisions of Article VIII.

10.09 Unclaimed Benefits. Each Covered Executive shall keep the Corporation informed of his current address and the current address of his Spouse. The Corporation shall not be obligated to search for the whereabouts of any person. If the location of a Covered Executive is not made known to the Corporation within three (3) years after the date on which payment of the Covered Executive's Retirement Allowance may first be made, payment may be made as though the Covered Executive had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Covered Executive, the Corporation is able to locate any surviving Spouse of the Covered Executive, then the Corporation shall have no further obligation to pay any benefit hereunder to such Covered Executive or surviving Spouse or any other person and such benefit shall be irrevocably forfeited.

10.10 Withholding; Employment Taxes. To the extent required by the law in effect at the time payments are made, the Corporation shall withhold from payments made hereunder any taxes required to be withheld by the Federal or any state or local government.

10.11 Validity. In the event any provision of this Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

10.12 Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of California.

NORTHROP GRUMMAN
ELECTRONIC SYSTEMS EXECUTIVE PENSION PLAN
(Amended and Restated Effective as of January 1, 2011)

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NORTHROP GRUMMAN
ELECTRONIC SYSTEMS EXECUTIVE PENSION PLAN
(Amended and Restated Effective as of January 1, 2011)

The Northrop Grumman Electronic Systems Executive Pension Plan (the "Plan") is hereby amended and restated effective as of January 1, 2011, except as otherwise provided. This restatement of the Plan amends the January 1, 2009 restatement and includes changes that apply to Grandfathered Amounts.

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

ARTICLE 1

Introduction

Section 1.01. Introduction. The Northrop Grumman Electronic Systems Executive Pension Plan is a supplemental pension plan that provides nonqualified deferred compensation for a select group of management or highly compensated employees.

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

Section 1.03. Sponsor. The Plan sponsor is Northrop Grumman Corporation.

Section 1.04. Predecessor Plan. The Plan was established as a successor to the Westinghouse Executive Pension Plan, maintained by Westinghouse Electric Corporation ("Westinghouse") for the benefit of certain executive employees of the Westinghouse Electronic Systems Group as of February 29, 1996 who became employees of the Northrop Grumman Electronic Sensors & Systems Division as of March 1, 1996 as a result of the Westinghouse Acquisition, and certain other executive employees who may become employed by the Northrop Grumman Electronic Sensors & Systems Division on or after March 1, 1996. The Northrop Grumman Electronic Sensors & Systems Division became the Northrop Grumman Electronic Sensors & Systems Sector effective August 24, 1998.

Section 1.05. 2001 Reorganization. Effective as of the 2001 Reorganization Date in (d), the corporate structure of Northrop Grumman Corporation and its affiliates was modified. Effective as of the Litton Acquisition Date in (e), Litton Industries, Inc. was acquired and became a subsidiary of the Northrop Grumman Corporation (the "Litton Acquisition").

(a) The former Northrop Grumman Corporation was renamed Northrop Grumman Systems Corporation. It became a wholly-owned subsidiary of the new parent of the reorganized controlled group.

(b) The new parent corporation resulting from the restructuring is called Northrop Grumman Corporation. All references in this Plan to the former Northrop Grumman Corporation and its Board of Directors now refer to the new parent corporation bearing the same name and its Board of Directors.

(c) As of the 2001 Reorganization Date, the new Northrop Grumman Corporation became the sponsor of this Plan, and its Board of Directors assumed authority over this Plan.

(d) 2001 Reorganization Date. The date as of which the corporate restructuring described in (a) and (b) occurred.

(e) Litton Acquisition Date. The date as of which the conditions for the completion of the Litton Acquisition were satisfied in accordance with the Amended and Restated Agreement and Plan of Merger Among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc., and LII Acquisition Corp.

ARTICLE 2

Definitions

Capitalized terms which are defined in the ES Pension Plan will have the same meanings in this Plan unless otherwise expressly stated. In addition, the following terms when used and capitalized will have the following meanings:

Section 2.01. Affiliated Companies. The Company and any other entity related to the Company under the rules of section 414 of the Code. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.

Section 2.02. Annual Incentive Programs. See Article 6.

Section 2.03. Average Annual Compensation. See Article 6.

Section 2.04. Board. Board means the Board of Directors of Northrop Grumman Corporation, or its delegate.

Section 2.05. Code. The Internal Revenue Code of 1986, as amended, and as it may be amended.

Section 2.06. Committee. A committee of not less than three members appointed by the Board with responsibility for the general administration of the Plan. The Committee is the "plan administrator" under ERISA.

Section 2.07. Company. Northrop Grumman Corporation.

Section 2.08. Defined Contribution Plan. A defined contribution plan within the meaning of ERISA § 3(34), but not including:

- (a) the Northrop Grumman Electronic Systems Savings Program or any similar program of a Participating Company or a Designated Entity or
- (b) any amount received pursuant to a cash or deferred arrangement (as that term is defined in the Code) maintained by a Participating Company or a Designated Entity.

Section 2.09. Designated Entity. Designated Entity means an Affiliated Company or other entity that has been and is still designated by the Committee as participating in the Plan.

Section 2.10. ERISA. The Employee Retirement Income Security Act of 1974, as amended, and as it may be amended.

Section 2.11. ES Pension Plan. The Northrop Grumman Electronic Systems Pension Plan, formerly known as the ESSD Pension Plan.

Section 2.12. Executive. Executive means an individual who satisfies (a) and (b) and is not excluded by (c) or (d):

(a) An Employee who is employed by ES (or by a Participating Company, Designated Entity, or other Affiliated Company) in a position that is determined by the Company's Chief Executive Officer or Vice President and Chief Human Resources and Administrative Officer to be eligible as an Executive position under this Plan based on the duties and responsibilities of the position.

(b) The Employee has been notified by the Committee in writing that he or she is eligible for benefits under the Plan.

(c) No Employee may receive benefits under this Plan if he or she is currently accruing supplemental benefits under any other nonqualified deferred compensation plan, contract, or arrangement maintained by the Affiliated Companies or to which the Affiliated Companies contribute with the exception of the Officers Supplemental Executive Retirement Program under the Northrop Grumman Supplemental Plan 2.

(d) Notwithstanding any provision of the Plan to the contrary, effective as of July 1, 2003, no Employee will first become eligible to participate in the Plan or otherwise receive credit for service or compensation for purposes of calculating a benefit under the Plan unless the Employee was classified as an Executive eligible to participate in the Plan before that date. Executives that terminate employment and are later rehired into positions that are determined to be eligible as Executive positions under the Plan will be eligible to resume participation in the Plan and will be subject to Appendix B.

Section 2.13. Executive Benefit Service. See Article 6.

Section 2.14. Executive Pension Base. See Article 6.

Section 2.15. Executive Pension Supplement. The pension calculated pursuant to Articles 4 and 5 of this Plan. There will be no Executive Pension Supplement payable if the Executive's Qualified Plan Benefit equals or exceeds his or her Executive Pension Base.

Section 2.16. Grandfathered Amounts. Plan benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder.

Section 2.17. Key Employee. An employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Executives are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

Section 2.18. Maximum Contribution. An Employee will be deemed to have made the Maximum Contribution if he or she has made the contributions under (a) and (b), as interpreted under (c):

(a) During such time as the Employee was eligible to participate in the ES Pension Plan and the Westinghouse Pension Plan, he or she contributed the maximum amount the Employee was permitted to contribute under those plans, and

(b) During such time as the Employee was employed by a Designated Entity (which includes for this purpose a “Designated Entity” under the Westinghouse Plan during periods before the Westinghouse Acquisition),

(1) The Employee contributed the maximum amount he or she was permitted to contribute, if any, to that Designated Entity’s defined benefit pension or Defined Contribution Plan, if any, and

(2) The Employee paid to the Company (or to Westinghouse, before the Westinghouse Acquisition) an amount of each of his or her annual incentive compensation awards based on the maximum ES Pension Plan contribution formula (or Westinghouse Pension Plan contribution formula, as appropriate) applied to 50% of his or her awards. This payment is pre-tax and is made by a deferral election entered into prior to the year in which the annual incentive compensation award is determined and paid.

(c) This Plan is intended as essentially a continuation of the Westinghouse Plan (see Appendix C). Accordingly, this Section is to be interpreted as requiring an Executive to have made the Maximum Contribution not only under this Plan but also under the Westinghouse Plan.

Section 2.19. Participating Company. Any of the “Participating Companies” under the ES Pension Plan.

Section 2.20. Payment Date. The 1st of the month coincident with or following the later of (a) the date the Executive attains age 55, or (b) the date the Executive Separates from Service.

Section 2.21. Pension Plan and Pension Plans. Any of the following:

- (a) The Northrop Grumman Retirement Plan
- (b) The Northrop Grumman Retirement Plan—Rolling Meadows Site
- (c) The Northrop Grumman Retirement Value Plan (effective as of January 1, 2000)
- (d) The Northrop Grumman Electronics Systems — Space Division Salaried Employees’ Pension Plan (effective as of the Aerojet Closing Date)
- (e) The Northrop Grumman Electronics Systems — Space Division Union Employees’ Pension Plan (effective as of the Aerojet Closing Date)

“Aerojet Closing Date” means the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation.

Section 2.22. Plan. The Northrop Grumman Electronic Systems Executive Pension Plan.

Section 2.23. Qualified Plan Benefit.

(a) The Qualified Plan Benefit is equal to the sum of:

- (1) the annual amount of pension the Executive has accrued under the ES Pension Plan and any applicable defined benefit pension plan of a Designated Entity based on Benefit Service accumulated up to the earlier of the Executive’s actual retirement date or death;
- (2) the amount the Executive is entitled to receive on a life annuity basis for retirement under any applicable Defined Contribution Plan of a Designated Entity;
- (3) in any case where service included in the Executive’s Vesting Service also entitles that Executive to benefits under one or more retirement plans (whether a defined benefit or Defined Contribution Plan or both) of another company, the amount the Executive is entitled to receive on a life annuity basis for retirement from those plans; and
- (4) the amount of any “Qualified Plan Benefits” taken into account under the Westinghouse Plan (or which would have been taken into account, but for the Westinghouse Acquisition) with respect to plans that were not acquired by the Affiliated Companies as part of the Westinghouse Acquisition;

provided, the method of benefit measurement, in the case of (2), (3) and (4) above, will be on the basis of procedures determined by the Committee on a plan-by-plan basis.

(b) The Qualified Plan Benefit does not include any early pension retirement supplement.

(c) The term Qualified Plan Benefit will also include amounts accrued under an excess benefit plan or other similar arrangement in which the Executive is a participant.

Section 2.24. Retirement Eligible. An Executive is Retirement Eligible if he or she is accruing Vesting Service and:

- (a) has attained age 65 and completed five or more years of Vesting Service;
- (b) has attained age 60 and completed 10 or more years of Vesting Service;

(c) has attained age 58 and completed 30 or more years of Vesting Service; or

(d) has satisfied the requirements for an immediate pension under the Special Retirement Benefit provisions of the ES Pension Plan.

Section 2.25. Separation from Service or Separates from Service. A “separation from service” within the meaning of Code section 409A.

Section 2.26. Westinghouse. Westinghouse Electric Corporation.

Section 2.27. Westinghouse Acquisition. The acquisition by Northrop Grumman Corporation of the Electronic Systems Group of Westinghouse effective March 1, 1996.

Section 2.28. Westinghouse Plan. The Westinghouse Executive Pension Plan, as it existed from time to time.

ARTICLE 3

Qualification for Benefits; Mandatory Retirement

Section 3.01. Qualification for Benefits. Subject to Article 8 and other applicable provisions of the Plan, if any, each Executive will be entitled to the benefits of this Plan on separation from service from a Participating Company, a Designated Entity, or any other Affiliated Company, provided that such Executive meets the following four conditions:

(a) He or she has been employed in a position that meets the definition of Executive for five or more continuous years immediately preceding the earlier of the Executive’s actual retirement date or the Executive’s Normal Retirement Date. For purposes of this five-year requirement (but not for purposes of determining Executive Benefit Service under Section 6.05), the General Manager of ES and the Vice President of Human Resources for ES may determine that one or more years of an Employee’s service with an Affiliated Company prior to the Employee’s transfer to ES shall be counted as having been in an Executive position.

(b) He or she has made the Maximum Contribution during each year of Vesting Service from the date he or she first became an Executive until the earliest of his or her date of death, actual retirement date or Normal Retirement Date;

(c) He or she is a participant in the ES Pension Plan or in the defined benefit plan or Defined Contribution Plan of a Designated Entity, if any;

(d) He or she is Retirement Eligible on the date of voluntary or involuntary separation from service from a Participating Company or a Designated Entity or, in the case of a Surviving Spouse benefit, satisfies the requirements for benefits under Article 5 of the Plan.

An Executive who meets the following requirements will be treated as “Retirement Eligible” even though not meeting the Plan’s definition of this term:

(1) The Executive is involuntarily terminated without cause, or terminated due to a divestiture of his business unit on or after December 1, 2010,

(2) The Executive has attained age 53 with 10 or more years of Early Retirement Eligibility Service, or 75 points (age plus Years of Credited Service) at date of termination, and

(3) The Executive is actively accruing benefits at date of termination and has satisfied both the rule of Section 3.01(a) and the rule of Section 3.01(b) on the date of termination.

Benefits that become payable based on the Executive's termination meeting the three requirements above shall be subject to Code Section 409A and payable in accordance with the terms of Appendix E. Reduction factors will apply in cases where benefit payments commence prior to age 58 (if the Executive has 30 or more years of Vesting Service) or age 60 (if the Executive has 10 - 29 years of Vesting Service). The reduction will be an actuarial one from age 58 or 60 (whichever age applies) to the actual payment commencement date. The reduction factor will be based on the actuarial assumptions used for determining lump sum actuarial equivalents in the Northrop Grumman Cash Balance Plan Program.

Section 3.02. Mandatory Retirement. Pursuant to this Plan, the Company will be entitled, at its option, to retire any Executive who has attained age 65 and who, for the two-year period immediately before his or her retirement, has participated in this Plan, if such Executive is entitled to an immediate nonforfeitable annual retirement benefit from a pension, profit-sharing, savings or deferred compensation plan, or any combination of such plans, of a Participating Company or any Affiliated Company, which equals, in the aggregate, at least \$44,000. The calculation of the \$44,000 (or greater) amount will be performed in a manner consistent with 29 U.S.C. § 631(c)(2).

Section 3.03. Certain Transfers. Except as otherwise provided in (e) below, if an Executive transfers to a position with an Affiliated Company that is not covered by a Participating Company or Designated Entity:

(a) He or she will immediately cease to accrue Executive Benefit Service.

(b) He or she will continue to earn Vesting Service (for purposes of the Plan other than Executive Benefit Service) for periods of employment with the Affiliated Company.

(c) His or her Average Annual Compensation will include earnings as an employee from the Affiliated Company for periods after the transfer until his or her termination of employment with all Affiliated Companies.

(d) He or she may receive benefits under the Plan if he or she subsequently retires from the Company and satisfies the Plan's eligibility requirements.

(e) Effective as of July 1, 2003, if an Executive transfers to a position with an Affiliated Company that has been determined by the Company's Chief Executive Officer or Vice

President and Chief Human Resources and Administrative Officer to be an eligible position under the Plan, (a)-(d) above will not apply and the Executive will continue to be classified as an active participant for all purposes under the Plan until the Executive's separation from service from all Affiliated Companies.

ARTICLE 4

Calculation of Executive Pension Supplement

Section 4.01. In General. The Executive Pension Supplement for an Executive who meets the qualifications of Article 3 of the Plan retiring on an Early, Normal or Special Retirement Date will be calculated as described in Section 4.02(a) or (b).

Section 4.02. Amount.

(a) If the Executive

(1) has attained age 60 and completed 10 or more years of Vesting Service,

(2) has attained age 65, or

(3) has satisfied the eligibility requirements for an immediate pension under the "Special Retirement Benefit" provisions of the ES Pension Plan,

the Executive Pension Supplement is determined by subtracting the Executive's Qualified Plan Benefit that would be payable if he or she elected a Life Annuity Option (after any reduction for early retirement, if applicable) from his or her Executive Pension Base.

(b) If the Executive has not met the requirements of paragraph (a) above but has attained age 58 and completed 30 or more years of Vesting Service, the Executive Pension Supplement is determined by subtracting the Executive's Qualified Plan Benefit that would be payable if he or she elected a Life Annuity Option (before any reduction for retirement prior to age 60) from his or her Executive Pension Base.

(c) If the Executive has not met the requirements of paragraph (a) or (b) above but is deemed to be Retirement Eligible under Section 3.01(d) based on the circumstances of the Executive's termination, the Executive Pension Supplement is determined by subtracting the Executive's Qualified Plan Benefit projected to age 60 as a Life Annuity from his or her Executive Pension Base.

ARTICLE 5

Death in Active Service

Section 5.01. Eligibility For an Immediate Benefit. If an Executive dies in active service and, on his or her date of death, satisfies the requirements of the "Special Surviving

Spouse Benefit” under the ES Pension Plan and satisfied the requirements of Section 3.01(b) and (c) of this Plan at the time of death, a Surviving Spouse benefit will also be payable under this Plan if his or her Executive Pension Base exceeds his or her Qualified Plan Benefit. The requirement of Section 3.01(a) is waived.

Section 5.02. Calculation of Immediate Benefit. The amount of the immediate Surviving Spouse benefit under Section 5.01 will be the Executive Pension Supplement reduced in the same manner as though the benefit were a “Special Surviving Spouse Benefit” under the ES Pension Plan. For purposes of this Section, the Executive Pension Supplement will be calculated as follows:

(a) If the Executive had attained age 60 or if the Executive had completed 30 years of Vesting Service, the Executive Pension Supplement would be calculated as described in Section 4.02(a);

(b) Otherwise, the Executive Pension Supplement would be 80% of the difference between the Executive Pension Base and the unreduced Qualified Plan Benefit.

Section 5.03. Eligibility For a Deferred Benefit. If an Executive dies in active service who does not satisfy the requirements of Section 5.01 but who satisfies the requirements of the “Surviving Spouse Benefit” under the ES Pension Plan and satisfied the requirements of Section 3.01(b) and (c) of this Plan at the time of death, a Surviving Spouse benefit will also be payable under this Plan if his or her Executive Pension Base exceeds his or her Qualified Plan Benefit. The requirement of Section 3.01(a) is waived.

Section 5.04. Calculation of Deferred Benefit. The amount of the deferred Surviving Spouse benefit under Section 5.03 will be the Executive Pension Supplement reduced in the same manner as though the benefit were payable under the ES Pension Plan. For purposes of this paragraph, the Executive Pension Supplement will be calculated by subtracting the Executive’s Qualified Plan Benefit (before any reductions) from his or her Executive Pension Base.

ARTICLE 6

Executive Pension Base

Section 6.01. In General. This Article sets forth the rules for determining a Participant’s Executive Pension Base.

Section 6.02. Executive Pension Base. The Executive Pension Base = (a) x (b) x (c) as follows:

- (a) 1.47%;
- (b) Average Annual Compensation;
- (c) the number of years of Executive Benefit Service accrued to the earliest of:

- (1) the Executive's actual retirement date, or
- (2) the date of the Executive's death.

Section 6.03. Average Annual Compensation. Average Annual Compensation = (a) + (b) as follows:

(a) 12 times the average of the five highest of the Executive's December 1 monthly base salaries during the 10-year period immediately preceding the earliest of:

- (1) the Executive's date of death, or
- (2) the Executive's actual retirement date.

(b) the average of the Executive's five highest annual incentive compensation awards paid under the Annual Incentive Programs or equivalent annual program or programs during the 10-year period ending with the earliest of:

- (1) the year of the Executive's death, or
- (2) the year of the Executive's actual retirement date.

(c) No earnings before March 1, 1996 are taken into account under this Article.

(d) Notwithstanding the foregoing, for Executives terminating employment with the Affiliated Companies after 2004, the averages in subsection (a) and (b) above shall be based on salaries and annual incentive compensation awards paid in 1995 or later and shall not be limited to the 10-year periods described in subsections (a) and (b). All amounts accrued as a result of this change shall be subject to Code section 409A.

(e) Average Annual Compensation normally includes only pay earned while an Executive. But see Section 3.03.

(f) The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Plan:

(1) any payment authorized by the Company's Compensation Committee that is (a) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Programs (AIP) for a given year, and (b) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and

(2) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

Section 6.04. Annual Incentive Programs. The Annual Incentive Programs are the Timely Awards Program, Management Achievement Plan, the Incentive Compensation Plan, the Incentive Management Achievement Plan and the Performance Achievement Plan of the Company.

Section 6.05. Executive Benefit Service. An Executive's Executive Benefit Service is determined under (a) or (b) as appropriate, and subject to (c) and (d):

(a) Executive Benefit Service is an Executive's total years of Vesting Service under the ES Pension Plan if:

(1) the Executive was making the Maximum Contribution during each of those years; or

(2) the use of the Executive Buy Back process has been authorized by the Committee and the Executive:

(A) was making the Maximum Contribution during each of those years after the date he or she first became an Executive and

(B) has complied with the provisions of the Executive Buy Back process (as set forth in Appendix A) as to those years prior to his or her first becoming an Executive.

(b) Otherwise, Executive Benefit Service is the Executive's period of Vesting Service during which he or she made the Maximum Contribution.

(c) No service before March 1, 1996 is taken into account under this Article.

(d) Notwithstanding the foregoing, for an Executive terminating employment with the Affiliated Companies after 2004, Executive Benefit Service accruals after 2004 equal (1) minus (2) below:

(1) Elapsed time while the Executive was making the Maximum Contributions, including time purchased under the Executive Buy Back process (as set forth in Appendix A);

(2) Executive Benefit Service accrued as of December 31, 2004.

All amounts accrued as a result of this change shall be subject to Code section 409A.

ARTICLE 7

Payment of Benefits

Section 7.01. Limitation on Benefits. No benefits will be payable under this Plan to any Executive whose employment terminates for any reason other than death prior to becoming Retirement Eligible.

Section 7.02. Normal Form and Commencement of Benefits. This Section only applies to Grandfathered Amounts. The Executive Pension Supplement will be paid for life in monthly

installments, each equal to 1/12th of the annual amount determined in Article 4 or 5, whichever is applicable.

(a) The Committee will determine the form and commencement of benefit payments in its sole discretion.

(b) The Committee will choose among the various forms of payment, other than the lump sum, then available under the ES Pension Plan, subject to the same reductions or other provisions that apply to the elected form of payment under the ES Pension Plan.

(c) No payments may commence under this Plan until payments to the Executive or Surviving Spouse have commenced under the ES Pension Plan or other tax-qualified defined benefit plan or Defined Contribution Plan maintained by a Participating Company or Designated Entity.

See Appendix D and Appendix E for the rules that apply to other benefits earned under the Plan.

Section 7.03. Guaranteed Benefit. This Section only applies to Grandfathered Amounts. Regardless of the form of payment elected by the Committee, after the Executive retires and begins receiving an Executive Pension Supplement, a minimum of 60 times the monthly payment he or she would have received on a life annuity basis is guaranteed.

See Appendix D and Appendix E for the rules that apply to other benefits earned under the Plan.

Section 7.04. Guaranteed Surviving Spouse Benefit. This Section only applies to Grandfathered Amounts. Once a Surviving Spouse Benefit determined under Sections 5.01 and 5.02 has commenced, a minimum of 60 times the monthly benefit payable to the Surviving Spouse is guaranteed. See Appendix D and Appendix E for distribution rules that apply to death benefits that are not Grandfathered Amounts

Section 7.05. Lump Sum Payments. This Section only applies to Grandfathered Amounts. An Executive who elects lump sum payments of all his or her nonqualified benefits under the Northrop Grumman Corporation Change-In-Control Severance Plan (effective August 1, 1996, as amended) or the Northrop Grumman Corporation March 2000 Change-In-Control Severance Plan (collectively, the "CIC Plans") is entitled to have his or her Executive Pension Supplement paid as a lump sum calculated under the terms of the applicable CIC Plan. Otherwise, Executive Pension Supplement payments are governed by the general provisions of this Article, which do not provide for lump sum payments.

Northrop Grumman Corporation may, in its sole discretion, amend or eliminate any provision of the Plan with respect to lump sum distributions at any time. This applies whether or not a Participant has already made a lump sum election.

See Appendix D and Appendix E for the rules that apply to other benefits earned under the Plan

Section 7.06. Mandatory Cashout. Notwithstanding any other provisions in the Plan, Executives with Grandfathered Amounts who have not commenced payment of such benefits prior to January 1, 2008 will be subject to the following rules:

(a) Post-2007 Terminations. Executives who have a complete termination of employment with the Affiliated Companies after 2007 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of such termination (without interest), if such present value is below the Code section 402(g) limit in effect at the termination.

(b) Pre-2008 Terminations. Executives who had a complete termination of employment with the Affiliated Companies before 2008 will receive a lump sum distribution of the present value of their Grandfathered Amounts within two months of the time they commence payment of their underlying qualified pension plan benefits (without interest), if such present value is below the Code section 402(g) limit in effect at the time such payments commence.

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

Section 7.07. Optional Payment Forms. Executives with Grandfathered Amounts shall be permitted to elect (a) or (b) below:

(a) To receive their Grandfathered Amounts in any form of distribution available under the Plan at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under this Plan on October 3, 2004.

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

Interest Rate: 6%

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

Section 7.08. Rehires. In the event that an Executive retires or otherwise ceases to be an Employee of a Participating Company or a Designated Entity and is later rehired by one of those entities, the provisions of Appendix B will apply.

Section 7.09. Special Tax Distribution. On the date an Executive's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the Executive's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the Plan, including Grandfathered Amounts. This payment will reduce the Executive's future benefit payments under the Plan on an actuarial basis.

ARTICLE 8

Conditions to Receipt of Executive Pension Supplement

Section 8.01. Non-Competition Condition. Payments of benefits under this Plan to Executives are subject to the condition that the recipient will not compete with the Company.

(a) Competition for this purpose means engaging directly or indirectly in any business which is at the time competitive with any business, part of a business, or activity then conducted by the Company, any of its subsidiaries or any other corporation, partnership, joint venture or other entity of which the Company directly or indirectly holds a 10% or greater interest (together, the "Affiliated Group") in the area in which such business, part of a business, or activity is then being conducted by the Affiliated Group.

(b) The condition of this Section may be waived with respect to a recipient but only in writing and only by the Compensation Committee of the Board.

Section 8.02. Breach of Condition. Breach of the condition contained in Section 8.01 will be deemed to occur immediately upon an Executive's engaging in competitive activity.

(a) Payments suspended for breach of the condition will not be resumed whether or not the Executive terminates the competitive activity.

(b) A recipient will be deemed to be engaged in such a business indirectly if he or she is an employee, officer, director, trustee, agent or partner of, or a consultant or advisor to or for, a person, firm, corporation, association, trust or other entity which is engaged in such a business or if he or she owns, directly or indirectly, in excess of 5% of any such firm, corporation, association, trust or other entity.

Section 8.03. Waiver After 65. The ongoing condition of this Article will not apply to an Executive age 65 or older.

ARTICLE 9

Administration

Section 9.01. Committee. This Plan will be administered by the Committee. The Committee will have the right to make reasonable rules from time to time regarding the Plan. All such rules will be consistent with the policy provided by this Plan document. The Committee will have full discretion to interpret the Plan, and to resolve ambiguities and inconsistencies. The Committee's interpretations will in all cases be final and not be subject to appeal.

Section 9.02. Claims Procedures. The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

Section 9.03. Trust. The Board may authorize the establishment of one or more trusts and the appointment of a trustee or trustees (“Trustee”) to hold any and all assets of the Plan in trust. The Board may delegate this power to the Committee.

ARTICLE 10

Modification or Termination

Section 10.01. Amendment and Plan Termination. The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the provisions of the Plan with respect to lump sum distributions, including any lump sum calculation factors, whether or not an Executive has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of an Executive’s accrued benefit under the Plan as of the date of such amendment or termination.

No amendment of the Plan shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent “material modification” to the Grandfathered Amounts.

ARTICLE 11

Miscellaneous

Section 11.01. Benefits Not Assignable.

(a) No Executive, former Executive or Surviving Spouse shall have the right to anticipate, alienate, sell, transfer, assign, pledge, encumber, or otherwise subject to lien any of the benefits provided under this Plan. Such rights may not be subject to the debts, contracts, liabilities, engagements or torts of the Executive, former Executive or Surviving Spouse of an Executive.

(b) Notwithstanding the foregoing, all or a portion of an Executive’s Plan benefits may be paid to another person as specified in a domestic relations order that the Committee determines is qualified (a “Qualified Domestic Relations Order”). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State’s domestic relations law;
- (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Executive;

(3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Executive to receive all or a portion of the Executive's benefits under the Plan; and

(4) meets such other requirements established by the Committee.

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

Section 11.02. Facility of Payment. If the Committee deems any person entitled to receive any payment under the Plan incapable of receiving it by reason of age, illness, infirmity, mental incompetency or incapacity of any kind, the Committee may, in its discretion, direct that payment be made in any one or more of the following manners:

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

Section 11.03. Committee Rules. Payment of benefits will be made in accordance with the rules and procedures of the Committee.

Section 11.04. Limitation on Rights. The Company, in adopting this Plan, will not be held to create or vest in any Executive or any other person any interest, pension or benefits other than the benefits specifically provided herein, or to confer upon any Executive the right to remain in the service of the Company.

Section 11.05. Benefits Unsecured. Any assets purchased by the Company to provide benefits under this Plan will at all times remain subject to the claims of general creditors of the Company and any Executive, former Executive or Surviving Spouse of an Executive participating in the Plan has only an unsecured promise to pay benefits from the Company.

Section 11.06. Governing Law. To the extent not preempted by federal law, the law of the State of Maryland will govern the construction and administration of the Plan.

Section 11.07. Severability. If any provision of this Plan or its application to any circumstance or person is held to be invalid by a court of competent jurisdiction, the remainder of the Plan and the application of such provision to other circumstances or persons will not be affected thereby.

Section 11.08. Expanded Benefits. The Board or the Compensation Committee of the Board may, from time to time and without notice, by resolution of the Board or of the Compensation Committee of the Board, authorize the payment of benefits or expand the benefits otherwise payable or to be payable to any one or more individuals. Notwithstanding the foregoing, this Section 11.08 shall not apply to any benefits under the Plan that are not Grandfathered Amounts.

Section 11.09. Plan Costs. Benefits payable under the Plan and any expenses in connection therewith will be paid by the Company to the extent they are not available to be paid from any trust fund established by the Company to help defray the costs of providing Plan benefits.

Section 11.10. Termination of Participation. Participation in the Plan will terminate:

- (a) in the case of a nonvested Executive, upon separation from service with a Participating Company or Designated Entity;
- (b) in the case of a vested Executive, when payment of all amounts due with respect to the Executive are paid, or purported to be paid, by the Plan.

ARTICLE 12

Change in Control

Section 12.01. Definition. The term “Change in Control” means the occurrence of one or more of the following events:

(a) There will be consummated:

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

(2) Any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or

(b) The stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

(c) (1) Any person (as such term is defined in section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), corporation or other entity will purchase any common stock of the Company (or securities convertible into Company common stock) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, unless, prior to the making of such purchase of Company common stock (or securities

convertible into Company common stock), the Board will determine that the making of such purchase will not constitute a Change in Control; or

(2) Any person (as such term is defined in section 13(d) of the Exchange Act), corporation or other entity (other than the Company or any benefit plan sponsored by the Affiliated Companies) will become the “beneficial owner” (as such term is defined in Rule 13d-3 under the Exchange Act:), directly or indirectly, of securities of the Company representing twenty percent or more of the combined voting power of the Company’s then outstanding securities ordinarily (and apart from any rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities), unless, prior to such person so becoming such beneficial owner, the Board will determine that such person so becoming such beneficial owner will not constitute a Change in Control; or

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

Section 12.02. Vesting and Funding Rules. Notwithstanding any other provision of the Plan, upon a Change in Control, as defined above, all Executives will be deemed fully vested under this Plan, but only such vesting as to the otherwise applicable five-year service requirement. In addition, upon a Change in Control, but only under circumstances where the successor, surviving or parent company of Northrop Grumman Corporation or the successor plan sponsor or any successor thereto, if any, does not agree to assume the obligation to provide benefits under this Plan as they become due and payable, then an amount sufficient to fund all unpaid benefits and any Surviving Spouse benefits payable under this Plan will be paid immediately by the Company to a Trustee pursuant to a Trust Agreement for the payment of such benefits at the earliest date available in accordance with the provisions of the Plan and on such terms as the committee composed of the Company’s Chief Executive Officer, Chief Financial Officer and General Counsel, will deem appropriate (including a direction to the Trustee to pay immediately all benefits that are Grandfathered Amounts on a present value basis and/or such other terms as they may deem appropriate). Notwithstanding this funding, the Company will be obligated to pay benefits to Executives and to Surviving Spouses of Executives to the extent such funding proves to be insufficient. To the extent such funding proves to be more than sufficient, any excess will revert to the Company.

Section 12.03. Special Retirement Provisions. Upon a Change in Control, for any Executive in the Plan who is involuntarily separated and who is not then eligible for a Normal or Special Retirement Pension under the ES Pension Plan, such separation will be deemed to be a separation due to a “Permanent Job Separation”, and the Special Retirement Pension provisions under the ES Pension Plan will be used for purposes of determining eligibility and payment of benefits to such Executive under the Plan, provided that distribution of amounts that are not Grandfathered Amounts will still be controlled by Appendix D and Appendix E.

Section 12.04. Calculation of Present Value. The present value of benefits payable by the Trustee will be calculated for specific groups of Executives at the time of the Change in Control as follows:

(a) The present value of the benefits payable from this Plan to Executives who have retired at the time of the Change in Control (as well as benefits payable from this Plan to any Surviving Spouse of an Executive) will be calculated by using the PBGC immediate discount rate established and in effect for the beginning of the calendar year in which the Change in Control occurs.

(b) The present value of the benefits payable from this Plan to Executives who are eligible to retire under the terms of this Plan at the time of the Change in Control will be calculated by using the PBGC immediate discount rates established and in effect at the beginning of the calendar year in which the Change in Control occurs, assuming a pension which is immediately payable at the time of the Change in Control.

(c) The present value of the benefits payable from this Plan to Executives who have completed at least 30 years of service with a Participating Company or a Designated Entity but have not yet attained age 58 at the time of the Change in Control will be calculated by using the PBGC deferred discount rates established and in effect for the beginning of the calendar year in which the Change in Control occurs, assuming a pension which is payable at age 58.

(d) The present value of benefits payable from this Plan to Executives who have completed at least 10 years of service with a Participating Company or a Designated Entity but less than 30 years of service at the time of the Change in Control, but have not yet attained age 60 at the time of the Change in Control, will be calculated by using the PBGC deferred discount rates established and in effect for the beginning of the calendar year in which the Change in Control occurs, assuming a pension which is payable at age 60.

(e) The present value of benefits payable from this Plan to Executives who have completed less than 10 years of service with a Participating Company or a Designated Entity at the time of the Change in Control will be calculated by using the PBGC deferred discount rates established and in effect for the beginning of the calendar year in which the Change in Control occurs, assuming a pension which is payable at age 65.

Section 12.05. Calculation of Offset. In calculating the benefit payable to each Executive, any offset for the ES Pension Plan or other plan in which the Executive participates, will be based upon the last official pension file data available, adjusted to the date of any Change in Control by assuming that the most recent salary reflected in the pension file remains constant.

Section 12.06. Limitation on Amendment, Suspension and Termination. Notwithstanding any provision of this Plan, this Plan may not be:

- (a) Amended such that future benefits would be reduced;
- (b) Suspended; or
- (c) Terminated;

as to the further accrual of benefits, for a period of 24 months following a Change in Control; and as to the payment of benefits, at any time prior to the last payment, determined in accordance with the provisions of this Plan, to each Executive, former Executive receiving benefits under the Plan, or eligible spouse.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 20th day of December, 2010.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation, Benefits & International

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APPENDIX A

Executive Buyback

Section A.01. Introduction. The Executive Buy Back process permits newly eligible Executives to “buy back” past years of Executive Benefit Service under the Plan for periods of time during which they did not make the Maximum Contribution.

Section A.02. Buy Back Offer. If an Employee did not make the Maximum Contribution during each of the years of his or her Vesting Service prior to the time he or she first became an Executive, the Employee will be permitted to pay make-up payments of Maximum Contributions in order to “buy back” his or her non-contributory years of service.

(a) The make-up payments required are the Maximum Contributions that would have been payable during the 10 years prior to the date he or she first became an Executive (or such lesser period from the date the Employee was employed by a Participating Company or a Designated Entity) plus compounded interest on those amounts.

(b) This Plan is intended as essentially a continuation of the Westinghouse Plan (see Appendix C). Accordingly, this Section is to be interpreted as requiring an Executive to make up Maximum Contributions not only for his or her periods of participation under this Plan but also Maximum Contributions that would have been due under the Westinghouse Plan. The terms of (a) will be interpreted to include the corresponding terms under the Westinghouse Plan and the 10-year period will include periods before the Westinghouse Acquisition.

Section A.03. One-Time Opportunity. Upon qualifying as an Executive, an Executive will be offered an Executive Buy Back opportunity at the time he or she first becomes an Executive (or when this Appendix first becomes effective, if later). The actual terms of the Executive Buy Back will be determined from time to time by the Committee. This election will be offered one time to the Executive and his or her decision whether or not to “buy back” will be irrevocable.

Section A.04. Payment. Executive Buy Back payments are pre-tax and are made from compensation by deferral elections entered into prior to the year in which the compensation is determined and paid. Executive Buy Back payments will not be deposited into the ES Pension Plan trust and will not increase the Executive’s Qualified Plan Benefit.

Section A.05. Refund of Buy Back Payment. If, at some point, an Employee is no longer an Executive or otherwise becomes ineligible to receive an Executive Pension Supplement, any Executive Buy Back payments the Employee has made (including any interest the Employee paid) plus any other amount as defined in Section 2.16(b)(2) in the definition of Maximum Contribution paid by the Employee to the Company will be refunded, with interest at such time as the Employee meets one of the following criteria:

- (a) Termination or retirement from a Participating Company or a Designated Entity; or
- (b) Death;

provided, however, no refund will be made if the Employee is an eligible Executive, whether or not the amount of his or her Executive Pension Supplement exceeds zero. All interest rates will be determined at the discretion of the Committee.

Any amounts that are refundable under this Section A.05 that are not Grandfathered Amounts will be paid in a lump sum upon the Executive's Separation from Service, subject to the six-month delay rule in Section E.02.

Section A.06. Effective Date. The provisions of this Appendix permitting Buy Backs will become effective on a date specified by resolution of the Committee specifically citing this Section.

APPENDIX B

Rehired Executives

Section B.01. Retired Executives Rehired as Executives. If an Executive who retired from a Participating Company or a Designated Entity and who received or is receiving an Executive Pension Supplement as a lump sum or on a monthly basis is rehired in an Executive position by a Participating Company, Designated Entity, or any other Affiliated Company, the following provisions apply:

(a) Monthly Payments: For an Executive with a monthly Executive Pension Supplement:

(1) The Plan will suspend all Executive Pension Supplement payments that are Grandfathered Amounts;

(2) If, but only if, the Executive is Retirement Eligible at the time of subsequent actual retirement:

(A) Previous years of Vesting Service and Executive Benefit Service accrued prior to the Executive's retirement will be restored; and

(B) The Executive's Executive Pension Supplement will be recalculated in accordance with the Plan at his or her subsequent actual retirement date as long as the Executive then meets all Plan benefit qualification requirements;

(3) The Executive, having previously met the requirement of five years of continuous service as an Executive prior to his or her first retirement, need not again meet that requirement;

(4) The Executive's Average Annual Compensation will be computed without regard to the break in service, using zero for any periods during which the Executive was a retiree;

(5) If the Executive elected to take a lump sum Qualified Plan Benefit with respect to his or her initial retirement, then in any subsequent calculation of the Executive's Executive Pension Supplement, the Executive's Executive Pension Base will be reduced by both the Executive's Qualified Plan Benefit received at the time of the initial retirement and the Executive's Qualified Plan Benefit accrued from the date of rehire through the date of his or her subsequent retirement.

(6) If the Executive continued to receive payments that were not Grandfathered Amounts during the period of rehire, an actuarial reduction will apply at his subsequent termination.

(b) Lump Sums: For an Executive who received a lump sum Executive Pension Supplement and who is Retirement Eligible at the time of subsequent actual retirement:

(1) Previous years of Vesting Service will be restored but not previous years of Executive Benefit Service;

(2) The Plan will calculate the Executive's additional Executive Pension Supplement at his or her subsequent actual retirement date on the basis of years of service after the rehire in accordance with the Plan as the Executive then meets all Plan benefit qualification requirements;

(3) The Executive, having previously met the requirement of five years of continuous service as an Executive prior to his or her first retirement, need not again meet that requirement;

(4) The Executive's Average Annual Compensation will be computed without regard to the break in service, using zero for any periods during which the Executive was a retiree;

(5) If the Executive elected a monthly Qualified Plan Benefit with respect to his or her initial retirement, then the Executive's Qualified Plan Benefit accrued from the date of rehire through the subsequent date of actual retirement will be subtracted from the Executive's Executive Pension Base in calculating the Executive's additional Executive Pension Supplement at his or her subsequent retirement.

Section B.02. Former Executives with Vested Pensions Rehired as Executives. If the employment of an Executive of a Participating Company or a Designated Entity who was eligible only for a vested pension under the relevant qualified defined benefit or Defined Contribution Plan, if any, was terminated and the Executive is rehired by a Participating Company, Designated Entity, or any other Affiliated Company, the following provisions apply:

(a) Previous years of Vesting Service and Executive Benefit Service accrued prior to the Executive's termination of employment will be restored;

(b) The Executive must meet the requirement of five years of continuous service as an Executive prior to a subsequent actual retirement, counting only years of service after the rehire;

(c) Only base salary and incentive awards earned after the rehire will be used in computing Average Annual Compensation;

(d) If the Executive elected to take his or her vested pension as a lump sum, in any calculation of an Executive Pension Supplement at actual retirement, the Executive's Executive Pension Base will be reduced by both the Executive's Qualified Plan Benefit at the time of the initial termination of employment and the Executive's Qualified Plan Benefit accrued from the date of rehire through the date of actual retirement.

Section B.03. Retired Executives Rehired in Non-Executive Positions. If an Executive who retired from a Participating Company or a Designated Entity and who received or is receiving an Executive Pension Supplement as a lump sum or on a monthly basis is rehired by a

Participating Company, Designated Entity, or any other Affiliated Company in a non-Executive position, the following provisions apply:

(a) For a former Executive who was receiving a monthly Executive Pension Supplement:

(1) The Plan will suspend all Executive Pension Supplement payments that are Grandfathered Amounts;

(2) If, but only if, the former Executive is still Retirement Eligible at the time of subsequent actual retirement, the Plan will recommence Executive Pension Supplement payments that were suspended at the time of the Executive's subsequent actual retirement without recalculation of amount;

(3) At subsequent actual retirement, the former Executive may receive any form of payment of his or her Executive Pension Supplement then permitted under the Plan, as selected by the Committee.

(b) For a former Executive who received his or her Executive Pension Supplement as a lump sum, no further benefits will be paid by the Plan.

Section B.04. Events That Span Westinghouse Acquisition. This Plan is intended as essentially a continuation of the Westinghouse Plan (see Appendix C) and this Appendix is to be interpreted accordingly.

(a) Reductions for payments of Qualified Plan Benefits will be interpreted to include reductions for payments of similar benefits under Westinghouse plans.

(b) Determination of the form of Qualified Plan Benefits will take into account the form of payments under Westinghouse plans.

(c) The terms of this Appendix will be interpreted, where appropriate, to include the corresponding terms under the Westinghouse Plan and to take into account events both before and after the Westinghouse Acquisition.

Section B.05. Breaks Spanning March 1, 1996. There may be Executives who participated in the Westinghouse Plan but because of a break in their service did not become employees of the Affiliated Companies on March 1, 1996 as a result of the Westinghouse Acquisition.

(a) Those Executives might be hired later by the Electronic Sensors & Systems Division.

(b) They will in no case be entitled to service or compensation credits or benefits under this Plan with respect to any service or compensation prior to their first hire by the Electronic Sensors & Systems Division after March 1, 1996. The Executives will not be considered to have previously met the requirement of five years of continuous service as an Executive.

APPENDIX C

Coordination With Westinghouse Plan

Section C.01. In General. As part of the Westinghouse Acquisition, this Plan was established by Northrop Grumman Corporation.

(a) This Plan is intended to be a continuation of the Westinghouse Plan with only minor changes.

(b) This Plan assumes remaining liabilities of the Westinghouse Plan with regard to those participants of the Westinghouse Plan who became Employees of the Northrop Grumman controlled group on March 1, 1996 as a result of the Westinghouse Acquisition. Accordingly, benefits earned by Participants of this Plan under the Westinghouse Plan before March 1, 1996 are payable under this Appendix.

(c) Employees first hired after the Westinghouse Acquisition will therefore not be affected by this Appendix and will have their pension benefits governed entirely by the other Articles and Appendices of this Plan.

Section C.02. Pre-Acquisition Benefits.

(a) Except as provided in Sections C.03 and C.04, benefits earned under the Westinghouse Executive Pension Plan are in addition to the benefits which may be earned under Articles 4 and 5.

(b) The Westinghouse Plan benefits will be calculated taking into account all pertinent facts for determining benefits under the Westinghouse Plan's provisions (including benefits and contributions under Westinghouse plans) as they have existed from time to time.

Section C.03. Coordination of Pre and Post-Acquisition Benefits. The Plan will be interpreted in light of events before and after the Westinghouse Acquisition to coordinate the calculation of benefits (including service and compensation components, benefits and contributions under Westinghouse plans and rehire provisions) under this Appendix and benefits based on Articles 4 and 5 so that the Plan will function as if it were essentially a continuation of the Westinghouse Plan.

Section C.04. No Duplication of Benefits. Because this Plan is intended as a continuation of the Westinghouse Plan, this Plan will not pay any benefits already paid or payable by the Westinghouse Plan itself.

APPENDIX D

2005-2007 Transition Rules

This Appendix D provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Executives with benefit commencement dates after January 1, 2005 and before January 1, 2008.

Section D.01. Election. Executives scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Executives electing optional forms of benefits under this provision will commence payments on the Executive's selected benefit commencement date.

Section D.02. 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Executives commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Executive.

(a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.

(b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:

(1) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, an Executive must be an elected or appointed officer of the Company and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;

(2) The lump sum payment shall be made in 2005 as soon as feasible after the election; and

(3) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.

Section D.03. 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007),

distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Executive's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Executive's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

APPENDIX E

Post 2007 Distribution of 409A Amounts

The provisions of this Appendix E shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Article VII, and Appendix D addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008

Section E.01. Time of Distribution. Subject to the special rules provided in this Appendix E, distributions to an Executive of his vested retirement benefit shall commence as of the Payment Date.

Section E.02. Special Rule for Key Employees. If an Executive is a Key Employee and age 55 or older at his Separation from Service, distributions to the Executive shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Executive's death). Amounts otherwise payable to the Executive during such period of delay shall be accumulated and paid on the first day of the seventh month following the Executive's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).

Section E.03. Forms of Distribution. Subject to the special rules provided in this Appendix E, an Executive's vested retirement benefit shall be distributed in the form of a single life annuity. However, an Executive may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:

- (a) 50% joint and survivor annuity
- (b) 75% joint and survivor annuity
- (c) 100% joint and survivor annuity.

If an Executive is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found

Section E.04. Death. If a married Executive dies before the Payment Date, a death benefit will be payable to the Executive's spouse commencing 90 days after the Executive's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of an Executive's vested retirement benefit based on a 100% joint and survivor annuity determined on the Executive's date of death. This benefit is also payable to an Executive's

domestic partner who is properly registered with the Company in accordance with procedures established by the Company.

Section E.05. Actuarial Assumptions. Except as provided in Section E.06, all forms of payment under this Appendix E shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

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

Section E.06. Accelerated Lump Sum Payouts.

(a) Post-2007 Separations. Notwithstanding the provisions of this Appendix E, for Executives who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of an Executive's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Executive (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section E.02, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Executive's Separation from Service.

(b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix E, for Executives who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of an Executive's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Executive attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Executive (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the Executive attains age 55, but no earlier than January 1, 2008.

(c) Conflicts of Interest. The present value of an Executive's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.

(d) Present Value Calculation. The conversion of an Executive's retirement benefit into a lump sum payment and the present value calculations under this Section E.06 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the Executive's immediate benefit if the Executive is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Executive will be eligible to receive at age 55.

Section E.07. Effect of Early Taxation. If the Executive's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Executive.

Section E.08. Permitted Delays. Notwithstanding the foregoing, any payment to an Executive under the Plan shall be delayed upon the Company's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
 - (b) The making of the payment would violate Federal securities laws or other applicable law;
- provided, that any payment delayed pursuant to this Section E.08 shall be paid in accordance with Code section 409A.

**CONFIDENTIAL SEPARATION AGREEMENT
AND GENERAL RELEASE**

- 1.0 PARTIES:** The parties to this Confidential Separation Agreement and General Release (“Agreement”) are James L. Cameron (“Mr. Cameron”) and NORTHROP GRUMMAN CORPORATION (“Northrop Grumman” or “the Company”).
- 2.0 RECITALS:** This Agreement is made regarding the following facts:
- 2.1 Mr. Cameron is currently an elected officer of Northrop Grumman and serves as President of the Northrop Grumman Technical Services sector.
 - 2.2 In connection with his separation from employment with the Company, Mr. Cameron has been offered severance benefits under the Company’s Severance Plan for Elected and Appointed Officers (the “Severance Plan”) and certain additional benefits not provided for in the Severance Plan.
 - 2.3 The Severance Plan requires that, to receive benefits under the Severance Plan, an officer must sign a Confidential Separation Agreement and General Release. This Agreement satisfies this requirement.
 - 2.4 Mr. Cameron has decided to accept the Company’s offer of severance benefits and to enter into this Agreement.
- 3.0 CONSIDERATION:** In exchange for Mr. Cameron’s promise to abide by all of the terms of this Agreement, the Company agrees to provide Mr. Cameron the following severance benefits:
- 3.1 Lump-sum Cash Severance. A payment of \$1,351,875, less applicable withholding. This amount represents the total of 1.5 times the sum of (i) Mr. Cameron’s annual base salary of \$515,000; and (ii) Mr. Cameron’s target annual bonus of \$386,250 under the Company’s annual incentive plan in which Mr. Cameron participates. This amount will be paid to Mr. Cameron in a lump sum in accordance with the terms of the Severance Plan.
 - 3.2 Pro Rata Bonus for 2010. A severance payment equal to a pro rata portion of the bonus Mr. Cameron would have received for the 2010 performance year pursuant to the terms of the Company’s annual incentive plan in which Mr. Cameron participates, in addition to the lump-sum cash severance
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payment described in Section 3.1. The bonus will be pro rated from the beginning of the performance period (January 1) to Mr. Cameron's Separation Date (as defined in Section 4.0 below). For purposes of this severance payment, the pro rata bonus will be based on the applicable annual incentive plan payout formula, with any Individual Performance Factor (IPF) for Mr. Cameron set at 1.00. This severance payment will be paid in accordance with the terms of the Severance Plan when annual bonuses are paid to active employees between February 15 and March 15, 2011.

- 3.3 Supplemental Lump-Sum Payment. A supplemental payment equal to \$1,550,000, less applicable withholding. This supplemental payment is in addition to the payments provided for in Section 3.1 and Section 3.2. This supplemental payment amount will be paid to Mr. Cameron in a lump sum no later than 30 days following the Separation Date.
- 3.4 Medical and Dental Coverage Continuation. Mr. Cameron may elect to continue his medical and dental coverage in effect as of the Separation Date for eighteen months, provided he pays his portion of the cost of such coverage with after-tax dollars. The Company will continue to pay its portion of the cost of Mr. Cameron's medical and dental benefits for the eighteen month continuation period in accordance with the terms of the Severance Plan. If rates for active employees increase during this continuation period, Mr. Cameron's contribution will increase proportionately. Also, if medical and dental benefits are modified or terminated for active employees during this continuation period, Mr. Cameron's benefits shall be subject to this modification or termination. Mr. Cameron's medical and dental benefits shall be reduced to the extent Mr. Cameron is eligible for benefits or payments for the same occurrence under another employer-sponsored plan to which Mr. Cameron is entitled because of his employment after the Separation Date. Notwithstanding anything to the contrary in the Severance Plan, following the continuation period, Mr. Cameron will be eligible to receive coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) (or similar state law coverage) at normal rates (*i.e.*, without the Company continuing to pay any portion of the cost) until he reaches age 55.
- 3.5 Other Fringe Benefits. Pursuant to the terms of the Executive Perquisite Program for appointed officers (the "Program"), Mr. Cameron will be reimbursed for any eligible financial planning fees incurred during 2010 (regardless of whether such fees are incurred before or after the Separation Date) and the immediately following year, subject to a maximum reimbursement for each

year equal to \$15,000. These reimbursements are subject to the terms and conditions of, and will be reimbursed to Mr. Cameron within the applicable time periods specified in, the Severance Plan. In addition, Mr. Cameron will be paid a lump sum cash payment of \$77,250, less applicable withholdings, in lieu of being provided with outplacement services. This payment shall be made at the same time as the lump sum cash severance payment set forth in Section 3.1. Except as provided in this Section 3.5, all perquisites shall cease as of the Separation Date.

- 3.6 Equity Awards. With respect to Mr. Cameron's Restricted Performance Stock Rights (RPSRs) granted on February 27, 2008 and February 17, 2009, Mr. Cameron will be entitled to pro-rata treatment of these grants as if he had met the Retirement provisions defined in the grant certificates (and, for the avoidance of doubt, Mr. Cameron will be treated as having been employed for the entire month in which the Separation Date occurs). Consistent with that treatment, payout of the pro-rata portion of these grants remains subject to the performance based conditions of the grant, and any payout will be made in the calendar year following the calendar year containing the last day of the Performance Period (as defined in the grant certificates) for each respective grant, with payment generally to occur in the first 75 days of the applicable calendar year. With respect to Mr. Cameron's stock options granted by the Company that are outstanding and vested as of the Separation Date, Mr. Cameron shall have the right to exercise such options until the first to occur of (i) the fifth anniversary of the Separation Date, (ii) the expiration of the term of the particular option, or (iii) the termination of the option in connection with a change in control or similar event pursuant to the provisions of the plan under which such award was granted. Except as expressly provided above in this Section 3.6, Mr. Cameron's outstanding equity awards will be treated in accordance with the terms of the applicable grant certificates or award agreements, and Mr. Cameron will not be entitled to receive any other accelerated vesting of his outstanding equity awards.
- 3.7 Retiree Medical Benefits. Mr. Cameron will be treated as a Vested Participant for purposes of the Special Officer Retiree Medical Plan ("SORMP"), and will be entitled to elect to commence benefits under the SORMP on the date he reaches age 55. Mr. Cameron's medical and dental benefits under the SORMP shall be reduced to the extent Mr. Cameron is eligible for benefits or payments for the same occurrence under another employer-sponsored plan to which Mr. Cameron is entitled because of his employment after the Separation Date.

- 3.8 Relocation. The Company will provide for moving Mr. Cameron's household goods to Colorado in accordance with the terms of the Company's relocation plan at a cost not to exceed \$50,000. This amount will not be grossed up for tax purposes. In order to ensure compliance with Internal Revenue Code Section 409A, the moving expenses must be incurred before November 30, 2010 and will be paid as soon as practicable after they are incurred, but in no event later than December 31, 2010. In addition, Mr. Cameron's right to benefits pursuant to this Section 3.8 is not subject to liquidation or exchange for another benefit.
- 3.9 Not Pension Eligible Compensation. None of the consideration or payments made pursuant to the Severance Plan or otherwise provided for and specified in this Agreement shall be eligible as compensation under any Company retirement, pension or benefit plan.
- 4.0 **SEPARATION FROM EMPLOYMENT**: Mr. Cameron's employment will be terminated by the Company effective April 30, 2010. This shall be his Separation Date.
- 5.0 **COMPLETE RELEASE**: In exchange for the consideration described in Section 3, Mr. Cameron RELEASES the Company from liability for any claims, demands or causes of action (except as described in Section 5.5). This Release applies not only to the "Company" itself, but also to all Northrop Grumman subsidiaries, affiliates, related companies, predecessors, successors, its or their employee benefit plans, trustees, fiduciaries and administrators, and any and all of its and their respective past or present officers, directors, agents and employees ("Released Parties"). For purposes of this Release, the term "Mr. Cameron" includes not only Mr. Cameron himself, but also his heirs, spouses or former spouses, domestic partners or former domestic partners, executors and agents. Except as described in Section 5.5, this Release extinguishes all of Mr. Cameron's claims, demands or causes of action, known or unknown, against the Company and the Released Parties, based on anything occurring on or before the date Mr. Cameron signs this Agreement.
- 5.1 This Release includes, but is not limited to, claims relating to Mr. Cameron's employment or termination of employment by the Company and any Released Party, any rights of continued employment, reinstatement or reemployment by the Company and any Released Party, claims relating to or arising under Company or Released Party dispute resolution procedures, claims for any costs or attorneys' fees incurred by Mr. Cameron,

and claims for severance benefits other than those listed herein. Mr. Cameron acknowledges and agrees that payment to him of the benefits set forth in this Agreement will fully satisfy any rights he may have for benefits under any severance plan, program, policy, agreement or other arrangement of any of the Released Parties.

- 5.2 This Release includes, but is not limited to, claims arising under the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the False Claims Act, Executive Order No. 11246, the Civil Rights Act of 1991, and 42 U.S.C. § 1981. It also includes, but is not limited to, claims under Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, religion, sex or national origin, and retaliation; the Americans with Disabilities Act, which prohibits discrimination in employment based on disability, and retaliation; any applicable state human rights statutes including the Virginia Human Rights Act, which prohibits discrimination based on race, color, religion, national origin, sex, pregnancy, childbirth or related medical conditions, age, marital status, or disability; the Fairfax County Human Rights Ordinance, which prohibits discrimination based on race, color, sex, religion, national origin, marital status, age, familial status, or disability; and any other federal, state or local laws, ordinances, regulations and common law, to the fullest extent permitted by law.
- 5.3 This Release also includes, but is not limited to, any rights, claims, causes of action, demands, damages or costs arising under or in relation to the personnel policies or employee handbooks of the Company and any Released Party, or any oral or written representations or statements made by the Company and any Released Party, past and present, or any claim for wrongful discharge, breach of contract (including any employment agreement), breach of the implied covenant of good faith and fair dealing, intentional or negligent infliction of emotional distress, intentional or negligent misrepresentation, or defamation.
- 5.4 This Release includes both known and unknown claims. Mr. Cameron agrees that this Release includes claims he did not know or suspect to exist at the time he signed this Agreement, and that this Release extinguishes all known and unknown claims.

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

6.0 CONFIDENTIALITY:

- 6.1 Mr. Cameron agrees that he will keep the terms and fact of the Agreement completely confidential, and that he will not disclose any specific information regarding the terms and conditions of the Agreement to anyone other than his spouse, domestic partner, attorney, or accountant, except as necessary to enforce the Agreement, to comply with the law or lawful discovery, in response to a court order, or for tax or accounting purposes.
- 6.2 Should Mr. Cameron choose to disclose the terms or fact of this Agreement to his spouse, domestic partner, attorney, or accountant, Mr. Cameron agrees that he will advise them that they will also be under an obligation to keep the terms and fact of this Agreement completely confidential.

- 6.3 Despite this confidentiality obligation, Mr. Cameron, his legal counsel, his spouse or domestic partner, and his accountant are permitted to: (1) disclose the terms or the fact of this Agreement when required to do so by law, by any court or administrative agency (including state or federal taxing authorities), and by any tribunal of appropriate jurisdiction; and (2) provide truthful testimony about Mr. Cameron's employment with the Company or the Company's business activities to any government or regulatory agency, or in any court proceeding.
- 7.0 **RETURN OF COMPANY PROPERTY:** Mr. Cameron agrees to return any and all property and equipment of the Company and any Released Party that he may have in his possession no later than the Separation Date, except to the extent this Agreement explicitly provides to the contrary.
- 8.0 **FULL DISCLOSURE:** Mr. Cameron acknowledges that he is not aware of, or has fully disclosed to the Company any matters for which he was responsible or came to his attention as an employee, which might give rise to any claim or cause of action against the Company and any Released Party. Mr. Cameron has reported to the Company all work-related injuries, if any, that he has suffered or sustained during his employment with the Company and any Released Party. Mr. Cameron has properly reported all hours he worked.
- 9.0 **NO UNRESOLVED CLAIMS:** This Agreement has been entered into with the understanding that there are no unresolved claims of any nature which Mr. Cameron has against the Company. Mr. Cameron acknowledges and agrees that except as specified in Section 3, all compensation, benefits, and other obligations due Mr. Cameron by the Company, whether by contract or by law, have been paid or otherwise satisfied in full.
- 10.0 **WITHHOLDING OF TAXES:** The Company shall be entitled to withhold from any amounts payable or pursuant to this Agreement all taxes as legally shall be required (including, without limitation, United States federal taxes, and any other state, city or local taxes).
- 11.0 **ADVICE OF COUNSEL; PERIOD FOR REVIEW AND CONSIDERATION OF AGREEMENT:** The Company encourages Mr. Cameron to seek and receive advice about this Agreement from an attorney of his choosing. Mr. Cameron has twenty-one (21) calendar days from his initial receipt of this Agreement to review and consider it. Mr. Cameron understands that he may use as much of this review period as he wishes before signing this Agreement. If Mr. Cameron has executed this Agreement before the end of such review period, he represents and agrees that he does so voluntarily and of his own free will.

- 12.0 RIGHT TO REVOKE AGREEMENT:** Mr. Cameron may revoke this Agreement within seven (7) calendar days of his signature date. To do so, Mr. Cameron must deliver a written revocation notice to Debora Catsavas, Vice President and Acting Chief Human Resources Officer, Northrop Grumman Corporation, 1840 Century Park East, Los Angeles, CA 90067. Mr. Cameron must deliver the notice to Ms. Catsavas no later than 4:30 p.m. PT on the seventh calendar day after Mr. Cameron's signature date. If Mr. Cameron revokes this Agreement, it shall not be effective or enforceable, and Mr. Cameron will not receive the benefits described in Section 3 of this Agreement.
- 13.0 DENIAL OF WRONGDOING:** Neither party, by signing this Agreement, admits any wrongdoing or liability to the other. Both the Company and Mr. Cameron deny any such wrongdoing or liability.
- 14.0 COOPERATION:** Mr. Cameron agrees that, for at least two (2) years following the Separation Date, he will reasonably cooperate with the Company and any Released Party regarding requests for assistance by serving as a witness or providing information about matters connected with Mr. Cameron's prior employment with the Company or any Released Party. The Company or the Released Party requesting assistance shall reimburse Mr. Cameron for any travel costs he incurs in connection with his cooperation, in accordance with its travel cost reimbursement policy for active employees.
- 15.0 NON-COMPETITION:** In consideration for the covenants made in this agreement by Northrop Grumman (including, without limitation, its agreement to provide additional benefits pursuant to Section 3 that are not included in the Severance Plan), and in deference to Mr. Cameron's access to, knowledge of and personal role in the development of Northrop Grumman's trade secrets, proprietary information and confidential marketing strategy and his service as President of the Northrop Grumman Technical Services sector, Mr. Cameron agrees that (i) for a period of eighteen months after his Separation Date, he will not directly or indirectly through any other person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of any business in the United States in competition with Northrop Grumman's Technical Services sector, and (ii) for a period of eighteen months after his Separation Date, he will not directly or indirectly through any other person solicit or attempt to solicit customers, vendors, suppliers, licensors, lessors, joint venturers, associates, consultants, agents, or partners of Northrop Grumman with whom Mr. Cameron came into contact, either directly or indirectly, while employed by Northrop Grumman, for purposes of providing products or services in competition with Northrop Grumman, and Mr. Cameron will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between Northrop Grumman and

such business contacts. For purposes of this Section 15 and Section 16, the terms Northrop Grumman and the Company include Northrop Grumman and each of its subsidiaries and affiliates. It shall not be a violation of this Section 15 for Mr. Cameron to become the registered or beneficial owner of up to 2% of any class of the capital stock of a corporation that is registered under the Securities Exchange Act of 1934, as amended, provided that Mr. Cameron does not otherwise participate in the business of such corporation. Mr. Cameron agrees that Northrop Grumman's Technical Services sector and Northrop Grumman both conduct business throughout the world. Mr. Cameron acknowledges that for purposes of this Section 15.0, Northrop Grumman Technical Services is a global provider of logistics, infrastructure, training, simulation and sustainment support in three specific areas of business: Systems Support, Training & Simulation and Life Cycle Optimization & Engineering. Mr. Cameron acknowledges that the restrictions set forth in this Section 15.0 are reasonable and necessary to protect Northrop Grumman's trade secrets, proprietary information and confidential marketing strategy.

16.0 NON-SOLICITATION AND NON-DISPARAGEMENT:

- 16.1 By Mr. Cameron: In deference to Mr. Cameron's service as President of the Northrop Grumman Technical Services sector and the working relationships and confidential knowledge that he has developed with Northrop Grumman managers and professional employees, for a period of five years following the Separation Date, Mr. Cameron shall not, directly or indirectly, through aid, assistance, or counsel, on his own behalf or on behalf of another person or entity (i) solicit or offer to hire, or hire, any person who is, or who was within a period of six months prior to the Separation Date, employed by the Company in a managerial or professional position, or (ii) by any means issue or communicate any public statement that may be critical or disparaging of the Company, its products, services, officers, directors, or employees; provided that the foregoing shall not apply to any truthful statements made in compliance with legal process or governmental inquiry.
- 16.2 By the Company: For a period of two years following the Separation Date, the Company shall not by any means issue or communicate any public statement that may be critical or disparaging of Mr. Cameron, provided that the foregoing shall not apply to truthful statements made in compliance with legal process, governmental inquiry, or as required by legal filing or disclosure requirements.

- 17.0 SPECIFIC ENFORCEMENT:** Mr. Cameron agrees that a breach by him of any of the covenants in Section 15 or Section 16 would cause immediate and irreparable harm to Northrop Grumman that would be difficult or impossible to measure, and that damages to Northrop Grumman for any such injury would therefore be an inadequate remedy for any such breach. Mr. Cameron further agrees that the applicable period of time that any covenant is in effect following the Separation Date shall be extended by the same amount of time that Mr. Cameron is in breach of the covenant. The parties agree that in the event of any breach or threatened breach by either of them, the non-breaching party shall be entitled, in addition to and without limiting any other remedies that may be available to it in the circumstances, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Agreement.
- 18.0 SEVERABILITY:** The provisions of this Agreement are severable. If any part of this Agreement, other than Section 5, is found to be illegal or invalid and thereby unenforceable, then the unenforceable part shall be removed, and the rest of the Agreement shall remain valid and enforceable.
- 19.0 SOLE AND ENTIRE AGREEMENT:** This Agreement, together with relevant provisions of the Severance Plan, expresses the entire understanding between the Company and Mr. Cameron on the matters it covers. It supersedes all prior discussions, agreements, understandings and negotiations between the parties on these matters, except that any writing between the Company and Mr. Cameron relating to protection of Company trade secrets or intellectual property shall remain in effect.
- 20.0 MODIFICATION:** Once this Agreement takes effect, it may not be cancelled or changed, unless done so in a document signed by both Mr. Cameron and an authorized Company representative.
- 21.0 GOVERNING LAW; CONSTRUCTION:** This Agreement shall be interpreted and enforced in accordance with the laws of the State of Virginia, without regard to rules regarding conflicts of law. Each party has cooperated in the drafting, negotiation and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such language.

22.0 ADVICE OF COUNSEL; VOLUNTARY AGREEMENT:

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

Date: 6 May 2010

By: /s/ James L. Cameron

Date: 10 May 2010

By: /s/ Debora L. Catsavas

Northrop Grumman
Corporation

Title: VP, Acting Chief HR Officer

**Severance Plan for
Elected and Appointed Officers of
Northrop Grumman Corporation
As amended and restated effective August 1, 2010**

1. Purpose of Plan. The purpose of the Plan is to provide severance benefits for eligible elected and appointed officers of Northrop Grumman Corporation who reside and work in the United States. The terms of this amended and restated Plan are effective as of August 1, 2010.

2. Definitions. The terms defined in this section shall have the meaning given below:

- (a) **“Committee”** means the Compensation Committee of the Board of Directors of the Company or any successor to the Committee.
 - (b) **“Code”** means the Internal Revenue Code of 1986, as amended.
 - (c) **“Company”** means Northrop Grumman Corporation.
 - (d) **“CPC”** means the Corporate Policy Council.
 - (e) **“Disability”** means any disability of an Officer recognized as a disability for purposes of the Company’s long-term disability plan, or similar plan later adopted by the Company in place of such plan.
 - (f) **“Key Employee”** means an employee treated as a “specified employee” as of his Separation from Service under Code section 409A(a)(2)(B)(i) of the Company or its affiliate (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company’s stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Officers are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.
 - (g) **“Officer”** means an elected or appointed officer of Northrop Grumman Corporation, other than the Company’s Chief Executive Officer, who resides and works in the United States.
 - (h) **“Plan”** means this Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation, as it may be amended from time to time.
 - (i) **“Qualifying Termination”** means any one of the following (i) an Officer’s involuntary termination of employment with the Company, other than Termination for Cause or mandatory retirement, or (ii) an Officer’s election to terminate employment with the Company in lieu of accepting a downgrade to a non-Officer position or status. “Qualifying Termination” does not include any change in the Officer’s employment status due to any transfer within the Company or to an affiliate, or to a purchaser of assets or a portion of the business of the Company or an affiliate in connection with the purchase, Disability, voluntary termination or normal retirement.
 - (j) **“Release”** means the Company’s Confidential Separation Agreement and General Release as in effect at the time of the Officer’s termination of employment.
 - (k) **“Separation from Service”** or **“Separate from Service”** means a “separation from service” within the meaning of Code section 409A.
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- (l) **“Termination for Cause”** means an Officer’s termination of employment with the Company because of:
- (i) The continued failure by the Officer to devote reasonable time and effort to the performance of his duties (other than a failure resulting from the Officer’s incapacity due to physical or mental illness) after written demand for improved performance has been delivered to the Officer by the Company which specifically identifies how the Officer has not devoted reasonable time and effort to the performance of his duties;
 - (ii) The willful engaging by Officer in misconduct which is substantially injurious to the Company, monetarily or otherwise; or
 - (iii) The Officer’s conviction for committing an act of fraud, embezzlement, theft, or other act constituting a felony (other than traffic related offenses or as a result of vicarious liability).

A Termination for Cause shall not include a termination attributable to:

- (i) Bad judgment or negligence on the part of the Officer other than habitual negligence; or
- (ii) An act or omission believed by the Officer in good faith to have been in or not opposed to the best interests of the Company and reasonably believed by the Officer to be lawful.

3. Eligibility Requirements.

- (a) Benefits under the Plan are subject to the Company’s sole discretion and approval.
- (b) To be considered to receive benefits under the Plan an Officer must meet the following conditions:
 - (i) The Officer must experience a Qualifying Termination that results in termination of employment. If, before termination of employment occurs due to the Qualifying Termination event, the Officer voluntarily quits, retires, or experiences a Termination for Cause, the Officer will not receive benefits under this Plan.
 - (ii) The Officer must sign the Release. The Company’s current Confidential Separation Agreement and General Release is attached hereto as Exhibit A, however the Company may amend and make changes to this agreement at any time (with such amendments including, without limitation, any amendments that the Company may determine to be necessary or advisable to help ensure that the agreement is enforceable to the fullest extent permissible under applicable law at the time of the Officer’s termination of employment).

4. Severance Benefits. Upon the Qualifying Termination of any eligible Officer, the terminated Officer shall be entitled to the following benefits under the Plan: (a) a lump-sum severance cash payment, (b) an extension of the Officer’s existing medical and dental coverage, (c) a prorated annual cash bonus payment, and (d) certain other fringe benefits.

- (a) Lump-sum Cash Severance Payment. The designated Appendix describes the lump sum severance benefit available to the Officer.
- (b) Extension of Medical and Dental Benefits. The Company will continue to pay its portion of the Officer’s medical and dental benefits for the period of time following the Officer’s termination

date that is specified in the designated Appendix. Such continuation coverage shall run concurrently with COBRA continuation coverage (or similar state law). The Officer must continue to pay his portion of the cost of this coverage with after-tax dollars. If rates for active employees increase during this continuation period, the contribution amount will increase proportionately. Also, if medical and dental benefits are modified, terminated or changed in any way for active employees during this continuation period the Officer will also be subject to such modification, termination or change. Following the continuation period specified in the designated Appendix the Officer will be eligible to receive COBRA benefits for any remaining portion of the applicable COBRA period (typically 18 months) at normal COBRA rates. The unreimbursed COBRA period (*e.g.*, the period when the Officer must pay full COBRA rates in order to receive COBRA benefits) starts the first day of the month following the end of the continuation period specified in the designated Appendix.

Example: A Non-CPC Officer receives a layoff notice on June 15, 2004, and his last day of work is June 30, 2004. The Officer's 18-month COBRA period commences July 1, 2004. The Officer will continue to receive medical and dental coverage from July 1, 2004 through June 30, 2005, as long as the Officer continues to pay the appropriate contribution. Full COBRA rates will apply to the Officer from July 1, 2005 until the end of the remaining COBRA period on December 31, 2005.

If the Officer is not covered by medical and dental benefits at the time of his termination, this section 4(b) will not apply and no continuation coverage will be offered. No health or welfare benefits other than medical and dental will be continued pursuant to the Plan, including but not limited to disability benefits.

The medical and dental benefits to be provided or payments to be made under this section 4(b) shall be reduced to the extent that the Officer is eligible for benefits or payments for the same occurrence under another employer sponsored plan to which the Officer is entitled because of his employment subsequent to the Qualifying Termination.

To the extent the benefits under this section 4(b) are, or ever become, taxable to the Officer and to the extent the benefits continue beyond the period in which the Officer would be entitled (or would, but for the Plan, be entitled) to COBRA continuation coverage if the Officer elected such coverage and paid the applicable premiums, the Company shall administer such continuation of coverage consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv):

- (i) Officer's eligibility for benefits in one year will not affect Officer's eligibility for benefits in any other year;
- (ii) Any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and
- (iii) Officer's right to benefits is not subject to liquidation or exchange for another benefit.

In the event the preceding sentence applies and the Officer is a Key Employee, provision of these benefits after the COBRA period shall commence on the first day of the seventh month following the Officer's Separation from Service (or, if earlier, the first day of the month after the Officer's death).

- (c) Company Performance Related Payment. The Officer will be eligible for a severance payment equal to a pro-rata portion of the bonus he or she would have received under the Company annual incentive plan in which he or she was a participant for the year in which the Qualifying Termination occurred, in addition to the lump-sum cash severance payment described in

section 4(a). For this purpose, the pro-rated bonus (if any) will be based on the applicable annual incentive plan payout formula, with any applicable individual performance factor set at 1.00, prorated from the beginning of the performance period (January 1st) to the Officer's date of termination. The severance payment contemplated by this Section 4(c) will be paid when the annual bonuses are paid to active employees between February 15 and March 15 of the year following termination. Notwithstanding anything to the contrary in this section 4(c), if the Officer's bonus opportunity for the fiscal year in which his or her termination occurs is covered by the Company's Incentive Compensation Plan (or similar successor bonus program designed to comply with the performance-based compensation exception under Section 162(m) of the Code), then the Officer's severance payment pursuant to this section 4(c) shall not exceed the maximum bonus the Officer would have been entitled to receive under the Company's Incentive Compensation Plan for that fiscal year, assuming the Officer had been employed through the date bonuses are paid under such plan for that year, and otherwise calculated under the terms of such plan based on actual performance for that fiscal year (but without giving effect to any discretion of the plan administrator to reduce the bonus amount from the maximum otherwise determined in accordance with such plan).

- (d) Other Fringe Benefits. All reimbursements will be within the limits established in the Executive Perquisite Program. These perquisites will cease as of the date of termination except for the following:
- (i) Financial Planning. If an Officer is eligible for financial planning reimbursement at the time of termination, the Officer will be reimbursed for any financial planning fees as specified in the designated Appendix. For these purposes, "financial planning reimbursement" includes any income tax preparation fee reimbursement the Officer may be entitled to under the financial planning reimbursement terms and conditions applicable to the Officer at the time of termination. The financial planning (including income tax preparation fee) reimbursements contemplated by the Appendices are subject to any other applicable limitations that may apply under the financial planning reimbursement terms and conditions applicable to the Officer at the time of termination (for example, and without limitation, annual caps on amounts that may be used in connection with income tax preparation). All such reimbursements pursuant to this section 4(d)(i) shall be administered consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv): (1) Officer's eligibility for benefits in one year will not affect Officer's eligibility for benefits in any other year; (2) any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and (3) Officer's right to benefits is not subject to liquidation or exchange for another benefit. In addition, no reimbursements shall be made to an Officer who is a Key Employee for six months following the Officer's Separation from Service.
 - (ii) Outplacement Service. The Officer will be reimbursed for the cost of reasonable outplacement services provided by the Company's outplacement service provider for services provided within one year after the Officer's date of termination; provided, however, that the total reimbursement shall be limited to an amount equal to fifteen percent (15%) of the Officer's base salary as of the date of termination. All services will be subject to the current contract with the provider, and all such expenses shall be reimbursed as soon as practicable, but in no event later than the end of the year following the year the Officer Separates from Service.
- (e) Time and Form of Payment. The severance benefits under section 4(a) will be paid to the eligible Officer in a lump sum as soon as practicable following the Officer's Separation from

Service, but in no event beyond thirty (30) days from such date, provided the Officer signs the Release within twenty one (21) days following the Officer's Separation from Service. Notwithstanding the foregoing, if the Officer is a Key Employee, the lump sum payment shall be made on or within thirty (30) days after the first day of the seventh month following the Officer's Separation from Service (or, if earlier, the first day of the month after the Officer's death), provided the Officer signs the Release within twenty-one (21) days following the Officer's Separation from Service. This amount will be paid after all regular taxes and withholdings have been deducted. No payment made pursuant to the Plan is eligible compensation under any of the Company's benefit plans, including without limitation, pension, savings, or deferred compensation plans.

5. Limitation of Plan Benefits. Notwithstanding anything contained in this Plan to the contrary, if upon or following a change in the "ownership or effective control" of the Company or in the "ownership of a substantial portion of the assets" of the Company (each within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies, solely because of such transaction, to any payments, benefits and/or amounts received by the Officer pursuant to the Plan or otherwise, including, without limitation, any amounts received, or deemed received within the meaning of any provision of the Code, by the Officer 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 Officer under any of the Company's incentive plans, including without limitation, the 2001 Long-Term Incentive Stock Plan and the 1993 Long Term Incentive Stock Plan (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Officer is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash severance benefits, then by reducing or eliminating any accelerated vesting of stock options, then by reducing or eliminating any accelerated vesting of other equity awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax. The preceding provisions of this section 5 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Officer's rights and entitlements to any benefits or compensation.

6. Offset for Other Benefits Received. The benefits under the Plan are in lieu of, and not in addition to, any other severance or separation benefits for which the Officer is eligible under any Company plan, policy or arrangements (including but not limited to, severance benefits provided under any employment agreement, retention incentive agreement, or similar benefits under any individual change in control agreements, plans, policies, arrangements and change in control agreements of acquired companies or business units) (collectively, "severance plans"); provided that if the Officer is otherwise entitled to receive benefits under the Plan and severance benefits under the Northrop Grumman Corporation Change-In-Control Severance Plan (version January 2010 or later) and/or a Northrop Grumman Corporation Special Agreement (version January 2010 or later), benefits shall be paid under such Change-In-Control Severance Plan and/or Special Agreement rather than under the Plan. If an Officer receives any benefit under any severance plan, such benefit shall cause a corresponding reduction in benefits under this Plan. If, despite any release that the Officer signs in connection with the Plan, such Officer is later awarded and receives benefits under any other severance plan(s), any benefits that the Officer receives under the Plan will be treated as having been received under those other severance plans for purposes of calculating total benefits received under those other severance plans (that is, benefits under those other severance plans will be reduced by amounts received under the Plan).

7. Administration. The Plan shall be administered by the Chief Human Resources Officer of the Company (the “administrator”). The administrator has sole and absolute discretion to interpret the terms of the Plan, eligibility for benefits, and determine questions of fact. The administrator may delegate any of his duties or authority to any individual or entity. Authority to hear appeals has been delegated to the corporate Severance Plan Review Committee.

8. Claims and Appeals Procedures.

Claims Procedure. If an Officer believes that he or she is entitled to benefits under the Plan and has not received them, the Officer or his authorized representative (each, a “claimant”) may file a claim for benefits by writing to the Chief Human Resources Officer, in care of the Company. The letter must state the reason why the claimant believes the Officer is entitled to benefits, and the letter must be received no later than 90 days after the Officer’s termination of employment, or 90 days after a payment was due, whichever comes first.

If the claim is denied, in whole or in part, the claimant will receive a written response within 90 days. This response will include (i) the reason(s) for the denial, (ii) reference(s) to the specific Plan provisions on which denial is based, (iii) a description of any additional information necessary to perfect the claim, and (iv) a description of the Plan’s claims and appeals procedures. In some cases more than 90 days may be needed to make a decision, in which case the claimant will be notified prior to the expiration of the 90 days that more time is needed to review the claim and the date by which the Plan expects to render the decision. In no event will the extension be for more than an additional 90 days.

Appeal of Denied Claim. The claimant may appeal a denied claim by filing an appeal with the corporate Severance Plan Review Committee within 60 days after the claim is denied. The appeal should be sent to the Severance Plan Review Committee c/o the Company. As part of the appeal process the claimant will be given the opportunity to submit written comments and information and be provided, upon request and free of charge, with copies of documents and other information relevant to the claim. The review on appeal will take into account all information submitted on appeal, whether or not it was provided for in the initial benefit determination. A decision will be made on the appeal within 60 days, unless additional time is needed. If more time is needed, the claimant will be notified prior to the expiration of the 60 days that up to an additional 60 days is needed and the date by which the Plan expects to render the decision. If the claim is denied, in whole or in part, on appeal the claimant will receive a written response which will include (i) the reason(s) for the denial, (ii) references to the specific Plan provisions on which the denial is based, (iii) a statement that the claimant is entitled to receive, upon request and free of charge, copies of all documents and other information relevant to the claim on appeal, and (iv) a description of the Plan’s claims and appeals procedures.

If the claim is denied on appeal, the Officer has the right to bring an action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended. Any claimant must pursue all claims and appeals procedures described in the Plan document before seeking any other legal recourse with respect to Plan benefits. In addition, any lawsuit must be filed within six months from the date of the denied appeal, or two years from the Officer’s termination date, whichever occurs first.

9. Amendment. The Company (acting through the Committee) reserves the right at any time to terminate or amend this Plan in any respect and without the consent of any Officer.

10. Unfunded Obligations. All benefits due an Officer or the Officer’s beneficiary under this Plan are unfunded and unsecured and are payable out of the general funds of the Company. The Company, in its sole and absolute discretion, may establish a trust associated with the payment of Plan benefits, provided that the trust does not alter the characterization of the Plan as an “unfunded plan” for purposes of the

Employee Retirement Income Security Act, as amended. Any such trust shall make distributions in accordance with the terms of the Plan.

11. Transferability of Benefits. The right to receive payment of any benefits under this Plan shall not be transferred, assigned or pledged except by beneficiary designation or by will or under the laws of descent and distribution.

12. Taxes. The Company may withhold from any payment due under this Plan any taxes required to be withheld under applicable federal, state or local tax laws or regulations.

13. Gender. The use of masculine pronouns in this Plan shall be deemed to include both males and females.

14. Construction, Governing Laws. The Plan is intended as (i) a pension plan within the meaning of Section 3(2) of the Employee Retirement Income Security Act, as amended (“ERISA”), and (ii) an unfunded pension plan maintained by the Company for a select group of management or highly compensated employees within the meaning of Department of Labor Regulation 2520.104-23 promulgated under ERISA, and Sections 201, 301, and 401 of ERISA. Nothing in this Plan creates a vested right to benefits in any employee or any right to be retained in the employ of the Company. Except to the extent that federal legislation or applicable regulation shall govern, the validity and construction of the Plan and each of its provisions shall be subject to and governed by the laws of the State of California.

15. Severability. If any provision of the Plan is found, held or deemed to be void, unlawful or unenforceable under any applicable statute or other controlling law, the remainder of the Plan shall continue in full force and effect.

Appendix for Corporate Policy Council (CPC) Officers other than the Chief Executive Officer

The following benefits shall apply for purposes of eligible Officers (other than the Company's Chief Executive Officer) who are members of the CPC:

Section 4(a). Lump-sum Cash Severance Payment. The lump sum cash severance payment shall equal one and one half (1.5) times the sum of (A) one year's base salary as in effect on the effective date of the Officer's termination, plus (B) the Officer's target annual bonus established under the Company's annual incentive plan in which he or she was a participant for the fiscal year in which the date of termination occurs. No supplemental bonuses or other bonuses will be combined with the Officer's annual bonus for purposes of this computation.

Section 4(b). Extension of Medical and Dental Benefits. The Company will continue to pay its portion of the Officer's medical and dental benefits for eighteen months following the Officer's termination date.

Section 4(d)(i). Financial Planning. If the Officer is eligible for financial planning reimbursement at the time of termination, the Officer will be reimbursed for any financial planning fees incurred before his termination date. In addition, the Officer will be reimbursed for the following financial planning fees incurred after his termination date: (i) any fees incurred in the year in which the date of termination occurs, provided that the total financial planning reimbursement for such year (including fees incurred before and after the date of termination) shall not exceed \$15,000 and (ii) any fees incurred in the year following the year in which the date of termination occurs, provided that the total financial planning reimbursement for such year shall not exceed \$15,000.

Appendix for non-CPC Officers

The following benefits shall apply for purposes of eligible Officers who are not members of the CPC:

Section 4(a). Lump-sum Cash Severance Payment. The lump sum cash severance payment shall equal the sum of (A) one year's base salary as in effect on the effective date of the Officer's termination, plus (B) the Officer's target annual bonus established under the Company's annual incentive plan in which he or she was a participant for the fiscal year in which the date of termination occurs. No supplemental bonuses or other bonuses will be combined with the Officer's annual bonus for purposes of this computation.

Section 4(b). Extension of Medical and Dental Benefits. The Company will continue to pay its portion of the Officer's medical and dental benefits for one year following the Officer's termination date.

Section 4(d)(i). Financial Planning. If the Officer is eligible for financial planning reimbursement at the time of termination, the Officer will be reimbursed for any financial planning fees incurred before his termination date. In addition, the Officer will be reimbursed for the following financial planning fees incurred after his termination date: (i) any fees incurred in the year in which the date of termination occurs, provided that the total financial planning reimbursement for such year (including fees incurred before and after the date of termination) shall not exceed \$5,000 and (ii) any fees incurred in the year following the year in which the date of termination occurs, provided that the total financial planning reimbursement for such year shall not exceed \$5,000.

**CONFIDENTIAL SEPARATION AGREEMENT
AND GENERAL RELEASE**

1.0 PARTIES: The parties to this Confidential Separation Agreement and General Release (“Agreement”) are John Doe (“Mr. Doe”) and NORTHROP GRUMMAN CORPORATION (“Northrop Grumman” or “the Company”).

2.0 RECITALS: This Agreement is made regarding the following facts:

2.1 Mr. Doe is currently an appointed officer of Northrop Grumman.

2.2 In connection with his separation from employment with the Company, Mr. Doe has been offered severance benefits under the Company’s Severance Plan for Elected and Appointed Officers (the “Severance Plan”).

2.3 The Severance Plan requires that, to receive such benefits, an officer must sign a Confidential Separation Agreement and General Release. This Agreement satisfies this requirement.

2.4 Mr. Doe has decided to accept the Company’s offer of severance benefits and to enter into this Agreement.

3.0 CONSIDERATION: In exchange for Mr. Doe’s promise to abide by all of the terms of this Agreement, the Company agrees to provide Mr. Doe the severance benefits specified in section 4 of the Severance Plan in accordance with the terms of the Severance Plan, which severance benefits include:

3.1 Lump-sum Cash Severance. A payment equal to the sum of \$_____, less applicable withholding. This amount represents the total of **[one]** times the sum of (i) Mr. Doe’s annual base salary of \$_____; and (ii) Mr. Doe’s target annual bonus of \$_____ under the Company’s annual incentive plan in which Mr. Doe was a participant. This amount will be paid to Mr. Doe in a lump sum in accordance with the terms of the Severance Plan.

3.2 Pro Rata Bonus. A severance payment equal to a pro rata portion of the bonus Mr. Doe would have received for the ____ performance year pursuant to the terms of the Company’s annual incentive plan in which Mr. Doe was a participant, in addition to the lump-sum cash severance payment described in Section 3.1. The bonus will be pro rated from the beginning of the performance period (January 1) to Mr. Doe’s Separation Date. For purposes of this severance payment, the pro rata bonus will be based on the applicable annual incentive plan payout

formula, with any Individual Performance Factor (IPF) for Mr. Doe set at 1.00. If Mr. Doe is covered by the Incentive Compensation Plan (ICP), this severance payment will not exceed the maximum bonus Mr. Doe would have earned under the ICP had he remained employed. This severance payment will be paid when annual bonuses are paid to active employees between February 15 and March 15, _____.

[Alternative Section 3.2 if termination occurs at year end: Mr. Doe will be paid a bonus for calendar year _____ pursuant to the terms of the Annual Incentive Plan (and not the Severance Plan), which will be based on the applicable incentive plan payout formula, with the Individual Performance Factor for Mr. Doe set at no less than 1.0. This bonus will be paid to Mr. Doe when annual bonuses are paid to employees between February 15 and March 15, _____.]

3.3 Medical and Dental Coverage Continuation. Mr. Doe may elect to continue his medical and dental coverage in effect as of the Separation Date (as defined in Section 4.0 below) for **[twelve]** months, provided he pays his portion of the cost of such coverage with after-tax dollars. The Company will continue to pay its portion of the cost of Mr. Doe's medical and dental benefits for the **[twelve]** month continuation period. If rates for active employees increase during this continuation period, Mr. Doe's contribution will increase proportionately. Also, if medical and dental benefits are modified or terminated for active employees during this continuation period, Mr. Doe's benefits shall be subject to this modification or termination. Mr. Doe's medical and dental benefits shall be reduced to the extent Mr. Doe is eligible for benefits or payments for the same occurrence under another employer-sponsored plan to which Mr. Doe is entitled because of his employment after the Separation Date. This continuation coverage shall run concurrently with coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) (or similar state law coverage) and shall be in lieu of such coverage. Following the continuation period, Mr. Doe shall be eligible to receive COBRA benefits for any remaining portion of the applicable COBRA period at normal COBRA rates.

3.4 Other Fringe Benefits. Pursuant to the terms of the Executive Perquisite Program for appointed officers (the "Program"), Mr. Doe will be reimbursed for any eligible financial planning fees incurred during **[year of Separation Date]** (regardless of whether such fees are incurred before or after the Separation Date) and the immediately following year, subject to a maximum reimbursement for each year equal to **[\$5,000]**. Mr. Doe will be reimbursed for the cost of reasonable outplacement services from the Company's outplacement service provider during the one year period following his Separation Date; provided, however that the total outplacement services reimbursement shall be no greater than \$_____. All outplacement services will be subject to the Company's

current contract with the provider. The reimbursements provided for in this Section 3.4 are subject to the terms and conditions of, and will be reimbursed to Mr. Doe within the applicable time periods specified in, the Severance Plan. Except as provided in this Section 3.4, all perquisites shall cease as of the Separation Date.

3.5 Not Pension Eligible Compensation. **[If alternative Section 3.2 is used:** Except for the bonus provided in Section 3.2,] None of the consideration or payments made pursuant to the Severance Plan and specified in this Agreement shall be eligible as compensation under any Company retirement, pension or benefit plan.

4.0 SEPARATION FROM EMPLOYMENT: Mr. Doe's employment will be terminated by the Company effective _____. This shall be his Separation Date.

5.0 COMPLETE RELEASE: In exchange for the consideration described in Section 3, Mr. Doe RELEASES the Company from liability for any claims, demands or causes of action (except as described in Section 5.5). This Release applies not only to the "Company" itself, but also to all Northrop Grumman subsidiaries, affiliates, related companies, predecessors, successors, its or their employee benefit plans, trustees, fiduciaries and administrators, and any and all of its and their respective past or present officers, directors, agents and employees ("Released Parties"). For purposes of this Release, the term "Mr. Doe" includes not only Mr. Doe himself, but also his heirs, spouses or former spouses, domestic partners or former domestic partners, executors and agents. Except as described in Section 5.5, this Release extinguishes all of Mr. Doe's claims, demands or causes of action, known or unknown, against the Company and the Released Parties, based on anything occurring on or before the date Mr. Doe signs this Agreement.

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

5.2 This Release includes, but is not limited to, claims arising under the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the False Claims Act, Executive Order No. 11246, the Civil Rights Act of 1991, and 42 U.S.C § 1981. It also includes, but is not limited to, claims under

Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, religion, sex or national origin, and retaliation; the Americans with Disabilities Act, which prohibits discrimination in employment based on disability, and retaliation; any laws prohibiting discrimination in employment based on veteran status; any applicable state human rights statutes including the [insert applicable state law, such as: California Fair Employment and Housing Act, which prohibits discrimination in employment based on race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, or sexual orientation]; and any other federal, state or local laws, ordinances, regulations and common law, to the fullest extent permitted by law.

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

5.4 **[California version:]**

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

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

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

[Alternative outside CA:]

[This Release includes both known and unknown claims. Mr. Doe agrees that this Release includes claims he did not know or suspect to exist at the time he signed this Agreement, and that this Release extinguishes all known and unknown claims.]

5.5 However, this Release does not include any rights Mr. Doe may have:

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

6.0 ARBITRATION: If either the Company or Mr. Doe decides to sue the other over the enforceability of this Agreement, or for violating this Agreement, all such claims will be determined through final and binding arbitration, rather than through litigation in court, in accordance with Northrop Grumman Corporate Procedure H103A. If the Company or Mr. Doe wants immediate relief, before the arbitration is finished, then either party may go to a court with jurisdiction over the dispute, and ask the court for provisional injunctive or other equitable relief until the arbitrator has issued an award or the dispute is otherwise resolved. Any court with jurisdiction over the dispute may enter judgment on the arbitrator's award. Notwithstanding the provisions of H103A, the Company and Mr. Doe agree that the prevailing party in the arbitration shall be entitled to receive from the losing party reasonably incurred attorneys' fees and costs incurred in enforcing this Agreement, except in any challenge by Mr. Doe to the validity of this Agreement under the Age Discrimination in Employment Act and/or Older Workers Benefit Protection Act.

7.0 CONFIDENTIALITY:

7.1 Mr. Doe agrees that he will keep the terms and fact of the Agreement completely confidential, and that he will not disclose any specific information regarding the terms and conditions of the Agreement to anyone other than his spouse, domestic partner, attorney, or accountant, except as necessary to enforce the Agreement, to comply with the law or lawful discovery, in response to a court order, or for tax or accounting purposes.

7.2 Should Mr. Doe choose to disclose the terms or fact of this Agreement to his spouse, domestic partner, attorney, or accountant, Mr. Doe agrees

that he will advise them that they will also be under an obligation to keep the terms and fact of this Agreement completely confidential.

7.3 Despite this confidentiality obligation, Mr. Doe, his legal counsel, his spouse or domestic partner, and his accountant are permitted to: (1) disclose the terms or the fact of this Agreement when required to do so by law, by any court or administrative agency (including state or federal taxing authorities), and by any tribunal of appropriate jurisdiction; and (2) provide truthful testimony about Mr. Doe's employment with the Company or the Company's business activities to any government or regulatory agency, or in any court proceeding.

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

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

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

11.0 WITHHOLDING OF TAXES: The Company shall be entitled to withhold from any amounts payable or pursuant to this Agreement all taxes as legally shall be required (including, without limitation, United States federal taxes, and any other state, city or local taxes).

12.0 ADVICE OF COUNSEL; PERIOD FOR REVIEW AND CONSIDERATION OF AGREEMENT: The Company encourages Mr. Doe to seek and receive advice about this Agreement from an attorney of his choosing. Mr. Doe has twenty-one (21) calendar days [**Alternative:** forty-five (45) calendar days. Note: If this alternative is used, add attachments re program eligibility factors, selection information, and job titles and ages of employees selected/not selected] from his initial receipt of this Agreement to review and consider it. Mr. Doe understands that he may use as much of this review period as he wishes before signing this Agreement. If Mr. Doe has executed this Agreement before the end of such review period, he represents and agrees that he does so voluntarily and of his

own free will.

13.0 RIGHT TO REVOKE AGREEMENT: Mr. Doe may revoke this Agreement within seven (7) calendar days of his signature date. To do so, Mr. Doe must deliver a written revocation notice to [fill in name, title and address.] Mr. Doe must deliver the notice to [name] no later than 4:30 p.m. [PT] on the seventh calendar day after Mr. Doe's signature date. If Mr. Doe revokes this Agreement, it shall not be effective or enforceable, and Mr. Doe will not receive the benefits described in Section 3 of this Agreement.

14.0 DENIAL OF WRONGDOING: Neither party, by signing this Agreement, admits any wrongdoing or liability to the other. Both the Company and Mr. Doe deny any such wrongdoing or liability.

15.0 COOPERATION: Mr. Doe agrees that, for at least two (2) years following the Separation Date, he will reasonably cooperate with Company and any Released Party regarding requests for assistance by serving as a witness or providing information about matters connected with Mr. Doe's prior employment with the Company or any Released Party. The Company or the Released Party requesting assistance shall reimburse Mr. Doe for any travel costs he incurs in connection with his cooperation, in accordance with its travel cost reimbursement policy for active employees.

16.0 NON-SOLICITATION AND NON-DISPARAGEMENT:

16.1 By Mr. Doe: For a period of one year following the Separation Date, Mr. Doe shall not, directly or indirectly, through aid, assistance, or counsel, on his own behalf or on behalf of another person or entity (i) solicit or offer to hire [**Alternative outside CA:** , or hire,] any person who was within a period of six months prior to the Separation Date employed by the Company, or (ii) by any means issue or communicate any public statement that may be critical or disparaging of the Company, its products, services, officers, directors, or employees; provided that the foregoing shall not apply to any truthful statements made in compliance with legal process or governmental inquiry.

16.2 By the Company: For a period of one year following the Separation Date, the Company shall not by any means issue or communicate any public statement that may be critical or disparaging of Mr. Doe, provided that the foregoing shall not apply to truthful statements made in compliance with legal process, governmental inquiry, or as required by legal filing or disclosure requirements.

17.0 SEVERABILITY: The provisions of this Agreement are severable. If any part of this Agreement, other than Section 5, is found to be illegal or invalid and thereby unenforceable, then the unenforceable part shall be removed, and the rest of the Agreement shall remain valid and enforceable.

18.0 SOLE AND ENTIRE AGREEMENT: This Agreement, together with relevant provision of the Severance Plan, expresses the entire understanding between the Company and Mr. Doe on the matters it covers. It supersedes all prior discussions, agreements, understandings and negotiations between the parties on these matters, except that any writing between the Company and Mr. Doe relating to protection of Company trade secrets or intellectual property shall remain in effect.

19.0 MODIFICATION: Once this Agreement takes effect, it may not be cancelled or changed, unless done so in a document signed by both Mr. Doe and an authorized Company representative.

20.0 GOVERNING LAW: This Agreement shall be interpreted and enforced in accordance with the laws of the State of [California], without regard to rules regarding conflicts of law.

21.0 ADVICE OF COUNSEL; VOLUNTARY AGREEMENT:

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

Date: _____ By: _____

Date: _____ By: _____

Northrop Grumman Corporation

Title: _____

NORTHROP GRUMMAN
DEFERRED COMPENSATION PLAN
(Amended and Restated Effective as of January 1, 2011)

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NORTHROP GRUMMAN
DEFERRED COMPENSATION PLAN
(Amended and Restated Effective as of January 1, 2011)

The Northrop Grumman Deferred Compensation Plan (the "Plan") was amended and restated effective as of January 1, 2009. This restatement, effective January 1, 2011, amends the January 1, 2009 version of the Plan and provides that no further amounts shall be deferred under the Plan.

This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder (except with respect to amounts covered by Appendix B), and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I
DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

- (a) "Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.
- (b) "Administrative Committee" means the committee in charge of Plan administration, as described in Article VII.
- (c) "Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).

(d) "Base Salary" shall mean a Participant's annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Affiliated Companies and prior to reduction for any salary contributions to a plan established pursuant to section 125 of the Code or qualified pursuant to section 401(k) of the Code.

(e) "Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(1) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(2) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

(3) No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then Beneficiary shall mean the person or persons who

can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Effective January 1, 2007, a Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(4) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person's living parent(s) to act as custodian, (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

(5) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

(f) "Board" shall mean the Board of Directors of the Company.

(g) "Bonuses" shall mean the bonuses earned under the Company's formal incentive plans, as defined by the Administrative Committee, and payable while a Participant is an Employee.

(h) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(i) "Committees" shall mean the Committees appointed by the Board to administer the Plan and investments in accordance with Article VII.

(j) "Company" shall mean Northrop Grumman Corporation and any successor.

(k) "Compensation" shall be Base Salary plus Bonuses. However, any payment authorized by the Compensation and Management Development Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, shall not be treated as Compensation. Further, any award payment under the Northrop Grumman Long-Term Incentive Cash Plan shall not be treated as Compensation.

(l) "Disability" or "Disabled" shall mean the Participant's inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

(m) "Early Distribution" shall mean an election by a Participant in accordance with Appendix Section B.2 to receive a withdrawal of amounts from his or her Account prior to the time at which such Participant would otherwise be entitled to such amounts.

(n) "Eligible Employee" shall mean any Employee who meets the following conditions:

- (1) he or she is initially treated by the Affiliated Companies as an Employee and not as an independent contractor; and
- (2) he or she meets the eligibility criteria established by the Administrative Committee.

The eligibility criteria established by the Administrative Committee will include, but not be limited to, classifications of Employees who are eligible to participate and the date as of which various groups of Employees will be eligible to participate. This includes, for example, Administrative Committee authority to delay eligibility for employees of newly acquired companies who become Employees.

(o) "Employee" shall mean any common law employee of the Affiliated Companies.

(p) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

(q) "Hardship Distribution" shall mean a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of his or her dependent (as defined in Section 152(a) of the Code), loss of a Participant's property due to casualty, or other similar or extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that would constitute an unforeseeable emergency will depend upon the facts of each case, but, in any case, a Hardship Distribution may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship, or (iii) by cessation of deferrals under this Plan.

(r) "Initial Election Period" shall mean:

(1) in the case of a newly hired Employee who is entitled to participate under Article II, the 30-day period following the date on which the Employee first becomes an Eligible Employee; and

(2) in the case of any other Employee who becomes an Eligible Employee and is entitled to participate under Article II, the next Open Enrollment Period.

(s) "Investment Committee" means the committee in charge of investment aspects of the Plan, as described in Article VII.

(t) "Key Employee" means an employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

(u) "Open Enrollment Period" means the period each Plan Year designated by the Administrative Committee for electing deferrals for the following Plan Year.

(v) "Participant" shall mean any Eligible Employee who participates in this Plan in accordance with Article II.

(w) "Payment Date" shall mean:

(1) for distributions upon early termination under Section B.1(a), a date after the end of the month in which termination of employment occurs;

(2) for distributions after Retirement, Disability or death under Section B.1(b), a date after the end of the month in which occurs Retirement, the determination of Disability by the Administrative Committee, or the notification of the Administrative Committee of the Participant's death (or later qualification of the Beneficiary or Beneficiaries), as applicable; and

(3) for distributions with a scheduled withdrawal date under Section B.1(c), a date after the December 31 prior to the elected payment year, the exact date in each case to be determined by the Administrative Committee to allow time for administrative processing.

(x) "Plan" shall be the Northrop Grumman Deferred Compensation Plan.

(y) "Plan Year" shall be the calendar year.

(z) "Retirement" shall mean termination of employment with the Affiliated Companies after reaching age 55.

(aa) "Scheduled Withdrawal Date" shall mean the distribution date elected by the Participant for an in-service withdrawal of amounts deferred in a given Plan Year, and earnings and losses attributable thereto, as set forth on the election form for such Plan Year.

(bb) "Separation from Service" or "Separates from Service" or "Separating from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II
PARTICIPATION

2.1 In General

(a) An Eligible Employee may become a Participant by complying with the procedures established by the Administrative Committee for enrolling in the Plan.

(b) Anyone who becomes an Eligible Employee will be entitled to become a Participant during his or her Initial Election Period or any subsequent Open Enrollment Period.

(c) An individual will cease to be a Participant when he or she no longer has a positive balance to his or her Account under the Plan.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan and enrollment forms or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees.

2.3 Cessation of Eligibility

If the Administrative Committee determines or reasonably believes that a Participant has ceased to be a management or highly compensated employee within the meaning of ERISA Title I, the Participant will no longer be able to make elections to defer compensation under the Plan.

If an Eligible Employee receives a distribution under Appendix Section B.2, the Employee will not be permitted to defer amounts under the Plan for the two Plan Years following the year of distribution.

ARTICLE III
DEFERRAL ELECTIONS

3.1 Elections to Defer Compensation

(a) Initial Elections. Each Participant may elect to defer an amount of Compensation by filing an election with the Administrative Committee no later than the last day of his or her Initial Election Period. If the election is made pursuant to Section 1.1(r)(1), it will apply for the remainder of the Plan Year. Otherwise, the election will apply for the following Plan Year.

(b) Subsequent Elections. A Participant may elect to defer Compensation earned in subsequent Plan Years by filing a new election in the Open Enrollment Period for each subsequent Plan Year. An election to participate for a Plan Year is irrevocable.

(c) General Rules for all Elections. The Administrative Committee may establish procedures for elections and set limits and other requirements on the amount of Compensation that may be deferred. The Administrative Committee may change these rules from time to time. Deferral elections shall address distribution of the deferred amounts as described in Section 6.1.

(d) Committee Rules. All elections must be made in accordance with rules, procedures and forms provided by the Administrative Committee. The Administrative Committee may change the rules, procedures and forms from time to time and without prior notice to Participants.

(e) Cancellation of Election. If a Participant becomes disabled (as defined under Code Section 409A) or obtains a distribution on account of an Unforeseeable Emergency under Section 6.2 during a Plan Year, his deferral election for such Plan Year shall be cancelled.

3.2 Crediting of Deferrals

(a) In General. Amounts deferred by a Participant under the Plan shall be credited to the Participant's Account as soon as practicable after the amounts would have otherwise been paid to the Participant.

(b) Cessation of Crediting. Effective January 1, 2011, no further amounts will be deferred under the Plan and credited to Participant Accounts.

3.3 Investment Elections

(a) The Investment Committee will establish a number of different types of investments for the Plan. The Investment Committee may change the investments from time to time, without prior notice to Participants.

(b) Participants may elect how their future contributions and existing Account balances will be deemed invested in the various types of investment and may change their elections from time to time.

(c) Although the Participants may designate the deemed investment of their Accounts, the Investment Committee is not bound to invest any actual amounts in any particular investment. The Investment Committee will select from time to time, in its sole and absolute discretion, commercially available investments of each of the types offered. Any investments actually made remain the property of the Affiliated Companies (or the rabbi trust under Section 4.2) and are not Plan assets.

(d) Selections of the types of investments, changes and transfers must be made according to the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may prescribe rules which may include, among other matters, limitations on the amounts which may be transferred and procedures for electing transfers.

(2) The Administrative Committee may prescribe rules for valuing Accounts for purposes of transfers. Such rules may, in the Administrative Committee's discretion, use averaging methods to determine values and accrue estimated expenses.

(3) The Administrative Committee may prescribe the periods and frequency with which Participants may change deemed investment elections and make transfers.

(4) The Administrative Committee may change its rules from time to time and without prior notice to Participants.

3.4 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of their contributions due to poor investment performance.

ARTICLE IV
ACCOUNTS AND TRUST FUNDING

4.1 Accounts

The Administrative Committee shall establish and maintain an Account for each Participant under the Plan. Each Participant's Account shall be further divided into separate subaccounts ("investment subaccounts"), each of which corresponds to an investment type elected by the Participant pursuant to Section 3.3. A Participant's Account shall be credited as follows:

(a) The Administrative Committee shall credit the investment subaccounts of the Participant's Account with an amount equal to Compensation deferred by the Participant in accordance with the Participant's election under Section 3.3; that is, the portion of the Participant's deferred Compensation that the Participant has elected to be deemed invested in a certain type of investment shall be credited to the investment subaccount corresponding to that investment type.

(b) The investment subaccounts of Participants' Accounts will be credited with earnings or losses based on the earnings or losses of the corresponding investments selected by the Participant and valued in accordance with the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(2) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(3) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

4.2 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

ARTICLE V

VESTING

5.1 In General

A Participant's interest in his or her Account will be nonforfeitable.

5.2 Exceptions

The following exceptions apply to the vesting rule:

- (a) Forfeitures on account of a lost payee. See Section 6.4.
- (b) Forfeitures under an escheat law.
- (c) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.
- (d) Expenses charged to a Participant's Account.
- (e) Investment losses.
- (f) Forfeitures resulting from early withdrawals. See Section B.2.

ARTICLE VI
DISTRIBUTIONS

6.1 Distribution of Deferred Compensation Contributions

Appendix B governs the distribution of amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) and are exempt from the requirements of Code section 409A. Thus, this Section 6.1 does not apply to these pre-2005 deferrals, but does apply to all other amounts deferred under the Plan.

(a) Separate Distribution Election. A Participant must make a separate distribution election for each year beginning with the 2005 deferral election. A Participant generally makes a distribution election at the same time the Participant makes the deferral election, i.e., during the Open Enrollment Period. The Participant will specify in the distribution election whether the amounts deferred for the year (and earnings thereon) will be paid upon a Separation from Service or upon a specified date, and the method of distribution for such amounts. Even if a Participant elects to have a year's deferrals payable upon a specified date, he shall also specify a method of distribution for payments upon a Separation from Service.

(b) Distribution Upon Separation from Service. A Participant may elect on a deferral form to have the portion of his Account related to amounts deferred under the deferral form (and earnings thereon) distributed in a lump sum or in quarterly installments over a period of 5, 10, or 15 years. If a Participant does not elect a method for distribution for a deferred amount, the amount will be distributed in quarterly installments over 10 years. Notwithstanding the foregoing, if a Participant's Account balance is \$50,000 or less at the time the Participant Separates from Service or if the Separation from Service occurs before age 55 for reasons other than death or disability (as defined under Code section 409A), the deferred amount will be distributed in a lump sum payment.

A lump sum payment shall be made in the second month following the month of Separation from Service. Installment payments shall commence as of the January, April, July, or October that next follows the month of Separation from Service and that is not the month immediately following the month of Separation from Service. For example, if a Separation from Service occurs in January, payments begin in April. If a Separation from Service occurs in March, payments begin in July.

Notwithstanding the foregoing, distributions may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any lump sum payment that would otherwise be made during this period of delay shall be paid on the first day of the seventh month following the Participant's Separation from Service (or, if earlier, the first day of the month after the Participant's death). Any series of installment payments impacted by this delay shall begin as of the January, April, July, or October

coincident with or next following the Participant's Separation from Service. The initial payment of such an installment series shall include any installment payments that would have otherwise been made during the period of delay.

(c) Distribution as of Specified Date. A Participant may elect on a deferral form to have the portion of his Account related to amounts deferred under the deferral form (and earnings thereon) paid to the Participant as of a January that is at least two years after the year of deferral. The Participant may elect to receive such amount as a lump sum or in quarterly installments over 2 to 5 years. If the amount is \$25,000 or less at the specified date for distribution, the Participant will receive a lump sum distribution of the amount regardless of his elected distribution form. If the Participant Separates from Service before the specified date or while receiving a distribution of an amount under this Section 6.1(c), such portion of the Account will be distributed in accordance with the Participant's distribution election for a Separation from Service made at the time of the Participant's deferral election.

(d) Changes in Time or Form of Distribution. A Participant may make up to two subsequent elections to change the time or form of a distribution for any year's deferral. Such an election, however, shall be effective only if the following conditions are satisfied:

(1) The election may not take effect until at least twelve (12) months after the date on which the election is made;

(2) In the case of an election to change the time or form of the distribution under Sections 6.1(b) or (c), a distribution may not be made earlier than at least five (5) years from the date the distribution would have otherwise been made; and

(3) In the case of an election to change the time or form of a distribution under Section 6.1(c), the election must be made at least twelve (12) months before the date the distribution is scheduled to be paid.

(e) Effect of Taxation. If Plan benefits are includible in the income of a Participant under Code section 409A prior to actual receipt of the benefits, the Administrative Committee shall immediately distribute the benefits found to be so includible to the Participant.

(f) Permitted Delays. Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Committee's reasonable anticipation of one or more of the following events:

(1) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or

(2) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section 6.1(f) shall be paid in accordance with Code section 409A.

6.2 Withdrawals for Unforeseeable Emergency

A Participant may withdraw all or any portion of his Account balance for an Unforeseeable Emergency. The amounts distributed with respect to an Unforeseeable Emergency may not exceed the amounts necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Plan. "Unforeseeable Emergency" means for this purpose a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

6.3 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check which has been issued by the Plan. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

6.4 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period.

6.5 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VII
ADMINISTRATION

7.1 Committees

(a) An Administrative Committee of one or more persons, shall be appointed by, and serve at the pleasure of, the Chairman and Chief Executive Officer. The number of members comprising the Administrative Committee shall be determined by the Chairman, President, and Chief Executive Officer, who may from time to time vary the number of members. A member of the Administrative Committee may resign by delivering a written notice of resignation to the Chairman, President, and Chief Executive Officer. The Chairman, President, and Chief Executive Officer may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Administrative Committee shall be filled promptly by the Chairman, President, and Chief Executive Officer.

(b) An Investment Committee of one or more persons, shall be appointed by, and serve at the pleasure of, the Board. The number of members comprising the Investment Committee shall be determined by the Board, who may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

7.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by all members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The chairman of a Committee, or any other member or members of each Committee designated by the chairman of the Committee, may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

7.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;

- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);
- (g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and
- (h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

7.4 Powers and Duties of the Investment Committee

The Investment Committee, shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To select types of investment and the actual investments against which earnings and losses will be measured;
- (b) To oversee any rabbi trust; and
- (c) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

7.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

7.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the Compensation of all Participants, their death or other events which cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

7.7 Committee Compensation, Expenses and Indemnity

(a) The members of the Committees shall serve without compensation for their services hereunder.

(b) The Committees are authorized to employ such legal counsel as they may deem advisable to assist in the performance of their duties hereunder.

(c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

7.8 Disputes

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under the Plan.

ARTICLE VIII
MISCELLANEOUS

8.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

8.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 5.2 will not be treated as violations of this Section.

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

(1) issued pursuant to a State's domestic relations law;

(2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;

(3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and

(4) meets such other requirements established by the Administrative Committee.

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

8.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite the previous Section, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

8.4 Withholding

There shall be deducted from each payment made under the Plan or any other Compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

8.5 Amendment, Modification, Suspension or Termination

The Administrative Committee may amend, modify, suspend or terminate the Plan in whole or in part, except that no amendment, modification, suspension or termination may reduce a Participant's Account balance below its dollar value immediately prior to the amendment. The preceding sentence is not intended to protect Participants against investment losses. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and as the time described in Article VI, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

Notwithstanding the foregoing, no amendment of the Plan shall apply to amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to amounts that are "grandfathered" and exempt from the requirements of Code section 409A.

8.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

8.7 Receipt or Release

Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committees and the Affiliated Companies. The Administrative Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

8.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any Trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

8.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

8.11 2001 Reorganization

Effective as of the 2001 Reorganization Date in (d), the corporate structure of Northrop Grumman Corporation and its affiliates was modified. Effective as of the Litton Acquisition Date in (e), Litton Industries, Inc. was acquired and became a subsidiary of the Northrop Grumman Corporation (the "Litton Acquisition").

(a) The former Northrop Grumman Corporation was renamed Northrop Grumman Systems Corporation. It became a wholly-owned subsidiary of the new parent of the reorganized controlled group.

(b) The new parent corporation resulting from the restructuring is called Northrop Grumman Corporation. All references in this Plan to the former Northrop Grumman Corporation and its Board of Directors now refer to the new parent corporation bearing the same name and its Board of Directors.

(c) As of the 2001 Reorganization Date, the new Northrop Grumman Corporation became the sponsor of this Plan, and its Board of Directors assumed authority over this Plan.

(d) 2001 Reorganization Date. The date as of which the corporate restructuring described in (a) and (b) occurred.

(e) Litton Acquisition Date. The date as of which the conditions for the completion of the Litton Acquisition were satisfied in accordance with the "Amended and Restated Agreement and Plan of Merger Among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc., and LII Acquisition Corp.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 20th day of December, 2010.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation, Benefits & International

APPENDIX A
2005 TRANSITION RELIEF

The following provisions apply only during 2005, pursuant to transition relief granted in IRS Notice 2005-1:

A.1 Cash-Out

Participants Separating from Service during 2005 for any reason before age 55 will receive an immediate lump sum distribution of their Account balances. Other Participants Separating from Service in 2005 will receive payments in accordance with their prior elections.

A.2 Elections

During the Plan's open enrollment period in June 2005 Participants may fully or partially cancel 2005 deferral elections and receive in 2005 a refund of amounts previously deferred in 2005.

In addition, individuals working in Company facilities impacted by Hurricane Katrina may stop or reduce 2005 elective contributions to the Plan at any time during 2005. All payments under this Section A.2 will be made before the end of calendar year 2005.

A.3 Key Employees

Key Employees Separating from Service on or after July 1, 2005, with distributions subject to Code section 409A and scheduled for payment in 2006 within six months of Separation from Service, may choose I or II below, subject to III:

- I. Delay the distributions described above for six months from the date of Separation from Service. The delayed payments will be paid as a single sum with interest at the end of the six month period, with the remaining payments resuming as scheduled.
- II. Accelerate the distributions described above into a payment in 2005 without interest adjustments.
- III. Key Employees must elect I or II during 2005.

APPENDIX B

DISTRIBUTION RULES FOR PRE-2005 AMOUNTS

Distribution of amounts earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) are exempt from the requirements of Code section 409A and shall be made in accordance with the Plan terms as in effect on December 31, 2004 and as summarized in the following provisions.

B.1 Distribution of Contributions

(a) Distributions Upon Early Termination

(1) Voluntary Termination. If a Participant voluntarily terminates employment with the Affiliated Companies before age 55 or Disability, distribution of his or her Account will be made in a lump sum on the Participant's Payment Date.

(2) Involuntary Termination. If a Participant involuntarily terminates employment with the Affiliated Companies before age 55, distribution of his or her Account will generally be made in quarterly installments over a 5, 10 or 15-year period, commencing on the Participant's Payment Date, in accordance with the Participant's original election on his or her deferral election form. Payment will be made in a lump sum if the Participant had originally elected a lump sum, if the Account balance is \$50,000 or less, or if the Administrative Committee so requires.

(b) Distribution After Retirement, Disability or Death. In the case of a Participant who separates from service with the Affiliated Companies on account of Retirement, Disability or death and has an Account balance of more than \$50,000, the Account shall be paid to the Participant (and after his or her death to his or her Beneficiary) in substantially equal quarterly installments over 10 years commencing on the Participant's Payment Date.

(1) An optional form of benefit may be elected by the Participant, on the form provided by Administrative Committee, during his or her initial election period from among those listed below:

- (A) A lump sum distribution on the Participant's Payment Date.
- (B) Quarterly installments over 5 years beginning on the Participant's Payment Date.
- (C) Quarterly installments over 10 years beginning on the Participant's Payment Date.
- (D) Quarterly installments over 15 years beginning on the Participant's Payment Date.

(2) A Participant from time to time may modify the form of benefit that he or she has previously elected. Upon his or her separation from service, the most recently elected form of distribution submitted at least 12 months prior to separation will govern. If no such election exists, distributions will be paid under the 10-year installment method.

(3) In the case of a Participant who terminates employment with the Affiliated Companies on account of Retirement, Disability or death with an Account balance of \$50,000 or less, the Account shall be paid to the Participant in a lump sum distribution on the Participant's Payment Date.

(4) In general, upon the Participant's death, payment of any remaining Account balance will be made to the Beneficiary in a lump sum on the Payment Date. But the Beneficiary will receive any remaining installments (starting on the Payment Date) if the Participant was receiving installments, or if the Participant died on or after age 55 with an Account balance over \$50,000 and with an effective installment payout election in place. In such cases, the Beneficiary may still elect a lump sum payment of the remaining Account balance, but only with the Administrative Committee's consent.

(c) Distribution With Scheduled Withdrawal Date. A Participant who has elected a Scheduled Withdrawal Date for a distribution while still in the employ of the Affiliated Companies, will receive the designated portion of his or her Account as follows:

(1) A Participant's Scheduled Withdrawal Date can be no earlier than two years from the last day of the Plan Year for which the deferrals of Compensation are made.

(2) A Participant may extend the Scheduled Withdrawal Date for any Plan Year, provided such extension occurs at least one year before the Scheduled Withdrawal Date and is for a period of not less than two years from the Scheduled Withdrawal Date. The Participant shall have the right to twice modify any Scheduled Withdrawal Date.

(3) Payments under this subsection may be in the form of a lump sum, or 2, 3, 4 or 5-year quarterly installments. The default form will be a lump sum. If the Account balance to be distributed is \$25,000 or less, payment will automatically be made in a lump sum. Payments will commence on the Scheduled Withdrawal Date.

(4) In the event a Participant terminates employment with the Affiliated Companies prior to the commencement or completion of a distribution under this subsection, the portion of the Participant's Account associated with a Scheduled Withdrawal Date which has not been distributed prior to such termination shall be distributed in accordance with Section B.1(a) and (b) along with the remainder of the Account.

B.2 Early Non-Scheduled Distributions

A Participant shall be permitted to elect an Early Distribution from his or her Account prior to a Payment Date under Section B.1, subject to the following restrictions:

(a) The election to take an Early Distribution shall be made by filing a form provided by and filed with the Administrative Committee prior to the end of any calendar month.

(b) The amount of the Early Distribution shall equal up to 90% of his or her Account balance.

(c) The amount described in subsection (b) above shall be paid in a lump sum as of a date after the receipt by the Administrative Committee of the request for a withdrawal under this Section. The exact date will be determined by the Administrative Committee to allow time for administrative processing.

(d) A Participant shall forfeit 10% of the amount of the requested distribution. The Affiliated Companies shall have no obligation to the Participant or his or her Beneficiary with respect to such forfeited amount.

(1) Example 1: A Participant requests a distribution of 100% of the Account. The Participant receives 90%. The amount forfeited is 10% of the Account.

(2) Example 2: A Participant requests a distribution of 50% of the Account. The Participant receives 45%. The amount forfeited is 5% of the Account.

(e) All distributions shall be made on a pro rata basis from among a Participant's investment subaccounts.

B.3 Hardship Distribution

A Participant shall be permitted to elect a Hardship Distribution from his or her Account prior to a Payment Date under Section B.1, subject to the following restrictions:

(a) The election to take a Hardship Distribution shall be made by filing a form provided by and filed with the Administrative Committee prior to the end of any calendar month.

(b) The Administrative Committee shall have made a determination that the requested distribution constitutes a Hardship Distribution.

(c) The amount determined by the Administrative Committee as a Hardship Distribution shall be paid in a lump sum as of a date after the approval by the Administrative Committee of the request for a withdrawal under this Section. The exact date will be determined by the Administrative Committee to allow time for administrative processing.

B.4 Plan Termination

In the event that this Plan is terminated, the amounts allocated to a Participant's Account shall be distributed to the Participant or, in the event of his or her death, to his or her Beneficiary in a lump sum.

APPENDIX C
TRANSFER OF LIABILITIES —
NORTHROP GRUMMAN EXECUTIVE DEFERRED COMPENSATION PLAN

C.1 Background

Effective March 1, 2001, all liabilities under the Northrop Grumman Executive Deferred Compensation Plan other than the Estate Enhancement Program Account, were transferred to this Plan. This Appendix describes the treatment of those liabilities (plus earnings) (“Transferred Liabilities”) and the Participant to whom those liabilities are owed (“Transferred Participant”).

C.2 Treatment of Transferred Liabilities

The Transferred Liabilities will generally be treated under the Plan like Compensation deferred in accordance with Article III.

C.3 Investments

The Transferred Participant may make investment elections for the Transferred Liabilities in accordance with Section 3.3. Section 3.4 will also apply.

C.4 Distributions

Distributions of amounts corresponding to the Transferred Liabilities will generally be made in accordance with the provisions of Appendix B. The following exceptions and special rules apply:

(a) Section B.1

(1) For purposes of Sections B.1(a)(2) and B.1(b)(1), the Transferred Participant will be deemed to have made an election of 5 or 10-year installments corresponding to his elections of 5 or 10-year installments under Section 6.9(b)(2) of the Northrop Grumman Executive Deferred Compensation Plan.

(2) The Transferred Participant may utilize Section B.1(b)(2) to vary the form of his distribution.

(3) Distributions under Section B.1(c) are not available.

(b) Section B.2. The Early Non-Scheduled Distribution election is available. The Transferred Liabilities will be aggregated with any other amounts in the Transferred Participant’s Account for purposes of distributions under Section B.2.

(c) Sections 6.3-6.6. These Sections are fully applicable.

C.5 Other Provisions

The Transferred Liabilities and the Transferred Participant will be fully subject to the provisions of Articles IV, V, VII and VIII.

APPENDIX D

TRANSFER OF LIABILITIES —
AEROJET-GENERAL LIABILITIES

D.1 Background

(a) Effective as of the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation (the "APA"), certain liabilities ("Transferred Liabilities") under the Benefits Restoration Plan for Salaried Employees of GenCorp Inc. and Certain Subsidiary Companies and the GenCorp Inc. and Participating Subsidiaries Deferred Bonus Plan were transferred to this Plan.

(b) The transfer took place pursuant to section 10.6 of the APA, under which Northrop Grumman acquired the Azusa and Colorado Operations units from Aerojet-General Corporation. That section reads:

* * * * *

10.6 Unfunded Deferred Compensation

(a) Subject to legal requirements for employee acquiescence, as of the effective time of the Closing, the Purchaser shall assume any and all obligations of the Seller to pay any and all unfunded deferred compensation as set forth on Schedule 10.6 for all Transferring Employees, provided such benefits are adequately reflected on the Balance Sheet.

(b) The Seller shall retain any and all legal obligation to pay any and all unfunded deferred compensation for all Aerojet Employees that are not Transferring Employees.

* * * * *

(c) This Appendix is intended to effectuate the assumption of certain of the liabilities contemplated by section 10.6 of the APA. It describes the treatment of those liabilities (plus earnings) and the Participants to whom those liabilities are owed ("Transferred Participants").

(d) The only liabilities assumed by this Plan are:

- (1) those from the GenCorp Inc. and Participating Subsidiaries Deferred Bonus Plan, and

(2) those liabilities under the Benefits Restoration Plan for Salaried Employees of GenCorp Inc. and Certain Subsidiary Companies which represent supplements with respect to an Aerojet defined contribution plan.

No liabilities are assumed which represent supplements with respect to an Aerojet defined benefit plan.

(e) The assumed liabilities will be represented by starting Account balances for the Transferred Participants, determined in the discretion of the Administrative Committee.

D.2 Treatment of Transferred Liabilities

The Transferred Liabilities will generally be treated under the Plan like Compensation deferred in accordance with Article III.

D.3 Investments

The Transferred Participants may make investment elections for the Transferred Liabilities in accordance with Section 3.3. Section 3.4 will also apply.

D.4 Distributions

Distributions of amounts corresponding to the Transferred Liabilities will generally be made in accordance with the provisions of Appendix B. The following exceptions and special rules apply:

(a) Section B.1

(1) For purposes of Sections B.1(a)(2) and B.1(b)(1), the Transferred Participants will be deemed to have made an election of 10-year installments.

(2) The Transferred Participants may utilize Section B.1(b)(2) to vary the form of their distributions.

(3) Distributions under Section B.1(c) are not available.

(b) Section B.2. The Early Non-Scheduled Distribution election is available. The Transferred Liabilities will be aggregated with any other amounts in the Transferred Participants' Accounts for purposes of distributions under Section B.2.

(c) Sections 6.3-6.6. These Sections are fully applicable.

D.5 Other Provisions

The Transferred Liabilities and the Transferred Participants will be fully subject to the provisions of Articles IV, V, VII and VIII.

APPENDIX E

TRANSFER OF LIABILITIES — TASC, INC. SUPPLEMENTAL RETIREMENT PLAN

E.1 Background

(a) Effective as of the TASC Merger Date, all liabilities under the TASC, Inc. Supplemental Retirement Plan were transferred to this Plan. This Appendix describes the treatment of those liabilities (plus earnings) (“Transferred Liabilities”) and the Participant to whom those liabilities are owed (“Transferred Participant”).

(b) The “TASC Merger Date” is March 28, 2003 or such other date that the Northrop Grumman Director of Benefits Administration and Services determines is feasible. If the Northrop Grumman Director of Benefits Administration and Services determines that March 28, 2003 is not feasible, he shall identify in writing, before March 28, 2003, a date that is feasible.

E.2 Treatment of Transferred Liabilities

The Transferred Liabilities will generally be treated under the Plan like Compensation deferred in accordance with Article III.

E.3 Investments

The Transferred Participant may make investment elections for the Transferred Liabilities in accordance with Section 3.3. Section 3.4 will also apply.

E.4 Distributions

Distributions of amounts corresponding to the Transferred Liabilities will generally be made in accordance with the provisions of Appendix B.

E.5 Other Provisions

The Transferred Liabilities and the Transferred Participant will be fully subject to the provisions of Articles IV, V, VII and VIII.

APPENDIX F

2008 TRANSITION RELIEF

Pursuant to transition rules under Code section 409A, during a specified period in 2008, Participants who had previously elected in 2008 to defer amounts that would otherwise be payable in 2009 may make a new election with respect to such amounts. Such an election must provide for a lower deferral percentage for each compensation category than the originally elected percentage. And if a Participant makes such an election, the Participant may also make a new distribution election (in accordance with the Plan's distribution rules in Section 6.1) for such amounts.

NORTHROP GRUMMAN
SAVINGS EXCESS PLAN
(Amended and Restated Effective as of January 1, 2011)

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INTRODUCTION

The Northrop Grumman Savings Excess Plan (the "Plan") was previously amended and restated effective as of January 1, 2009. This restatement, effective January 1, 2011, amends the January 1, 2009 version of the Plan and includes changes that apply to amounts earned and vested under the Plan prior to 2005.

Northrop Grumman Corporation (the "Company") established this Plan for participants in the Northrop Grumman Savings Plan who exceed the limits under sections 401(a)(17) or 415(c) of the Internal Revenue Code. This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder (except with respect to amounts covered by Appendix B), and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I
DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

- (a) "Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.
- (b) "Administrative Committee" means the committee in charge of Plan administration, as described in Article VII.
- (c) "Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).

(d) "Base Salary" shall mean a Participant's annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Affiliated Companies and prior to reduction for any salary contributions to a plan established pursuant to section 125 of the Code or qualified pursuant to section 401(k) of the Code.

(e) "Basic Contributions" shall have the same meaning as that term is defined in the NGSP.

(f) "Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(1) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(2) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the

Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company. Effective January 1, 2007, a Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(3) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person's living parent(s) to act as custodian, (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company.

(4) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

(g) "Board" shall mean the Board of Directors of the Company.

(h) "Bonuses" shall mean the bonuses earned under the Company's formal incentive plans as defined by the Administrative Committee.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(j) "Committees" shall mean the Committees appointed as provided in Article VII.

(k) "Company" shall mean Northrop Grumman Corporation and any successor.

(l) "Company Contributions" shall mean contributions by the Company to a Participant's Account.

(m) "Compensation" shall be Compensation as defined by Section 5.01 of the NGSP.

(n) "Disability" or "Disabled" shall mean the Participant's inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

(o) "Eligible Compensation" shall mean (1) Compensation prior to January 1, 2009, and (2) after 2008, Base Salary and Bonuses, reduced by the amount of any deferrals made from such amounts under the Northrop Grumman Deferred Compensation Plan.

(p) "Eligible Employee" shall mean any Employee who meets the following conditions:

(1) he or she is eligible to participate in the NGSP;

(2) he or she is classified by the Affiliated Companies as an Employee and not as an independent contractor; and

(3) he or she meets any additional eligibility criteria set by the Administrative Committee.

Additional eligibility criteria established by the Administrative Committee may include specifying classifications of Employees who are eligible to participate and the date as of which various groups of Employees will be eligible to participate. This includes, for example, Administrative Committee authority to delay eligibility for employees of newly acquired companies who become Employees.

(q) "Employee" shall mean any common law employee of the Affiliated Companies who is classified as an employee by the Affiliated Companies.

(r) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

(s) "Investment Committee" means the committee in charge of investment aspects of the Plan, as described in Article VII.

(t) "Key Employee" means an employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

(u) "NGSP" means the Northrop Grumman Savings Plan.

(v) "Open Enrollment Period" means the period designated by the Administrative Committee for electing deferrals for the following Plan Year.

(w) "Participant" shall mean any Eligible Employee who participates in this Plan in accordance with Article II or any Employee who is a RAC Participant.

(x) "Payment Date" shall mean:

(1) for distributions upon early termination under Section B.1(a), a date after the end of the month in which termination of employment occurs; and

(2) for distributions after Retirement, Disability or death under Section B.1(b), a date after the end of the month in which occurs Retirement, the determination of Disability by the Administrative Committee, or the notification of the Administrative Committee of the Participant's death (or later qualification of the Beneficiary or Beneficiaries), as applicable.

The exact date in each case will be determined by the Administrative Committee to allow time for administrative processing.

(y) "Plan" shall be the Northrop Grumman Savings Excess Plan.

(z) "Plan Year" shall be the calendar year.

(aa) "RAC Contributions" shall mean the Company contributions under Section 3.2(b)(2).

(bb) "RAC Participant" shall mean an Employee who is eligible to participate in the NGSP, receives Retirement Account Contributions under the NGSP, and is classified by the Affiliated Companies as an Employee and not as an independent contractor. Notwithstanding the foregoing, an Employee who becomes eligible to participate in the Officers Supplemental Executive Retirement Program II ("OSERP II") under the Northrop Grumman Supplemental Plan 2 shall immediately cease to be eligible for RAC Contributions.

(cc) "RAC Subaccount" shall mean the portion of a Participant's Account made up of RAC Contributions and earnings thereon.

(dd) "Retirement" shall mean termination of employment with the Affiliated Companies after reaching age 55.

(ee) "Separation from Service" or "Separates from Service" or "Separating from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II
PARTICIPATION

2.1 In General

(a) An Eligible Employee may become a Participant by complying with the procedures established by the Administrative Committee for enrolling in the Plan. Anyone who becomes an Eligible Employee will be entitled to become a Participant during an Open Enrollment Period.

(b) A RAC Participant will become a Participant when RAC Contributions are first made to his or her RAC Subaccount.

(c) An individual will cease to be a Participant when he or she no longer has a positive balance to his or her Account under the Plan.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan and enrollment forms or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees and will not be entitled to participate in the Plan.

ARTICLE III
DEFERRAL ELECTIONS

3.1 Elections to Defer Eligible Compensation

(a) Timing. An Eligible Employee who meets the requirements of Section 2.1(a) may elect to defer Eligible Compensation earned in a Plan Year by filing an election in the Open Enrollment Period for the Plan Year. An election to participate for a Plan Year is irrevocable.

(b) Election Rules. An Eligible Employee's election may be made in writing, electronically, or as otherwise specified by the Administrative Committee. Such election shall specify the Eligible Employee's rate of deferral for contributions to the Plan, which shall be between 1% and 75%, and shall address distribution of the deferred amounts as described in Section 6.1. All elections must be made in accordance with the rules, procedures and forms provided by the Administrative Committee. The Administrative Committee may change the rules, procedures and forms from time to time and without prior notice to Participants.

(c) Cancellation of Election. If a Participant becomes disabled (as defined under Code section 409A) during a Plan Year, his deferral election for such Plan Year shall be cancelled.

3.2 Contribution Amounts

(a) Participant Contributions. An Eligible Employee's contributions under the Plan for a Plan Year will begin once his or her Compensation for the Plan Year exceeds the Code section 401(a)(17) limit for the Plan Year. The Participant's elected deferral percentage will be applied to his or her Eligible Compensation for the balance of the Plan Year.

(b) Company Contributions. The Company will make Company Contributions to a Participant's Account as provided in (1), (2) and (3) below.

(1) Matching Contributions. The Company will make a Company Contribution equal to the matching contribution rate for which the Participant is eligible under the NGSP for the Plan Year multiplied by the amount of the Participant's contributions under subsection (a).

(2) RAC Contributions. Effective July 1, 2008, the Company will make RAC Contributions equal to a percentage of a RAC Participant's Compensation for a Plan Year in excess of the Code section 401(a)(17) limit. The percentage used to calculate a RAC Participant's contribution for a Plan Year shall be based on the RAC Participant's age on the last day of the Plan Year as follows:

(i) Three percent if not yet age 35.

(ii) Four percent if 35 or older, but not yet 50.

(iii) Five percent if age 50 or older.

(3) Make-Up Contributions for Contribution Limitation. If an Eligible Employee's Basic Contributions under the NGSP for a Plan Year are limited by the Code section 415(c) contribution limit before the Eligible Employee's Basic Contributions under the NGSP are limited by the Code section 401(a)(17) compensation limit, the Company will make a Company Contribution equal to the amount of matching contributions for which the Eligible Employee would have been eligible under the NGSP were Code section 415(c) not applied, reduced by the actual amount of matching contributions made for the Plan Year under the NGSP.

3.3 Crediting of Deferrals

Amounts deferred by a Participant under the Plan shall be credited to the Participant's Account as soon as practicable after the amounts would have otherwise been paid to the Participant. Company contributions other than those under Section 3.2(b)(3) will be credited to Accounts as soon as practicable after each payroll cycle in which they accrue. Company contributions under Section 3.2(b)(3) will be credited to Accounts as soon as practicable after each Plan Year.

3.4 Maximum Contributions

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

3.5 Investment Elections

(a) The Investment Committee will establish a number of different investment funds or other investment options for the Plan. The Investment Committee may change the funds or other investment options from time to time, without prior notice to Participants.

(b) Participants may elect how their future contributions and existing Account balances will be deemed invested in the various investment funds and may change their elections from time to time. If a Participant does not elect how future contributions will be deemed invested, contributions will be deemed invested in the qualified default investment alternative ("QDIA") that applies to the Participant under the NGSP.

(c) The deemed investments for a RAC Participant's RAC Subaccount must be the same as the deemed investments for the RAC Participant's Company contributions under Section 3.2(b)(1).

(d) Selections of investments, changes and transfers must be made according to the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may prescribe rules that may include, among other matters, limitations on the amounts that may be transferred and procedures for electing transfers.

(2) The Administrative Committee may prescribe valuation rules for purposes of investment elections and transfers. Such rules may, in the Administrative Committee's discretion, use averaging methods to determine values and accrue estimated expenses. The Administrative Committee may change the methods it uses for valuation from time to time.

(3) The Administrative Committee may prescribe the periods and frequency with which Participants may change deemed investment elections and make transfers.

(4) The Administrative Committee may change its rules and procedures from time to time and without prior notice to Participants.

3.6 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of their contributions due to poor investment performance.

ARTICLE IV

ACCOUNTS

4.1 Accounts

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

4.2 Valuation of Accounts

The valuation of Participants' recordkeeping Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(a) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(b) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(c) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

4.3 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

ARTICLE V
VESTING AND FORFEITURES

5.1 In General

A Participant's interest in his or her Account will be nonforfeitable, subject to the exceptions in Section 5.2.

5.2 Exceptions

The following exceptions apply to the vesting rule:

(a) A RAC Participant shall become vested in his RAC Subaccount upon completing three years of service. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

(b) Forfeitures on account of a lost payee. See Section 6.6.

(c) Forfeitures under an escheat law.

(d) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.

(e) Expenses charged to a Participant's Account.

(f) Investment losses.

ARTICLE VI
DISTRIBUTIONS

6.1 Distribution Rules for Non-RAC Amounts

The rules in this Section 6.1 apply to distribution of a Participant's Account other than the RAC Subaccount.

Notwithstanding the foregoing, Appendix B governs the distribution of amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) and are exempt from the requirements of Code section 409A. Thus, this Section 6.1 does not apply to these pre-2005 deferrals, but does apply to all other amounts deferred under the Plan.

(a) Separate Distribution Election. A Participant must make a separate distribution election for each year's contributions. A Participant generally makes a distribution election at the same time the Participant makes the deferral election, i.e., during the Open Enrollment Period.

(b) Distribution Upon Separation. A Participant may elect on a deferral form to have the portion of his Account related to amounts deferred under the deferral form and Company contributions for the same year (and earnings thereon) distributed in a lump sum or in quarterly or annual installments over a period of 1 to 15 years. Lump sum payments under the Plan will be made in the month following the Participant's Separation from Service. Installment payments shall commence in the March, June, September or December next following the month of Separation from Service. If a Participant does not make a distribution election and his Account balance exceeds \$50,000 and the Participant is age 55 or older at the time the Participant Separates from Service, the Participant will receive quarterly installments over a 10-year period. Otherwise, a Participant not making an election will receive a lump sum payment. Notwithstanding the foregoing, if the Participant's Account balance is \$50,000 or less or the Participant is under age 55 at the time the Participant Separates from Service, the full Account balance shall be distributed in a lump sum payment in the month following the Participant's Separation from Service.

Notwithstanding the timing rules in the foregoing paragraph, distributions may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay shall be accumulated and paid six months after the date payments would have commenced absent the six month delay.

(c) Changes in Form of Distribution. A Participant may make up to two subsequent elections to change the form of a distribution for any year's deferrals and Company contributions. Such an election, however, shall be effective only if the following conditions are satisfied:

- (1) The election may not take effect until at least twelve (12) months after the date on which the election is made; and
- (2) The distribution will be made exactly five (5) years from the date the distribution would have otherwise been made.

6.2 Distribution Rules for RAC Subaccount

The full balance in a RAC Subaccount shall be distributed in a lump sum upon a RAC Participant's Separation from Service. Notwithstanding the foregoing, distribution will not be made to a Key Employee upon a Separation from Service until the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee).

6.3 Effect of Taxation

If Plan benefits are includible in the income of a Participant under Code section 409A prior to actual receipt of the benefits, the Administrative Committee shall immediately distribute the benefits found to be so includible to the Participant.

6.4 Permitted Delays

Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Committee's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;
- (c) provided, that any payment delayed pursuant to this Section 6.4 shall be paid in accordance with Code section 409A.

6.5 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check that has been issued by the Plan. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

6.6 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture and prior to termination of the Plan, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period.

6.7 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VII
ADMINISTRATION

7.1 Committees

(a) Effective April 27, 2006, the Administrative Committee shall be comprised of the individuals (in their corporate capacity) who are members of the Administrative Committee for Northrop Grumman Deferred Compensation Plan. If no such Administrative Committee exists, the members of the Administrative Committee for the Plan shall be individuals holding the following positions within the Company (as such titles may be modified from time to time), or their successors in office: the Corporate Vice President and Chief Human Resources and Administration Officer; the Corporate Vice President, Controller and Chief Accounting Officer; the Vice President, Taxation; the Vice President, Compensation, Benefits and HRIS; and the Corporate Director, Benefits Administration and Services. A member of the Administrative Committee may resign by delivering a written notice of resignation to the Corporate Vice President and Chief Human Resources and Administration Officer.

(b) Prior to April 27, 2006, the Administrative Committee shall be comprised of the individuals appointed by the Compensation Committee of the Board (the "Compensation Committee").

(c) An Investment Committee (referred to together with the Administrative Committee as, the "Committees"), comprised of one or more persons, shall be appointed by and serve at the pleasure of the Board (or its delegate). The number of members comprising the Investment Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

7.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of a Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committee then in office. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

The Compensation Committee shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The Administrative Committee shall conduct its business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Administrative Committee may deem

appropriate. The Administrative Committee shall hold meetings from time to time in any convenient location.

7.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and make all factual determinations;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);
- (g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and
- (h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

7.4 Powers and Duties of the Investment Committee

The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To select types of investment and the actual investments against which earnings and losses will be measured;
- (b) To oversee any rabbi trust; and

(c) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

7.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

7.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the compensation of all Participants, their death or other events that cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

7.7 Committee Compensation, Expenses and Indemnity

(a) The members of the Committees shall serve without compensation for their services hereunder.

(b) The Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.

(c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

7.8 Disputes

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

ARTICLE VIII
MISCELLANEOUS

8.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

8.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 5.2 will not be treated as violations of this Section.

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

(1) issued pursuant to a State's domestic relations law;

(2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;

(3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and

(4) meets such other requirements established by the Administrative Committee.

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

8.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite Section 8.2, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

8.4 Withholding

There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes, which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

8.5 Amendment, Modification, Suspension or Termination

The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's Account balance as of the date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article VI, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

Notwithstanding the foregoing, no amendment of the Plan shall apply to amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to amounts that are "grandfathered" and exempt from the requirements of Code section 409A.

8.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

8.7 Receipt and Release

Any payment to a payee in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan, the Committees and the Affiliated Companies. The Administrative Committee may require such payee, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

8.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

8.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 20th day of December, 2010.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation, Benefits & International

APPENDIX A — 2005 TRANSITION RELIEF

The following provisions apply only during 2005, pursuant to transition relief granted in IRS Notice 2005-1:

A.1 Cash-Out

Participants Separating from Service during 2005 for any reason before age 55 will receive an immediate lump sum distribution of their Account balances. Other Participants Separating from Service in 2005 will receive payments in accordance with their prior elections.

A.2 Elections

During the Plan's open enrollment period in June 2005 Participants may fully or partially cancel 2005 deferral elections and receive in 2005 a refund of amounts previously deferred in 2005.

In addition, individuals working in Company facilities impacted by Hurricane Katrina may stop or reduce 2005 elective contributions to the Plan at any time during 2005. All payments under this Section A.2 will be made before the end of calendar year 2005.

A.3 Key Employees

Key Employees Separating from Service on or after July 1, 2005, with distributions subject to Code section 409A and scheduled for payment in 2006 within six months of Separation from Service, may choose I or II below, subject to III:

- I. Delay the distributions described above for six months from the date of Separation from Service. The delayed payments will be paid as a single sum with interest at the end of the six month period, with the remaining payments resuming as scheduled.
- II. Accelerate the distributions described above into a payment in 2005 without interest adjustments.
- III. Key Employees must elect I or II during 2005.

APPENDIX B — DISTRIBUTION RULES FOR PRE-2005 AMOUNTS

Distribution of amounts earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) are exempt from the requirements of Code section 409A and shall be made in accordance with the Plan terms as in effect on December 31, 2004 and as summarized in the following provisions.

B.1 Distribution of Contributions

(a) Distributions Upon Early Termination.

(1) Voluntary Termination. If a Participant voluntarily terminates employment with the Affiliated Companies before age 55 or Disability, distribution of his or her Account will be made in a lump sum on the Participant's Payment Date.

(2) Involuntary Termination. If a Participant involuntarily terminates employment with the Affiliated Companies before age 55, distribution of his or her Account will generally be made in quarterly or annual installments over a fixed number of whole years not to exceed 15 years, commencing on the Participant's Payment Date, in accordance with the Participant's original election on his or her deferral election form. Payment will be made in a lump sum if the Participant had originally elected a lump sum, if the Account balance is \$50,000 or less, or if the Administrative Committee so specifies.

(b) Distribution After Retirement, Disability or Death. In the case of a Participant who separates from service with the Affiliated Companies on account of Retirement, Disability or death and has an Account balance of more than \$50,000, the Account shall be paid to the Participant (and after his or her death to his or her Beneficiary) in substantially equal quarterly installments over 10 years commencing on the Participant's Payment Date unless an optional form of benefit has been specified pursuant to Section B.1(b)(1).

(1) An optional form of benefit may be elected by the Participant, on the form provided by Administrative Committee, during his or her initial election period from among those listed below:

(i) A lump sum distribution on the Participant's Payment Date.

(ii) Quarterly installments over a period of at least 1 and no more than 15 years beginning on the Participant's Payment Date.

(iii) Annual installments over a period of at least 2 and no more than 15 years beginning on the Participant's Payment Date.

(2) A Participant from time to time may modify the form of benefit that he or she has previously elected. Upon his or her separation from service, the most recently elected form of distribution submitted at least 12 months prior to separation will govern. If no such election exists, distributions will be paid under the 10-year installment method.

(3) In the case of a Participant who terminates employment with the Affiliated Companies on account of Retirement, Disability or death with an Account balance of \$50,000 or less, the Account shall be paid to the Participant in a lump sum distribution on the Participant's Payment Date.

(4) In general, upon the Participant's death, payment of any remaining Account balance will be made to the Beneficiary in a lump sum on the Payment Date. But the Beneficiary will receive any remaining installments (starting on the Payment Date) if the Participant was receiving installments, or if the Participant died on or after age 55 with an Account balance over \$50,000 and with an effective installment payout election in place. In such cases, the Beneficiary may still elect a lump sum payment of the remaining Account balance, but only with the Administrative Committee's consent.

(5) In the event that this Plan is terminated, the amounts allocated to a Participant's Account shall be distributed to the Participant or, in the event of his or her death, to his or her Beneficiary in a lump sum.

APPENDIX C — MERGED PLANS

C.1 Plan Mergers

(a) Merged Plans. As of their respective effective dates, the plans listed in (c)(the “Merged Plans”) are merged into this Plan. All amounts from those plans that were merged into this Plan are held in their corresponding Accounts.

(b) Accounts. Effective as of the dates below, Accounts are established for individuals who, before the merger, had account balances under the merged plans. These individuals will not accrue benefits under this Plan unless they become Participants by virtue of being hired into a covered position with an Affiliated Company, but they will be considered Participants for purposes of the merged accounts. The balance credited to the Participant’s merged plan account will, effective as of the date provided in the table below, be invested in accordance with the terms of this Plan. Except as provided in section C.2 below, amounts merged into this Plan from the merged plans are governed by the terms of this Plan.

(c) Table.

<u>Name of Merged Plans</u>	<u>Merger Effective Dates</u>	<u>Merged Account Names</u>
Northrop Grumman Benefits Equalization Plan	December 10, 2004	NG BEP Account
Northrop Grumman Space & Mission Systems Corp. Deferred Compensation Plan	December 10, 2004	S & MS Deferred Compensation Account
BDM International, Inc. 1997 Executive Deferred Compensation Plan (“BDM Plan”)	April 29, 2005	BDM Account

C.2 Merged Plans — General Rule

(a) NG BEP Account and S & MS Deferred Compensation Account. Distributions from Participants’ NG BEP and S & MS Deferred Compensation Accounts are made under the provisions of Appendix B, except as provided in this Section.

(1) Amounts in the Participant’s NG BEP Account and the S & MS Deferred Compensation Account shall be paid out in accordance with elections made under the Merged Plans.

(2) The Participant's "Payment Date" for amounts in the NG BEP Account and the S & MS Deferred Compensation Account shall be deemed to be the end of January following the Participant's termination of employment.

(3) The reference to \$50,000 in the provisions of Appendix B shall be deemed to be \$5,000 with respect to amounts in the NG BEP Account and the S & MS Deferred Compensation Account.

(4) The Administrative Committee shall assume the rights and responsibilities of the Directors/Committee with respect to determining whether a Participant's NG BEP Account may be paid out in a form other than the automatic form of payment.

(5) The Administrative Committee shall assume the rights and responsibilities of the Committee or Special Committee with respect to determining whether a Participant's S & MS Deferred Compensation Account may be paid out in a form other than the automatic form of payment.

(6) For purposes of determining the time of payment of a Participant's NG BEP Account, a Participant's employment will not be deemed to have terminated following the Participant's layoff until the earlier of the end of the twelve-month period following layoff (without a return to employment with the Affiliated Companies) or the date on which the Participant retires under any pension plan maintained by the Affiliated Companies.

(7) A Participant's S & MS Deferred Compensation Account shall be paid to the Participant no later than the January 5 next preceding the Participant's 80th birthday.

(8) In no event will payments of amounts in the Participant's NG BEP Account and the S & MS Deferred Compensation Account be accelerated or deferred beyond the payment schedule provided under the Merged Plans. However, any election to change the time or form of payment for such an amount may be made based on the terms of the relevant Merged Plan as in effect on October 3, 2004.

(b) BDM Account. Distributions of a Participant's vested BDM Account balance shall be made in accordance with this Section C.2(b), and Article VI shall not apply to such distributions. A Participant shall be vested in his BDM Account balance in accordance with the vesting provisions of the BDM Plan.

(1) Timing of Payment: A Participant's vested BDM Account balance shall be distributed in accordance with elections made under the BDM Plan. For those Participants who have not commenced distributions as of April 29, 2005, payments from the BDM Account will commence at the time designated on his or her BDM enrollment and election form, unless extended prior to such date. However, if such a Participant did not elect a fixed date (or elect the earlier of a fixed date or termination of employment), his or her vested BDM Account balance will be paid as soon as administratively practicable following termination of employment in the form designated under Section C.2(b)(2) below.

(2) Form of Payment: A Participant's vested BDM Account balance shall be paid in cash. The vested BDM Account balance will be paid in (i) a lump sum, (ii) five

(5) or ten (10) substantially equal annual installments (adjusted for gains and losses), or (iii) a combination thereof, as selected by the Participant (or Beneficiary) prior to the date on which amounts are first payable to the Participant (or Beneficiary) under Section C.2(b)(1) above. If the Participant fails to designate properly the manner of payment, such payment will be made in a lump sum.

(3) Death Benefits: If a Participant dies before commencement of payment of his BDM Account balance, the entire Account balance will be paid at the times provided in Section C.2(b)(2) above to his or her Beneficiary. If a Participant dies after commencement but before he or she has received all payments from his vested BDM Account balance, the remaining installments shall be paid annually to the Beneficiary. For purposes of this Section C.2(b), a Participant's Beneficiary, unless subsequently changed, will be the designated beneficiary(ies) under the BDM Plan or if none, the Participant's spouse, if then living, but otherwise the Participant's then living descendants, if any, per stirpes, but, if none, the Participant's estate.

(4) Lost Participant: In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within three years following the payment date under Section C.2(b)(1) above, the amount allocated to the Participant's BDM Account shall be forfeited. If, after such forfeiture and prior to termination of the Plan, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period. In lieu of such a forfeiture, the Administrative Committee has the discretion to direct distribution of the vested BDM Account balance to any one or more or all of the Participant's next of kin, and in the proportions as the Administrative Committee determines.

(5) Committee Rules: All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

(6) Payment Schedule: In no event will payments of amounts in the Participant's BDM Account be accelerated or deferred beyond the payment schedule provided under the BDM Plan.

(7) Application to Trustee: BDM International, Inc. set aside amounts in a grantor trust to assist it in meeting its obligations under the BDM Plan. Notwithstanding Section C.2(b)(5) above and the claims procedures provided in Section 7.8, a Participant may make application for payment of benefits under this Section C.2(b) directly to the trustee of such trust.

LITTON INDUSTRIES, INC. RESTORATION PLAN 2
Amended and Restated Effective as of January 1, 2010

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INTRODUCTION

The Litton Industries, Inc. Restoration Plan 2 (the "Plan"), is hereby amended and restated effective as of January 1, 2010, except as otherwise provided. This restatement amends the January 1, 2009 restatement of the Plan.

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

ARTICLE I Definitions

The terms in this Article have the following meanings when capitalized:

- 1.01 Active Participant. This term is defined in Section 3.04(a).
 - 1.02 Affiliated Companies. The Company and any other entity related to the Company under the rules of section 414 of the Code. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may also include other entities.
 - 1.03 Avondale Plan. The Avondale Industries, Inc. Non-Represented Employees' Pension Plan.
 - 1.04 Board of Directors. The Board of Directors of Northrop Grumman Corporation.
 - 1.05 Code. The Internal Revenue Code of 1986, as amended.
 - 1.06 Company. Litton Industries, Inc.
 - 1.07 ERISA. The Employee Retirement Income Security Act of 1974, as amended.
 - 1.08 FSSP. The Northrop Grumman Financial Security and Savings Program.
 - 1.09 Grandfathered Amounts. Plan benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder.
 - 1.10 Key Employee. An employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated
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Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

- 1.11 Ingalls Salaried Plan. The Ingalls Shipbuilding, Inc. Salaried Employees' Retirement Plan.
- 1.12 Participant. Any employee of the Company or any employee identified as a "Transferred Employee" in Appendix E who is eligible for benefits under a particular Program and has not received full payment under the Program. However, no employees of the Component Technologies Sector or Premier America Credit Union may be Participants.
- 1.13 Payment Date. The 1st of the month coincident with or following the later of (a) the date the Participant attains age 55, or (b) the date the Participant Separates from Service.
- 1.14 Pension Plan and Pension Plans. Any of the following:
 - (a) The Northrop Grumman Retirement Plan
 - (b) The Northrop Grumman Retirement Plan—Rolling Meadows Site
 - (c) The Northrop Grumman Retirement Value Plan (effective as of January 1, 2000)
 - (d) The Northrop Grumman Electronics Systems — Space Division Salaried Employees' Pension Plan (effective as of the Aerojet Closing Date)
 - (e) The Northrop Grumman Electronics Systems — Space Division Union Employees' Pension Plan (effective as of the Aerojet Closing Date)

"Aerojet Closing Date" means the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation.

- 1.15 Plan. The Litton Industries, Inc. Restoration Plan 2.

- 1.16 Plan Year. A 12-month period ending on December 31.
- 1.17 Program. One of the eligibility and benefit structures described in the Appendices.
- 1.18 Retirement Plan and Retirement Plans.
- (a) For periods after April 3, 2001 and before July 1, 2003, the FSSP, Retirement Plan “B,” and the Ingalls Salaried Plan. Appendix A provides the Program for this period.
 - (b) For periods after June 30, 2003, Retirement Plan “B,” the Avondale Plan, and the Ingalls Salaried Plan. Appendix B provides the Program for this period.
- 1.19 Retirement Plan “B”. This term refers to the benefit structure described in the plan document entitled Northrop Grumman Retirement Plan “B” or one of its predecessor plans. It does not include any benefit structures described in other plan documents, even if part of the legal plan named Northrop Grumman Retirement Plan “B” (for example, Northrop Grumman Retirement Plan “A,” the Ingalls Salaried Plan, and the Avondale Plan).
- 1.20 Separation from Service or Separates from Service. A “separation from service” within the meaning of Code section 409A.
- 1.21 Termination of Employment. Complete termination of employment with the Affiliated Companies.
- (a) If a Participant ceases to perform services for one Affiliated Company to begin performing services for another, he or she will not have a Termination of Employment.
 - (b) A Participant will have a Termination of Employment if he or she leaves the Affiliated Companies because the affiliate he or she works for ceases to be an Affiliated Company because it is sold or spun off.

ARTICLE II
General Provisions

- 2.01 In General. The Plan contains two different benefit Programs, which are described in Appendices A and B. Except as provided in Appendix E, Appendices A and B provide the eligibility conditions and the amount of benefits payable under the Programs.
- (a) See Appendix A for the Program that applies to benefits earned for services performed after April 3, 2001 and before July 1, 2003.
 - (b) See Appendix B for the Program that applies to benefits earned for services performed after June 30, 2003.
 - (c) See Appendix E for benefits earned by “Transferred Employees” under the Cutting Edge Optronics transfer.

The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Plan:

- (a) any payment authorized by the Northrop Grumman Corporation Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (b) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.
- 2.02 Forms and Times of Benefit Payments. Unless a Program provides rules concerning the form and timing of benefit payments, the Company will determine the form and timing of benefit payments in its sole discretion, except where a lump sum election under Article III applies.

For payments made to supplement those of a particular tax-qualified retirement or savings plan, the Company will only select among the options available under that plan, using the same actuarial adjustments used in that plan, except in cases of lump sums.

Whenever the present value of the amount payable under the Plan does not exceed \$10,000, it will be paid in the form of a single lump sum as of the first of the month following Termination of Employment. The lump sum will be calculated using the factors and methodology described in Section 3.07 below. (See Section 2.03 for the rule that applies as of January 1, 2008.)

No payments will commence under this Plan until a Participant's Termination of Employment, even if benefits have commenced under a Retirement Plan for Participants over age 70 1/2.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix C and Appendix D for the rules that apply to other benefits earned under the Plan.

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

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

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

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

- (a) To receive their Grandfathered Amounts in any form of distribution available under the Plan at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under this Plan on October 3, 2004.
- (b) To receive their Grandfathered Amounts in any life annuity form not included in (a) above but included in the underlying qualified pension plan distribution options at the time payment

of the Grandfathered Amounts commences. The conversion factors will be based on the following actuarial assumptions:

Interest Rate: 6%

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

- 2.05 Beneficiaries and Spouses. The Participant may designate a beneficiary if the Company selects a form of payment that includes a survivor benefit. The Participant may change this designation at any time before benefits commence. A beneficiary designation must be in writing and will be effective only when received by the Company.

The beneficiary of a Participant who is married on the date his or her benefits are scheduled to commence will be the Participant's spouse unless some other beneficiary is named with spousal consent. To be effective, spousal consent must be submitted in writing before benefits commence and must be witnessed by a Plan representative or notary public. Spousal consent is not necessary if the Company determines that there is no spouse or that the spouse cannot be found.

With respect to Programs designed to supplement tax-qualified retirement or savings plans, the Participant's spouse will be the spouse as determined under the underlying tax-qualified plan. Otherwise, the Company has full discretionary authority to determine the identity of the Participant's spouse.

The distribution rules of this Section only apply to Grandfathered Amounts. See Appendix C and Appendix D for the rules that apply to other benefits earned under the Plan.

- 2.06 Amendment and Plan Termination. The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the provisions of the Plan with respect to lump sum distributions, including any lump sum calculation factors, whether or not a Participant has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's accrued benefit under the Plan as of the date of such amendment or termination.

No amendment of the Plan shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to the Grandfathered Amounts.

The Company may, in its sole discretion, seek reimbursement from the Company's tax-qualified plans to the extent this Plan pays tax-qualified plan benefits to which Participants were entitled or became entitled under the tax-qualified plans.

- 2.07 Not an Employment Agreement. Nothing contained in this Plan gives any Participant the right to be retained in the service of the Company, nor does it interfere with the right of the Company to discharge or otherwise deal with Participants without regard to the existence of this Plan.
- 2.08 Assignment of Benefits. A Participant, surviving spouse or beneficiary may not, either voluntarily or involuntarily, assign, anticipate, alienate, commute, sell, transfer, pledge or encumber any benefits to which he or she is or may become entitled under the Plan, nor may Plan benefits be subject to legal process or to attachment or garnishment by a Participant's creditors.

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

- (a) Issued pursuant to a State's domestic relations law;
- (b) Relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (c) Creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and
- (d) Meets such other requirements established by the Company.

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

- 2.09 Nonduplication of Benefits. This Section applies if, despite Section 2.08, the Company is required to make payments under this Plan to a person or entity other than the payees described in the Plan. In such a case, any amounts due a Participant or beneficiary under this Plan will be reduced

by the actuarial value of the payments made to another person or entity with respect to that Participant or beneficiary.

The actuarial value of lump sums will be determined using the factors and methodology described in Section 3.07 below. In all other cases, actuarial value will be determined using the actuarial assumptions in the underlying Retirement Plan.

In dividing a Participant's benefit between the Participant and another person or entity, consistent actuarial assumptions and methodologies will be used so that there is no increased actuarial cost to the Company.

- 2.10 Funding. Participants have the status of general unsecured creditors of the Company, and the Plan constitutes a mere promise by the Company to pay benefits in the future. The Company may, but need not, fund benefits under the Plan through a trust. If it does so, any trust created by the Company and any assets held by the trust to assist it in meeting its obligations under the Plan will conform to the terms of the model trust, as described in Internal Revenue Service Revenue Procedure 92-64, but only to the extent required by Internal Revenue Service Revenue Procedure 92-65. The Company and Participants intend that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.

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

- 2.11 Construction. The Company has full discretionary authority to determine eligibility and to construe and interpret the terms of the Plan, including the power to remedy possible ambiguities, inconsistencies or omissions.
- 2.12 Governing Law. This Plan is governed by the law of the State of California, except to the extent superseded by federal law.
- 2.13 Actions By Company and Claims Procedures. The Company's powers under the Plan will be exercised by written resolution of the Board of Directors or its delegate. The Board may by written resolution delegate any of the Company's powers under the Plan and any such delegations may provide for subdelegations, also by written resolution.

The standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

- 2.14 Plan Representatives. Those authorized to act as Plan representatives will be designated in writing by the Board of Directors or its delegate.

- 2.15 Number. The singular, where appearing in this Plan, will be deemed to include the plural, unless the context clearly indicates the contrary.
- 2.16 Special Tax Distribution. On the date a Participant's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the Participant's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the Plan, including Grandfathered Amounts. This payment will reduce the Participant's future benefit payments under the Plan on an actuarial basis.
- 2.17 Benefit Limit. The amount of the benefit under this Plan will be limited as provided below:
- (a) A Participant's total accrued benefits under all defined benefit plans, programs, and arrangements maintained by Northrop Grumman Corporation and its affiliates (as determined under Code section 414) in which he or she participates, including the Plan, may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the Participant's benefit accrued under the Plan will be reduced to the extent necessary to satisfy the limit.
 - (1) For this purpose, "Final Average Salary" has the meaning provided under Appendix G to the Northrop Grumman Supplemental Plan 2 (the "OSERP").
 - (2) The Participant's Final Average Salary will be reduced for early retirement applying the factors in the OSERP.
 - (3) The limit in this subsection may not be exceeded even after the benefits under the Plan have been enhanced under any change in control agreements or Northrop Grumman Corporation Special Agreements.

ARTICLE III
Lump Sum Election

This Article only applies with respect to Grandfathered Amounts. See Appendix C and Appendix D for the distribution rules that apply to other benefits earned under the Plan.

- 3.01 In General. This Article provides the rules under which Participants may elect to receive their Plan benefits in a lump sum. Except as provided in Section 3.07, this Article does not apply to Active Participants (as defined in Section 3.04) whose benefits are automatically payable in lump sum form under Article II.

This Article will not apply if a particular Program so provides.

- 3.02 Retirees Election. Participants and Participants' beneficiaries already receiving monthly benefits under the Plan at its inception will be given a one-time opportunity to elect a lump sum payout of future benefit payments.
- (a) The election must be made within a 45-day period determined by the Company. Within its discretion, the Company may delay the commencement of the 45-day period in instances where the Company is unable to timely communicate with a particular payee.
 - (b) The determination as to whether a payee is already receiving monthly benefits will be made at the beginning of the 45-day period.
 - (c) An election to take a lump sum must be accompanied by a waiver of the existing retiree medical benefits by those Participants (and their covered spouses or surviving spouses) entitled either to have such benefits entirely paid for by the Company or to receive such benefits as a result of their classification as an employee under Executive Class Code II.

Following the waiver, waiving Participants (and covered spouses or surviving spouses) will be entitled to the coverage offered to employees who are eligible for Senior Executive Retirement Insurance Benefits in effect as of July 1, 1993. The cost charged to the retirees for this coverage will be determined as if the retiree had been employed 20 or more years by the Company.

- (d) If the person receiving payments as of the beginning of the 45-day period dies before electing a lump sum, his or her beneficiary, if any, may not elect a lump sum.
 - (e) Elections to receive a lump sum (and waivers under (c)) must be made in writing and must include spousal consent if the payee (whether the Participant or beneficiary) is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.
 - (f) An election (with spousal consent, where required) to receive the lump sum made at any time during the 45-day period will be irrevocable. If no proper election has been made by the end of the 45-day period, payments will continue unchanged in the monthly form that previously applied.
- 3.03 Retirees Lump Sum. If a retired Participant or beneficiary makes a valid election under Section 3.02 within the 45-day period, monthly payments will continue in the previously applicable form for 12 months (assuming the payees live that long).
- (a) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum to the Participant, if alive, or, if not, to the beneficiary under the previously applicable form of payment.
 - (b) No lump sum payment will be made if:
 - (1) The Participant is receiving monthly benefit payments in a form that does not provide for survivor benefits and the Participant dies before the lump sum payment is due.
 - (2) The Participant is receiving monthly benefit payments in a form that does provide for survivor benefits, but the Participant and beneficiary die before the lump sum payment is due.
 - (c) The following rules apply where payment is being made in the form of a 10-year certain and continuous life annuity option:
 - (1) If the Participant is deceased at the commencement of the 45-day election period, the surviving beneficiary may not make the election if there are less than 13 months left in the 10-year certain period.
 - (2) If the Participant elects the lump sum and dies before the first of the 13th month and:

- (A) if the 10-year certain period has already ended, all monthly payments will cease at the Participant's death and no lump sum will be paid;
- (B) if the 10-year certain period ends after the Participant's death and before the beginning of the 13th month, monthly payments will end at the end of the 10-year certain period and no lump sum will be paid; and
- (C) if the 10-year certain period ends after the beginning of the 13th month, monthly payments will continue through the 12th month, and a lump sum equal to the present value of the remaining benefit payments will be paid as of the first of the 13th month.

3.04 Actives Election. Active Participants may elect to have their benefits paid in the form of a single lump sum under this Section.

- (a) A Participant is an Active Participant if he or she is still employed by the Affiliated Companies on or after the beginning of the initial 45-day period referred to in Section 3.02.
- (b) An election to take a lump sum may be made at any time during the 60-day period before Termination of Employment and covers both —
 - (1) Benefits payable to the Participant during his or her lifetime, and
 - (2) Survivor benefits (if any) payable to the Participant's beneficiary, including preretirement death benefits (if any) payable to the Participant's spouse.
- (c) An election does not become effective until the earlier of:
 - (1) the Participant's Termination of Employment, or
 - (2) the Participant's death.

A Participant's election may be revoked before it is effective.

A Participant's election will never take effect if the Participant does not have a Termination of Employment within 60 days after making the election.

- (d) An election may only be made once. It cannot be made again if it fails to become effective after 60 days or is revoked before becoming effective.
- (e) No election can be made after a Participant's Termination of Employment.
- (f) If a Participant dies before making a lump sum election, his or her spouse may not make a lump sum election with respect to any benefits that may be due the spouse.
- (g) Elections to receive a lump sum must be made in writing and must include spousal consent if the Participant is married. Elections and spousal consent must be witnessed by a Plan representative or notary public.

3.05 Actives Lump Sum—Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.04 has a Termination of Employment after he or she is entitled to commence benefits under the Retirement Plans, payments will be made in accordance with this Section.

- (a) Monthly benefit payments will be made for up to 12 months, commencing the first of the month following Termination of Employment. Payments will be made:
 - (1) for a Participant who is not married on the date benefits are scheduled to commence, based on a straight life annuity for the Participant's life and ceasing upon the Participant's death should he or she die before the 12 months elapse, or
 - (2) for a Participant who is married on the date benefits are scheduled to commence, based on a joint and survivor annuity form—
 - (A) with the survivor benefit equal to 50% of the Participant's benefit;
 - (B) with the Participant's spouse as the survivor annuitant;
 - (C) determined by using the contingent annuitant option factors used to convert straight life annuities to 50% joint and survivor annuities under the Northrop Grumman Retirement Plan "B"; and
 - (D) with all payments ceasing upon the death of both the Participant and his or her spouse should they die before the 12 months elapse.

- (b) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum. Payment of the lump sum will be made to the Participant if he or she is still alive, or, if not, to his or her surviving spouse, if any.
- (c) No lump sum payment will be made if:
 - (1) The Participant is receiving monthly benefit payments in the form of a straight life annuity and the Participant dies before the time the lump sum payment is due.
 - (2) The Participant is receiving monthly benefit payments in a joint and survivor annuity form and the Participant and his or her spouse both die before the time the lump sum payment is due.
- (d) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:
 - (1) the Participant dies after making a valid lump sum election but before commencement of any benefits under this Plan;
 - (2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and
 - (3) the spouse survives to the first of the month following the date of the Participant's death.

3.06 Actives Lump Sum—Not Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.04 has a Termination of Employment before he or she is entitled to commence benefits under the Retirement Plans, payments will be made in accordance with this Section.

- (a) No monthly benefit payments will be made.
- (b) Following Termination of Employment, a single lump sum payment of the benefit will be made on the first of the month following 12 months after the date of the Participant's Termination of Employment.
- (c) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:
 - (1) the Participant dies after making a valid lump sum election but before commencing benefits under this Plan;

- (2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and
- (3) the spouse survives to the first of the month following the date of the Participant's death.
- (d) No lump sum payment will be made if the Participant is unmarried at the time of death and dies before the time the lump sum payment is due.

3.07 Calculation of Lump Sum. The factors to be used in calculating the lump sum are as follows:

Interest: Whichever of the following two rates that produces the smaller lump sum:

- (1) the discount rate used by the Company for purposes of Statement of Financial Accounting Standards No. 87 of the Financial Accounting Standards Board as disclosed in the Company's annual report to shareholders for the year end immediately preceding the date of distribution, or
- (2) the applicable interest rate that would be used to calculate a lump sum value for the benefit under the Retirement Plans.

Mortality: The applicable mortality table that would be used to calculate a lump sum value for the benefit under the Retirement Plans.

Increase in Section 415 Limit: 4% per year.

Age: Age rounded to the nearest month on the date the lump sum is payable.

The annuity to be converted to a lump sum will be the remaining annuity currently payable to the Participant or his or her beneficiary at the time the lump sum is due.

For example, assume a Participant is receiving benefit payments in the form of a 50% joint and survivor annuity.

If the Participant and the survivor annuitant are both still alive when the lump sum payment is due, the present value calculation will be based on the remaining benefits that would be paid to both the Participant and the survivor in the annuity form.

If only the survivor is alive, the calculation will be based solely on the remaining 50% survivor benefits that would be paid to the survivor.

If only the Participant is alive, the calculation will be based solely on the remaining benefits that would be paid to the Participant.

In the case of a Participant who dies before commencing benefits under this Plan so that only a preretirement surviving spouse benefit (if any) is payable, the lump sum will be based solely on the value of the preretirement surviving spouse benefit.

- 3.08 Spousal Consent. Spousal consent for the elections described above is not necessary if the Company determines that there is no spouse or the spouse cannot be located.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 20th day of December, 2010.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas
Vice President, Compensation,
Benefits & International

APPENDIX A

Litton Restoration Program — Post April 3, 2001 through June 30, 2003

- A.01 Purpose. The purpose of this Program is simply to restore to employees of the Company the benefits they lose under the Retirement Plans as a result of the compensation limit in Code section 401(a)(17) and/or the limit on deferrals in Code section 402(g), or any successor provisions. This Appendix applies to benefits earned for service performed after April 3, 2001 and before July 1, 2003.
- A.02 Definitions. The following terms have the meanings below for purposes of this Appendix.
- (a) Annual Compensation. Compensation paid during the calendar year, subject to the following:
- (1) For compensation paid before July 1, 2003, Annual Compensation means “Compensation” as defined in the FSSP.
 - (2) For compensation paid after June 30, 2003, Annual Compensation means “Compensation” as defined in the Northrop Grumman Savings Plan (NGSP) for participants who transfer to that plan only in the year of transfer.
 - (3) Compensation does not include retention bonuses paid as a result of the acquisition of Litton Industries, Inc. by Northrop Grumman Corporation.
 - (4) Compensation does not include amounts paid for service performed before January 1, 2001 or after December 31, 2003.
 - (5) Transfers. For anyone who transferred from the FSSP to the NGSP before 2003, the rule under (1) applies to pre-transfer periods, and the rules under (2) apply to periods after the transfer.
- (b) Annuity Equivalent. “Annuity Equivalent” determined in the same manner as the prior version of this Program.
- A.03 Eligibility. An employee of the Company or one of its subsidiaries is eligible to receive a benefit under this Program if he or she:
- (a) retires on or after May 1, 2001;
-

- (b) has vested in benefits under one or more of the Retirement Plans that are reduced because of the application of Code section 401(a)(17) and/or Code section 402(g);
- (c) is not eligible to receive a benefit under the Northrop Corporation Supplemental Retirement Income Program for Senior Executives, the Litton Industries, Inc. Restoration Plan, or any other plan or program that bars an employee from participation in this Program; and
- (d) Has deposited the maximum amount of pretax Employee Deposits under the FSSP, including the Basic Contributions under the NGSP in a transfer year (excluding any age 50 catch-up contributions).

A.04 Amount of Benefit.

- (a) General. The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime is intended to make up for the retirement benefit, if any, that would have been payable to the Participant under the terms of a Retirement Plan, but for the restrictions of Code sections 401(a)(17) and/or 402(g), or any successor section as those limits are described by the applicable Retirement Plan.
- (b) Benefit Formula. The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime equals the sum of all of his or her annual Part I Excess Benefits and annual Part II Excess Benefits for each year in which the individual was a Participant.
- (c) Part I Excess Benefit. A Participant's annual Part I Excess Benefit equals (4), where:
 - (1) equals the Participant's Annual Compensation multiplied by 4%;
 - (2) equals the actual amount of the Participant's pretax Employee Deposits under the FSSP or Tax-Deferred Contributions under the NGSP for the Plan Year (as limited by Code sections 401(a)(17) and/or 402(g));
 - (3) equals (1) minus (2); and
 - (4) equals 85% of (3), minus the Annuity Equivalent of (3).
- (d) Part II Excess Benefit. A Participant's annual Part II Excess Benefit equals (4), where:

- (1) equals the Participant's Annual Compensation multiplied by 6%;
 - (2) equals the actual amount of the Participant's Matched Deposits under the FSSP and Basic Contributions under the NGSP for the Plan Year (as limited by Code sections 401(a)(17) and/or 402(g));
 - (3) equals (1) minus (2);
 - (4) equals the Annuity Equivalent of 50% of (3).
- (e) Partial Year 2003. Subsections (c) and (d) above are modified as provided in this subsection for Participants who are eligible for an accrual under this Program in Plan Year 2003.
- (1) The benefit will be calculated based on a full year of Annual Compensation.
 - (2) The total benefit in subsections (c) and (d) above are offset by the benefit amount earned from July 1, 2003 to December 31, 2003 under Appendix B.
- (f) Vested Benefits. Benefits under this Program will only be paid to supplement benefit payments actually made from a Retirement Plan. If benefits are not payable under a Retirement Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Program with respect to such Retirement Plan.
- (g) No duplication of benefits. In any year in which a Participant earns benefits in two or more qualified defined benefit plans, the benefits from this plan will be reduced for any restoration plan benefits paid from the other defined benefit plan.
- A.05 Preretirement Surviving Spouse Benefit. Preretirement surviving spouse benefits will be payable under this Program on behalf of a Participant if such Participant's surviving spouse is eligible for benefits payable from a Retirement Plan. The amount of the preretirement surviving spouse benefit is the amount under A.04, adjusted as follows:
- (a) Death on or After Normal Retirement Age. The Participant's surviving spouse will receive a 100% survivor annuity calculated assuming the employee commenced receiving normal retirement benefits the day before death.

- (b) Death on or After Early Retirement Age, But Before Normal Retirement Age . The Participant’s surviving spouse will receive a 100% survivor annuity calculated assuming the employee commenced receiving early retirement benefits the day before death.
- (c) Death Before Early Retirement Age. The Participant’s surviving spouse will receive a 100% survivor annuity calculated assuming the employee terminated employment and survived to normal (or early) retirement age and commenced receiving a joint and survivor annuity.

No benefit will be payable under this Program with respect to a spouse after the death of that spouse.

A.06 Plan Termination. No further benefits may be earned under this Program with respect to a particular Retirement Plan after the termination of such Retirement Plan.

A.07 Retirement Plan Benefits. For purposes of this Appendix, the term “Retirement Plan Benefits” generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Retirement Plan. However, this Program is only intended to remedy pension reductions caused by the operation of section 401(a)(17) and/or 402(g) and not reductions caused for any other reason. In those instances where pension benefits are reduced for some other reason, the term “Retirement Plan Benefits” shall be deemed to mean the benefits that actually would have been payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA § 4041(c) or any comparable successor provision of law) of a Retirement Plan. In such a case, the Retirement Plan Benefits will be deemed to refer to the payments that would have been made from the Retirement Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA § 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under Code section 412(c)(8), as amended, or any comparable successor provision of law.
- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant’s benefits to a third party on behalf of or with respect to a Participant.

APPENDIX B

Litton Cash Balance Restoration Program

- B.01 Purpose. The purpose of this Program is simply to restore to employees of the Company the benefits they lose under Retirement Plan “B” and the Avondale Plan after June 30, 2003 as a result of the compensation limit in Code section 401(a)(17) and/or the benefit limit in Code section 415(b), or any successor provisions.
- B.02 Eligibility. An employee of the Company or any employee identified as a “Transferred Employee” in Appendix E is eligible to receive a benefit under this Program if he or she:
- (a) retires on or after July 1, 2003;
 - (b) has vested in benefits under Retirement Plan “B,” the Ingalls Salaried Plan, or the Avondale Plan that are reduced because of the application of Code section 401(a)(17) and/or Code section 415(b); and
 - (c) is not eligible to receive a benefit under the Northrop Corporation Supplemental Retirement Income Program for Senior Executives or any other plan or program which bars an employee from participation in this Program.
- B.03 Amount of Benefit. The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime will equal the retirement benefit, if any, that would have been payable to the Participant under the terms of a Retirement Plan, but for the restrictions of Code section 401(a)(17) and/or Code section 415(b) (or any successor sections) as those limits are described by the applicable Retirement Plan. “Compensation” is defined by the pension plans and includes the amount that would have been counted under the Qualified plans except that it was deferred under The Northrop Grumman Deferred Compensation plan.
- Benefits under this Program will only be paid to supplement benefit payments actually made from Retirement Plan “B” or the Avondale Plan. If benefits are not payable under Retirement Plan “B” or the Avondale Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Program with respect to those plans.
- B.04 Preretirement Survivor Benefit. Preretirement survivor benefits will be payable under this Program on behalf of a Participant if the Participant’s beneficiary is eligible for benefits payable from Retirement Plan “B” or the Avondale Plan. The benefit payable will be the amount that would have been payable under the Retirement Plan but for the restrictions of
-

section 401(a)(17) (or any successor section), as that limit is described in the applicable Retirement Plan.

The benefit payable under this Program will be paid in a lump sum to nonspouse beneficiaries and in either a lump sum or single life annuity to spouse beneficiaries. Notwithstanding the foregoing, the timing and form of the payment of benefits described in this Section that relate to amounts other than Grandfathered Amounts shall be determined in accordance with Appendix C and Appendix D.

The benefit payable under this Program will be reduced by the combined amounts of the Retirement Plan Benefits and the Northrop Grumman Corporation ERISA Supplemental Plan 1 benefits attributable to the applicable Retirement Plan.

No benefit will be payable under this Program with respect to a spouse after the death of that spouse.

B.05 Plan Termination. No further benefits may be earned under this Program with respect to a particular Retirement Plan after the termination of the Retirement Plan.

B.06 Retirement Plan Benefits. For purposes of this Appendix, the term “Retirement Plan Benefits” generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Retirement Plan. However, this Program is only intended to remedy pension reductions caused by the operation of section 401(a)(17) and not reductions caused for any other reason. Where pension benefits are reduced for some other reason, the term “Retirement Plan Benefits” shall be deemed to mean the benefits that actually would have been payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA § 4041(c) or any comparable successor provision of law) of a Retirement Plan. In such a case, the Retirement Plan Benefits will be deemed to refer to the payments that would have been made from the Retirement Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA § 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under Code section 412(c)(8), as amended, or any comparable successor provision of law.

- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant's benefits to a third party on behalf of or with respect to a Participant.
- (d) No duplication of benefits. If the participant is eligible for restoration plan benefits another Excess plan for the same period of service, the benefit under this plan will be reduced accordingly to prevent a duplication of benefits.

APPENDIX C
2005-2007 Transition Rules

This Appendix C provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Participants with benefit commencement dates after January 1, 2005 and before January 1, 2008.

- C.01 Election. Participants scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Participants electing optional forms of benefits under this provision will commence payments on the Participant's selected benefit commencement date.
- C.02 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Participants commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Participant.
- (a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.
- (b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:
- (i) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, a Participant must be an elected or appointed officer of the Company and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;
-

- (ii) The lump sum payment shall be made in 2005 as soon as feasible after the election; and
- (iii) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.

C.03 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007), distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Participant's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Participant's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

APPENDIX D
Post 2007 Distribution of 409A Amounts

The provisions of this Appendix D shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Articles II and III, and Appendix C addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008.

- D.01 Time of Distribution. Subject to the special rules provided in this Appendix D, distributions to a Participant of his vested retirement benefit shall commence as of the Payment Date.
- D.02 Special Rule for Key Employees. If a Participant is a Key Employee and age 55 or older at his Separation from Service, distributions to the Participant shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Participant's death). Amounts otherwise payable to the Participant during such period of delay shall be accumulated and paid on the first day of the seventh month following the Participant's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).
- D.03 Forms of Distribution. Subject to the special rules provided in this Appendix D, a Participant's vested retirement benefit shall be distributed in the form of a single life annuity. However, a Participant may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:
- (a) 50% joint and survivor annuity
 - (b) 75% joint and survivor annuity
 - (c) 100% joint and survivor annuity.

If a Participant is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

D.04 Death. If a married Participant dies before the Payment Date, a death benefit will be payable to the Participant's spouse commencing 90 days after the Participant's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of a Participant's vested retirement benefit based on a 100% joint and survivor annuity determined on the Participant's date of death. This benefit is also payable to a Participant's domestic partner who is properly registered with the Company in accordance with procedures established by the Company.

D.05 Actuarial Assumptions. Except as provided in Section D.06, all forms of payment under this Appendix D shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

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

D.06 Accelerated Lump Sum Payouts.

- (a) Post-2007 Separations. Notwithstanding the provisions of this Appendix D, for Participants who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section D.02, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Participant's Separation from Service.
- (b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix D, for Participants who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Participant attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the Participant attains age 55, but no earlier than January 1, 2008.

- (c) Conflicts of Interest. The present value of a Participant's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.
- (d) Present Value Calculation. The conversion of a Participant's retirement benefit into a lump sum payment and the present value calculations under this Section D.06 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the Participant's immediate benefit if the Participant is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Participant will be eligible to receive at age 55.

D.07 Effect of Early Taxation. If the Participant's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Participant.

D.08 Permitted Delays. Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Company's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section D.08 shall be paid in accordance with Code section 409A.

APPENDIX E
Cutting Edge Optronics Transfer

The provisions of this Appendix E are intended to comply with Code section 409A and to address Plan benefits for the Transferred Employees (as defined below).

- E.01 Eligible Transferred Employees. As of January 1, 2009 (the "Transfer Date"), except for any employees of Cutting Edge Optronics that had an earned and vested benefit under the Northrop Grumman Supplementary Retirement Income Plan ("SRIP") prior to 2005 (each, a "SRIP Grandfathered Participant"), the employees of Cutting Edge Optronics who began to participate in the Retirement Plan on January 1, 2009 (the "Transferred Employees") shall be eligible to participate and accrue benefits under the Plan. Notwithstanding anything herein to the contrary, no SRIP Grandfathered Participant shall be eligible to participate in this Plan.
- E.02 Transferred Benefits. Benefits accrued by a Transferred Employee under the SRIP for services prior to the Transfer Date (the "SRIP Benefits") shall be transferred to and payable under the Plan, provided that before his termination date such Transferred Employee has vested in the portion of his Retirement Plan benefits attributable to services prior to the Transfer Date. In no event shall the transfer of such benefits to the Plan operate to change the time or form of payment of the SRIP Benefits.
- E.03 Transferred Employee Benefits. Notwithstanding anything in the Plan to the contrary other than Section 2.17, the accrued benefits of a Transferred Employee shall be equal to any SRIP Benefits, plus benefits accrued in accordance with the terms of the Plan for services on and after the Transfer Date.



Office of the
Chief Human Resources Officer

Northrop Grumman Corporation
1840 Century Park East
Los Angeles, California 90067-2199
Telephone: 310-201-3181

June 7, 2010

VIA FEDERAL EXPRESS

Ms. Sheila Cheston

Dear Sheila:

As we discussed, Northrop Grumman Corporation (“Northrop Grumman” or “the Company”) is pleased to offer you a position on our senior management team as Corporate Vice President and General Counsel. In this position, you will be a member of our Corporate Policy Council (“CPC”).

This letter sets forth a summary of the key compensation and benefit provisions of this offer.

1. Base Salary.

Your initial base salary will be \$700,000 per year, which will be subject to periodic adjustment in accordance with the Company’s normal salary review process.

2. Bonus.

You will be a participant in the Company’s Annual Incentive Plan (or any successor annual bonus plan) (“AIP”). Your target annual bonus under the AIP will be 75% of your annual base salary. The actual bonus that you earn from year to year may be adjusted upwards or downwards from the target bonus amount by multiplying the target bonus by the “Company Performance Factor” and the “Individual Performance Factor,” as such terms are defined in the AIP; provided, however, that your actual bonus for calendar year 2010, to be paid on or before March 15, 2011, shall be no less than \$525,000 if you have remained employed by the Company through the end of 2010. Your target bonus is subject to adjustment in accordance with the Company’s normal executive compensation review process.

Ms. Sheila Cheston

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3. Equity Grants.

You will be eligible for annual grants of equity awards under the terms of the Company's Long-Term Incentive Stock Plan (and any successor to such plan) ("LTISP"). Your initial grant for calendar year 2010 shall be at an economic value of \$1,736,000 with a mix of 50 percent stock options and 50 percent Restricted Performance Stock Rights ("RPSRs"). The exact number of options and RPSRs corresponding to this grant will be determined during the Company's fourth quarter trading window and will be based upon the Company's customary award grant valuation methodologies.

The stock options will be awarded to you, and will have a strike price equal to, the closing price of Northrop Grumman's stock on the New York Stock Exchange on the second day of the fourth quarter trading window. The trading window is scheduled to open two days after the third quarter earnings release, which is scheduled for October 27, 2010. One third of the shares subject to the options shall vest and become exercisable upon each of the first, second, and third anniversaries of the grant date, subject, in each case, to the termination of employment rules set forth in the applicable Grant Certificate (as defined below).

The RPSRs will vest at the end of a three-year performance period beginning January 1, 2010 and ending on December 31, 2012, subject to the performance and termination of employment rules set forth in the Grant Certificate.

All equity grants, including the Restricted Stock Rights provided below, shall be subject to the terms and conditions of the LTISP and the grant certificates provided to Corporate Vice Presidents ("Grant Certificates").

In calendar years of your employment following 2010, you will be eligible for further equity grants on the same basis (including guideline amounts for awards) as other Corporate Vice Presidents who are CPC members.

4. Executive Perquisites.

You will receive the same executive perquisites as other Corporate Vice Presidents who are CPC members. Those perquisites currently include reimbursement of up to \$15,000 annually for tax preparation/financial planning, personal liability insurance, and an executive physical examination program. You will also receive the same vacation benefit as other Corporate Vice Presidents who are CPC members, who currently accrue vacation at a rate of four weeks per calendar year.

Ms. Sheila Cheston

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5. Pension Benefit.

As a member of the CPC, you will participate in the Officers Retirement Account Contribution Plan (ORAC). The ORAC currently provides a Company contribution of 4 percent of eligible compensation. Additionally, you will participate in the Retirement Account Contribution Plan (RAC). The RAC currently provides a Company contribution of 3 to 5 percent of eligible compensation, depending on your age.

6. Liability Insurance Protection.

The Company will cover you under its directors and officers liability insurance policies as in effect from time to time, which generally provide protection for claims made against you as an officer of Northrop Grumman Corporation. The Company will also provide you with its standard indemnification agreement provided to CPC members.

7. Severance Protection.

You will be eligible for benefits under the terms of the Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation ("VP Severance Plan") on the same basis as other Corporate Vice Presidents who are CPC members in the event you undergo a "Qualifying Termination" (as that term is defined in the VP Severance Plan), provided that you first sign a release of claims as required by the plan and satisfy any other terms and conditions of the plan as in effect at the time of your severance. Those benefits currently include, in general, a cash payment of one and one-half times the sum of base salary and target bonus, continuation of medical and dental coverage for 18 months, and a pro rata annual bonus for the year of termination.

8. Make Up for Lost BAE Benefits.

You are presently employed by BAE Systems, Inc. ("BAE"). The following benefits are provided in consideration for the benefits you are losing with respect to your employment by BAE by accepting employment with the Company. You agree to provide Northrop Grumman, within 30 days of accepting this offer, with copies of your stock holdings (and forfeitures) to confirm the benefits you lost in accepting employment with the Company.

Signing Bonus

The Company will provide you with a cash signing bonus in the total amount of \$800,000, to be paid in three installments and subject to vesting as described below. The first installment of \$500,000 will be paid within 30 days after your date of hire; the second installment of \$150,000 on the first anniversary of your date of hire; and the third installment of \$150,000 on the second anniversary of your date of hire. Except as provided for in

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the next two sentences, your entitlement to each installment of the signing bonus is contingent on your continued employment with the Company through the installment payment date. However, in the event of your separation from service with the Company due to your Accidental Death (as defined below) or due to your Disability or Qualifying Termination (as those two terms are defined in the VP Severance Plan) prior to payment of the full signing bonus, the remaining balance will be paid in full to you (or your estate in the event of your death) within 30 days of your separation from service with the Company; provided, however, that if you are a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of your separation from service with the Company, such payment shall be made to you on the first day of the seventh month following the month in which your separation from service with the Company occurs (or the date of your Accidental Death, if earlier). "Accidental Death" shall be defined as that term is used in the Accidental Death and Dismemberment Plan applicable to Corporate Vice Presidents who are members of the CPC.

Restricted Stock Rights (RSRs)

The Company will provide you with a special grant of 33,000 Restricted Stock Rights ("Special 2010 RSRs"). One half of these Special 2010 RSRs shall vest upon each of the first and second anniversaries of your grant date, subject, in each case, to the termination of employment rules set forth in the applicable grant certificates (except for the accelerated vesting provisions set forth below). These Special 2010 RSRs shall be granted at the same time as the other equity grants described in Section 3 of this letter and shall be subject to all the terms and conditions of the LTISP and of Northrop Grumman's current standard grant certificate for RSR grants ("RSR Grant Certificate"); provided, however, that in the event of your separation from service with the Company due to your Accidental Death (as defined above) or due to your Disability or Qualifying Termination (as those two terms are defined in the VP Severance Plan) prior to the vesting or other termination of the Special 2010 RSRs, any unvested portion of these Special 2010 RSRs shall fully vest as of the date of such Accidental Death, Disability or Qualifying Termination. The foregoing accelerated vesting of these Special 2010 RSRs shall control notwithstanding anything to the contrary in the RSR Grant Certificate. This special accelerated vesting treatment shall only apply to the Special 2010 RSRs and not to any other equity grants described in this letter or to any future RSR grants you may receive. The RSR Grant Certificate that evidences your Special 2010 RSRs will be modified to reflect these provisions and related changes to payment terms intended to comply with, and avoid any tax, penalty or interest under, Section 409A of the Internal

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Revenue Code ("Section 409A"). In the event of your Accidental Death on or after your date of hire and before the grant date of these Special 2010 RSRs, the Company will pay in a lump sum the cash value of the RSRs to your estate, determined by using the closing price of Northrop Grumman stock on the New York Stock Exchange on the date of your Accidental Death (or the next preceding business day if the date of Accidental Death is not a business day). This lump sum payment shall be made to your estate within 30 days following the date of your Accidental Death.

9. BAE Nonqualified Pension Benefit.

You have frozen qualified and nonqualified pension benefits with your current employer, BAE. You have advised the Company that you are not aware of any reason why your employment with the Company would cause you to forfeit benefits under any of these plans, but you have expressed a concern that there may be such a forfeiture provision that you are not aware of in the BAE Post-2004 Nonqualified Pension Plan ("BAE NQ Plan"). If there is such a provision in this plan, and if BAE causes you to forfeit this benefit as a result of your employment with Northrop Grumman, the Company will provide you with a lump sum payment (not to exceed \$600,000) equal to the value of the lost benefit under the BAE NQ Plan, provided you have first submitted to the Company reasonably satisfactory information substantiating the calculation of the lump-sum value. This payment, if due, shall be made no later than March 15, 2011. You agree to provide the Company with information substantiating the lost benefit, including copies of your benefit calculations under the BAE NQ Plan, within 90 days of accepting this offer. You further agree to reasonably cooperate with the Company if the Company wishes you to pursue a claim that benefits are actually due to you under the BAE NQ Plan.

10. Compliance with Section 409A.

It is intended that any amounts and benefits payable to you under this offer letter shall comply with and avoid the imputation of any tax, penalty or interest under Section 409A. This offer letter shall be construed and interpreted consistent with that intent. The term "separation from service" as used in this offer letter has the meaning ascribed to such term for purposes of Section 409A.

Ms. Sheila Cheston
June 7, 2010
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11. Company's Right to Change Policies and Plans.

Nothing in this offer letter affects or limits the Company's right to amend or terminate its compensation and benefit policies and plans, including without limitation the AIP, the LTISP, the Grant Certificates, the executive perquisites, the ORAC, the RAC, or the VP Severance Plan; provided, however, that you will be treated no less favorably than other Corporate Vice Presidents who are CPC members generally in the event of such amendment or termination.

Sheila, the above is a summary of the key compensation and benefit provisions of this offer. This offer has been approved by the Northrop Grumman Corporation's Board of Directors. However, this offer and your employment are subject to the normal pre-employment contingencies applicable to other new hires at Northrop Grumman. Those contingencies are summarized on Attachment A to this letter.

In addition, this offer is subject to your representing to the Company, by your signature below, that you are not aware of any non-competition or similar restriction which would preclude your employment with the Company. You further acknowledge and agree that this is a material representation which the Company is relying upon in making this offer. If your employment with the Company is terminated because of such a restriction, you understand and agree that such termination shall not constitute a "Qualifying Termination" as that term is used in the VP Severance Plan.

This offer will remain open for 30 days. If you accept the terms of this offer letter, you agree to tender your notice of resignation with BAE within 24 hours after signing and returning this offer letter to me.

If you are in agreement with the terms of this offer, please sign and date this letter below, indicating your estimated start date, and return the letter to me. I look forward to having you join our senior management team.

Sincerely yours,
/s/ Debora L. Catsavas

Debora L. Catsavas
Vice President and Acting Chief Human Resources Officer

ACCEPTED:

/s/ Sheila Cheston

Sheila Cheston

DATED: 6/17/10

ESTIMATED START DATE:

Aug. 30, 2010



Ms. Sheila Cheston

June 7, 2010

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ATTACHMENT A TO SHEILA CHESTON OFFER LETTER

The normal pre-employment contingencies applicable to new hires at Northrop Grumman include the following:

- Company's review of applicant's Employment Application (Form C-539) and Employment Application Addendum (Form C-550) with respect to prior government service, and Company's determination that no legal restrictions exist under the various "revolving door" laws which would preclude the Company from hiring the applicant or significantly affect the applicant's ability to perform the job. Under some circumstances, the applicant may be required to get a legal opinion from the relevant US Government Designated Agency Ethics Official.
- Successful passing of a drug test.
- Successful passing of a background investigation.
- Compliance with IRCA requirements to verify applicant is authorized to work in the US.
- Proof of "US Person" status under the export control laws.
- Applicant obtaining security clearance/access as necessary to perform his or her job. If hired, applicant must retain such clearance/access as a condition of employment.
- Applicant must sign Form C-611, "Dispute Resolution Acknowledgement and Agreement", which requires the applicant to arbitrate rather than litigate any employment-related claims against the Company, with certain designated exceptions.
- Applicant must sign Form C-100B, "Employment Agreement", which among other things provides that applicant will become an "at will" employee if hired, and that applicant will comply with the Company's rules and policies if hired.
- Applicant must sign Form C-100A, "Employee Intellectual Property Agreement", which among other things provides that applicant will not use or disclose confidential information except as authorized to do so by the Company, and that all "developments" (including inventions and other intellectual property) made by the applicant while employed by the Company belong to the Company, with certain exceptions noted in the agreement.

NORTHROP GRUMMAN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<i>\$ in millions</i>	Year Ended December 31,				
	2010 ⁽¹⁾	2009 ⁽¹⁾	2008 ⁽¹⁾	2007 ⁽¹⁾	2006 ⁽¹⁾
Earnings:					
Earnings (loss) from continuing operations before income taxes	\$2,595	\$2,266	\$(520)	\$2,606	\$2,226
Fixed Charges:					
Interest expense, including amortization of debt premium	281	281	295	336	346
Portion of rental expenses on operating leases deemed to be representative of the interest factor:	164	183	190	189	174
Earnings (loss) from continuing operations before income taxes, less fixed charges	3,040	2,730	(35)	3,131	2,746
Fixed Charges:	445	464	485	525	520
Ratio of earnings to fixed charges ⁽²⁾	6.8	5.9	—	6.0	5.3

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

(2) For the year ended December 31, 2008, the company's earnings were insufficient to cover fixed charges by \$520 million. This loss was entirely due to the non-cash goodwill impairment charge of \$3.1 billion recorded during the fourth quarter at Aerospace Systems and Shipbuilding.

NORTHROP GRUMMAN CORPORATION SUBSIDIARIES

**Address for all subsidiaries is:
c/o NORTHROP GRUMMAN CORPORATION
Office of the Secretary
1840 Century Park East
Los Angeles, California 90067**

Name of Subsidiary	Jurisdiction of Incorporation	Ownership Percentage
Northrop Grumman Systems Corporation (formerly Northrop Grumman Corporation)	Delaware	100%
Northrop Grumman Shipbuilding, Inc. (formerly Newport News Shipbuilding and Dry Dock Company)	Virginia	100%

The company has additional operating subsidiaries, which considered in the aggregate or as a single subsidiary, do not constitute a significant subsidiary.

All above listed subsidiaries have been consolidated in the company's consolidated financial statements.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 033-59815, 033-59853, 333-67266, 333-100179, 333-107734, 333-121104, 333-125120 and 333-127317 on Form S-8; Registration Statement No. 333-152596 on Form S-3; and Registration Statement Nos. 333-83672 on Form S-4 of our reports dated February 8, 2011, relating to the financial statements of Northrop Grumman Corporation and the effectiveness of Northrop Grumman Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Northrop Grumman Corporation for the year ended December 31, 2010.

/s/ Deloitte & Touche LLP
Los Angeles, California
February 8, 2011

**POWER OF ATTORNEY IN CONNECTION WITH THE
2010 ANNUAL REPORT ON FORM 10-K**

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of NORTHROP GRUMMAN CORPORATION, a Delaware corporation, does hereby appoint SHEILA C. CHESTON and JENNIFER C. MCGAREY, and each of them as his or her agents and attorneys-in-fact (the "Agents"), in his or her respective name and in the capacity or capacities indicated below, to execute and/or file the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (the "Report") under the Securities Exchange Act of 1934, as amended (the "Act"), and any one or more amendments to any part of the Report that may be required to be filed under the Act (including the financial statements, schedules and all exhibits and other documents filed therewith or constituting a part thereof) and to any part or all of any amendment(s) to the Report, whether executed and filed by the undersigned or by any of the Agents. Further, each of the undersigned does hereby authorize and direct the Agents to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "Commission"), which they deem necessary or advisable to comply with the Act and the rules and regulations or orders of the Commission adopted or issued pursuant thereto, to the end that the Report shall be properly filed under the Act. Finally, each of the undersigned does hereby ratify each and every act and documents which the Agents may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such document had been executed or filed by the undersigned, respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the Commission.

IN WITNESS THEREOF, each of the undersigned has subscribed these presents this 7th day of February 2011.

<i>/s/ Lewis W. Coleman</i>	Non-Executive Chairman
Lewis W. Coleman	
<i>/s/ Thomas B. Fargo</i>	Director
Thomas B. Fargo	
<i>/s/ Victor H. Fazio</i>	Director
Victor H. Fazio	
<i>/s/ Donald E. Felsing</i>	Director
Donald E. Felsing	
<i>/s/ Stephen E. Frank</i>	Director
Stephen E. Frank	
<i>/s/ Bruce S. Gordon</i>	Director
Bruce S. Gordon	
<i>/s/ Madeleine Kleiner</i>	Director
Madeleine Kleiner	
<i>/s/ Kark J. Krapek</i>	Director
Karl J. Krapek	

/s/ Richard B. Myers

Richard B. Myers

/s/ Aulana L. Peters

Aulana L. Peters

/s/ Kevin W. Sharer

Kevin W. Sharer

/s/ Wesley G. Bush

Wesley G. Bush

/s/ James F. Palmer

James F. Palmer

/s/ Kenneth N. Heintz

Kenneth N. Heintz

Director

Director

Director

Chief Executive Officer, President and Director
(Principal Executive Officer)

Corporate Vice President and Chief Financial Officer
(Principal Financial Officer)

Corporate Vice President, Controller and Chief
Accounting Officer (Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
RULE 13a-15(e)/15d-15(e) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wesley G. Bush, certify that:

1. I have reviewed this report on Form 10-K of Northrop Grumman Corporation (“company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the company’s most recent fiscal quarter (the company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: February 8, 2011

/s/ Wesley G. Bush

Wesley G. Bush
Chief Executive Officer and President

**CERTIFICATION PURSUANT TO
RULE 13a-15(e)/15d-15(e) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James F. Palmer, certify that:

1. I have reviewed this report on Form 10-K of Northrop Grumman Corporation (“company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the company’s most recent fiscal quarter (the company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: February 8, 2011

/s/ James F. Palmer

James F. Palmer
Corporate Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Northrop Grumman Corporation (the "company") on Form 10-K for the year ending December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wesley G. Bush, Chief Executive Officer and President of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13a-15(e)/15d-15(e) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: February 8, 2011

/s/ Wesley G. Bush

Wesley G. Bush
Chief Executive Officer and President

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Northrop Grumman Corporation (the "company") on Form 10-K for the year ending December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James F. Palmer, Corporate Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13a-15(e)/15d-15(e) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: February 8, 2011

/s/ James F. Palmer

James F. Palmer
Corporate Vice President and Chief Financial Officer

