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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2011

or

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

Commission File Number 1-16411

NORTHROP GRUMMAN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

80-0640649
(I.R.S. Employer
Identification No.)

1840 Century Park East, Los Angeles, California 90067

www.northropgrumman.com

(Address of principal executive offices and internet site)

(310) 553-6262

(Registrant's telephone number, including area code)

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

Yes

No

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

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting Company

(Do not check if a smaller reporting company)

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

Yes

No

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

As of July 25, 2011, 278,056,684 shares of common stock were outstanding.

NORTHROP GRUMMAN CORPORATION

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NORTHROP GRUMMAN CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

<i>\$ in millions, except per share amounts</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2011	2010	2011	2010
Sales and Service Revenues				
Product sales	\$ 3,709	\$ 4,167	\$ 7,572	\$ 8,191
Service revenues	2,851	3,088	5,722	5,978
Total sales and service revenues	6,560	7,255	13,294	14,169
Cost of Sales and Service Revenues				
Cost of product sales	2,662	3,078	5,504	6,068
Cost of service revenues	2,501	2,806	5,014	5,427
General and administrative expenses	556	621	1,124	1,245
Operating income	841	750	1,652	1,429
Other (expense) income				
Interest expense	(53)	(65)	(111)	(142)
Other, net		(10)	5	(3)
Earnings from continuing operations before income taxes	788	675	1,546	1,284
Federal and foreign income tax expense (benefit)	268	(65)	530	134
Earnings from continuing operations	520	740	1,016	1,150
(Loss) Earnings from discontinued operations, net of tax		(29)	34	30
Net earnings	\$ 520	\$ 711	\$ 1,050	\$ 1,180
Basic Earnings Per Share				
Continuing operations	\$ 1.84	\$ 2.47	\$ 3.54	\$ 3.82
Discontinued operations		(.10)	.12	.10
Basic earnings per share	\$ 1.84	\$ 2.37	\$ 3.66	\$ 3.92
Weighted-average common shares outstanding, in millions	282.6	299.6	287.2	301.1
Diluted Earnings Per Share				
Continuing operations	\$ 1.81	\$ 2.44	\$ 3.48	\$ 3.77
Discontinued operations		(.10)	.11	.10
Diluted earnings per share	\$ 1.81	\$ 2.34	\$ 3.59	\$ 3.87
Weighted-average diluted shares outstanding, in millions	287.2	303.8	292.2	305.0
Net earnings (from above)	\$ 520	\$ 711	\$ 1,050	\$ 1,180
Other comprehensive income				
Change in cumulative translation adjustment		(24)	27	(52)
Change in unrealized gain on marketable securities and cash flow hedges, net of tax			(2)	
Change in unamortized benefit plan costs, net of tax	14	39	35	79
Other comprehensive income, net of tax	14	15	60	27
Comprehensive income	\$ 534	\$ 726	\$ 1,110	\$ 1,207

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

<i>\$ in millions</i>	June 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	\$ 2,810	\$ 3,701
Accounts receivable, net of progress payments	3,474	3,329
Inventoried costs, net of progress payments	902	896
Current deferred tax assets	465	419
Prepaid expenses and other current assets	163	244
Assets of discontinued operations		5,212
Total current assets	7,814	13,801
Property, plant, and equipment, net of accumulated depreciation of \$3,864 in 2011 and \$3,712 in 2010	3,028	3,045
Goodwill	12,376	12,376
Other purchased intangibles, net of accumulated amortization of \$1,631 in 2011 and \$1,613 in 2010	174	192
Pension and post-retirement plan assets	344	320
Non-current deferred tax assets	555	721
Miscellaneous other assets	1,086	1,076
Total assets	\$25,377	\$ 31,531
Liabilities		
Notes payable to banks	\$ 19	\$ 10
Current portion of long-term debt	23	774
Trade accounts payable	1,259	1,573
Accrued employees' compensation	1,062	1,146
Advance payments and billings in excess of costs incurred	1,820	1,969
Other current liabilities	1,612	1,763
Liabilities of discontinued operations		2,792
Total current liabilities	5,795	10,027
Long-term debt, net of current portion	3,937	3,940
Pension and post-retirement plan liabilities	2,597	3,089
Other long-term liabilities	899	918
Total liabilities	13,228	17,974
Commitments and Contingencies (Note 11)		
Shareholders' Equity		
Common stock, \$1 par value; 800,000,000 shares authorized; issued and outstanding: 2011—277,981,571; 2010—290,956,752	278	291
Paid-in capital	5,026	7,778
Retained earnings	9,018	8,245
Accumulated other comprehensive loss	(2,173)	(2,757)
Total shareholders' equity	12,149	13,557
Total liabilities and shareholders' equity	\$25,377	\$ 31,531

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>\$ in millions</i>	Six Months Ended	
	June 30	
	2011	2010
Operating Activities		
Sources of Cash—Continuing Operations		
Cash received from customers		
Progress payments	\$ 1,975	\$ 1,976
Collections on billings	11,028	11,653
Other cash receipts	80	3
Total sources of cash—continuing operations	13,083	13,632
Uses of Cash—Continuing Operations		
Cash paid to suppliers and employees	(11,692)	(12,374)
Pension contributions	(550)	(363)
Interest paid, net of interest received	(119)	(138)
Income taxes paid, net of refunds received	(613)	(632)
Excess tax benefits from stock-based compensation	(21)	(10)
Other cash payments	(10)	(15)
Total uses of cash—continuing operations	(13,005)	(13,532)
Cash provided by continuing operations	78	100
Cash used in discontinued operations	(232)	(12)
Net cash (used in) provided by operating activities	(154)	88
Investing Activities		
Continuing Operations		
Contribution received from the spin-off of Shipbuilding business	1,429	
Additions to property, plant, and equipment	(216)	(178)
Decrease in restricted cash	31	5
Proceeds from sale of business, net of cash divested		13
Other investing activities, net	9	1
Cash provided by (used in) investing activities by continuing operations	1,253	(159)
Cash used in investing activities by discontinued operations	(63)	(59)
Net cash provided by (used in) investing activities	1,190	(218)
Financing Activities		
Common stock repurchases	(1,013)	(855)
Payments of long-term debt	(750)	(90)
Dividends paid	(277)	(270)
Proceeds from exercises of stock options and issuances of common stock	86	103
Excess tax benefits from stock-based compensation	21	10
Other financing activities, net	6	1
Net cash used in financing activities	(1,927)	(1,101)
Decrease in cash and cash equivalents	(891)	(1,231)
Cash and cash equivalents, beginning of period	3,701	3,275
Cash and cash equivalents, end of period	\$ 2,810	\$ 2,044

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

NORTHROP GRUMMAN CORPORATION

<i>\$ in millions</i>	Six Months Ended	
	June 30	
	2011	2010
Reconciliation of Net Earnings to Net Cash (Used in) Provided by Operating Activities		
Net earnings	\$ 1,050	\$ 1,180
Net earnings from discontinued operations	(34)	(30)
Adjustments to reconcile to net cash provided by (used in) operating activities		
Depreciation	218	202
Amortization of assets	37	57
Stock-based compensation	66	69
Excess tax benefits from stock-based compensation	(21)	(10)
(Increase) decrease in		
Accounts receivable, net	(164)	(589)
Inventoried costs, net	6	(23)
Prepaid expenses and other current assets	5	(5)
Increase (decrease) in		
Accounts payable and accruals	(757)	(546)
Deferred income taxes	79	22
Income taxes payable	9	(71)
Retiree benefits	(440)	(135)
Other, net	24	(21)
Cash provided by continuing operations	78	100
Cash used in discontinued operations	(232)	(12)
Net cash (used in) provided by operating activities	\$ (154)	\$ 88
Non-Cash Investing and Financing Activities		
Capital expenditures accrued in accounts payable	\$ 24	\$ 20
Capital expenditures accrued in liabilities from discontinued operations		27

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

NORTHROP GRUMMAN CORPORATION

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

<i>\$ in millions, except per share amounts</i>	Six Months Ended	
	June 30	
	2011	2010
Common Stock		
At beginning of period	\$ 291	\$ 307
Common stock repurchased	(16)	(15)
Employee stock awards and options	3	3
At end of period	278	295
Paid-in Capital		
At beginning of period	7,778	8,657
Common stock repurchased	(991)	(861)
Employee stock awards and options	131	153
Spin-off of Shipbuilding business	(1,892)	
At end of period	5,026	7,949
Retained Earnings		
At beginning of period	8,245	6,737
Net earnings	1,050	1,180
Dividends declared	(277)	(271)
At end of period	9,018	7,646
Accumulated Other Comprehensive Loss		
At beginning of period	(2,757)	(3,014)
Other comprehensive income, net of tax	60	27
Spin-off of Shipbuilding business	524	
At end of period	(2,173)	(2,987)
Total shareholders' equity	\$12,149	\$12,903
Cash dividends declared per share	\$.97	\$.90

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

NORTHROP GRUMMAN CORPORATION**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****1. BASIS OF PRESENTATION**

Principles of Consolidation – The unaudited condensed consolidated financial statements include the accounts of Northrop Grumman Corporation and its subsidiaries (Northrop Grumman or the company). All material intercompany accounts, transactions, and profits are eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements of the company have been prepared by management in accordance with the rules of the Securities and Exchange Commission (SEC). These statements include all adjustments of normal recurring nature considered necessary by management for a fair presentation of the condensed consolidated financial position, results of operations, and cash flows. The results reported in these financial statements are not necessarily indicative of results that may be expected for the entire year. These financial statements should be read in conjunction with the information contained in the company's Annual Report on Form 10-K for the year ended December 31, 2010, and the audited consolidated financial statements, including the notes thereto, contained in the Form 8-K filed on June 17, 2011, which recast certain portions of the Form 10-K to reflect the spin-off of the Shipbuilding business as discontinued operations, as discussed below.

The quarterly information is labeled using a calendar convention; that is, first quarter is consistently labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is management's long-standing practice to establish actual interim closing dates using a "fiscal" calendar, which requires the businesses to close their books on a Friday near these quarter-end dates in order to normalize the potentially disruptive effects of quarterly closings on business processes. The effects of this practice only exist within a reporting year.

Spin-off of Shipbuilding Business – Effective as of March 31, 2011, the company completed the spin-off to its shareholders of Huntington Ingalls Industries (HII). HII will operate the business that was previously the Shipbuilding segment (Shipbuilding) of the company prior to the spin-off. The spin-off was the culmination of the company's decision to explore strategic alternatives for Shipbuilding as it was determined to be in the best interests of shareholders, customers, and employees by allowing both the company and Shipbuilding to pursue more effectively their respective opportunities to maximize value. As a result of the spin-off, assets, liabilities and results of operations for the former Shipbuilding segment have been reclassified as discontinued operations for all periods presented. See Note 5 for further information.

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

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

<i>\$ in millions</i>	June 30, 2011	December 31, 2010
Cumulative translation adjustment	\$ 27	
Net unrealized gain on marketable securities and cash flow hedges, net of tax expense of \$2 as of June 30, 2011, and \$3 as of December 31, 2010	3	\$ 5
Unamortized benefit plan costs, net of tax benefit of \$1,425 as of June 30, 2011, and \$1,801 as of December 31, 2010	(2,203)	(2,762)
Total accumulated other comprehensive loss	\$(2,173)	\$ (2,757)

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The changes in the unamortized benefit plan costs, net of tax, were \$35 million and \$79 million for the six months ended June 30, 2011 and 2010, respectively, and are included in other comprehensive income in the condensed consolidated statements of operations. As a result of the spin-off of Shipbuilding, the company reduced accumulated other comprehensive loss by \$524 million as of March 31, 2011, for the after-tax unamortized benefit plan costs related to Shipbuilding.

Unamortized benefit plan costs consist primarily of net after-tax actuarial loss amounts totaling \$2,186 million and \$2,771 million as of June 30, 2011, and December 31, 2010, respectively. Net actuarial gains or losses principally arise from gains or losses on plan assets due to variations in the fair market value of the underlying assets and changes in the benefit obligation due to changes in actuarial assumptions. Net actuarial gains or losses are amortized to expense 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 ten years, which represents the approximate average future service period of employees.

2. ACCOUNTING STANDARDS UPDATES

Accounting standards updates not effective until after June 30, 2011, are not expected to have a material effect on the company's consolidated financial position, results of operations or related disclosures.

3. DIVIDENDS ON COMMON STOCK

Dividends on Common Stock – In April 2011, the company's board of directors approved an increase to the quarterly common stock dividend from \$0.47 per share to \$0.50 per share, for shareholders of record as of May 31, 2011.

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 shareholders of record as of June 1, 2010.

4. EARNINGS PER SHARE

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

Diluted Earnings Per Share – Diluted earnings per share 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 4.6 million shares and 5.0 million shares for the three and six months ended June 30, 2011. The dilutive effect of these securities totaled 4.2 million shares and 3.9 million shares for the three and six months ended June 30, 2010. The weighted-average diluted shares outstanding for the three and six months ended June 30, 2011, exclude anti-dilutive stock options to purchase approximately 2.0 million and 2.8 million shares, respectively, because such options have exercise prices in excess of the average market price of the company's common stock during the period. The weighted-average diluted shares outstanding for the three and six months ended June 30, 2010, exclude anti-dilutive stock options to purchase approximately 2.6 million shares.

Share Repurchases – The table below summarizes the company's share repurchases during the periods:

Repurchase Program Authorization Date	Amount Authorized (in millions)	Average Price Per Share(2)	Total Shares Retired (in millions)	Date Completed	Shares Repurchased (in millions)	
					Six Months Ended June 30 2011	2010
December 19, 2007	\$ 3,600	\$ 59.82	60.2	August 2010	14.8	
June 16, 2010 ⁽¹⁾	4,245	63.33	19.7		15.7	
					15.7	14.8

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- (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. On April 25, 2011, the company's board of directors authorized an increase to the remaining share repurchase authorization to \$4.0 billion, an increase of approximately \$2.2 billion. As of June 30, 2011, the company had \$3.0 billion remaining under this authorization for share repurchases.
- (2) Includes commissions paid and calculated as the average price paid per share under the respective repurchase program.

Under the outstanding share repurchase authorization, the company entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. (Goldman Sachs) on May 2, 2011, to repurchase approximately 15.6 million shares of common stock at an initial price of \$64.17 per share for a total of \$1.0 billion. Under this agreement, Goldman Sachs immediately borrowed shares that were sold to and canceled by the company. Subsequently, Goldman Sachs began purchasing shares in the open market to settle its share borrowings. The cost of the company's initial share repurchase is subject to adjustment based upon the actual cost of the shares subsequently purchased by Goldman Sachs. The price adjustment can be settled, at the company's option, in cash or in shares of common stock.

As of June 30, 2011, Goldman Sachs had purchased 7.9 million shares, or 51 percent, of the shares under the agreement. Northrop Grumman's average purchase price for these shares, per the agreement, is \$65.02 net of commissions and other fees. Assuming Goldman Sachs purchases the remaining shares at a price per share equal to the average purchase price of \$65.02 per share, the company would be required to pay approximately \$20 million or deliver approximately 286,000 shares of common stock to Goldman Sachs to complete the transaction. The settlement amount may increase or decrease depending upon the average price paid for the shares under the program. Settlement is expected to occur in the third quarter of 2011, depending upon the timing and pace of the purchases, and would result in an adjustment to shareholders' equity.

5. BUSINESS DISPOSITIONS

Spin-off of Shipbuilding Business – Effective March 31, 2011, the company completed the spin-off to its shareholders of its Shipbuilding business (HII). The company made a pro rata distribution to its shareholders of one share of HII common stock for every six shares of the company's common stock held on the record date of March 30, 2011, or 48.8 million shares of HII common stock. There was no gain or loss recognized by the company as a result of the spin-off transaction. In connection with the spin-off, HII issued \$1,200 million in senior notes and entered into a credit facility with third-party lenders that includes a \$650 million revolver and a \$575 million term loan. HII used a portion of the proceeds of the debt and credit facility to fund a \$1,429 million cash contribution to the company.

Prior to the completion of the spin-off, the company and HII entered into a Separation and Distribution Agreement dated March 29, 2011, and several other agreements that will govern the post-separation relationship. These agreements generally provide that each party will be responsible for its respective assets, liabilities and obligations following the spin-off, including employee benefits, intellectual property, information technology, insurance, and tax-related assets and liabilities. The agreements also describe the company's future commitments to provide HII with certain transition services for up to one year following the spin-off and the costs incurred for such services that will be reimbursed by HII. This transitional support will enable HII to establish its stand alone processes to assume full responsibility for various activities that were previously provided by the company and do not constitute significant continuing support of HII's operations.

In connection with the spin-off, the company incurred \$27 million and \$11 million of non-deductible transaction costs for the six months ended June 30, 2011 and 2010, respectively, which have been included in discontinued operations. The company has incurred total transaction costs in connection with the spin-off of approximately \$59 million.

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National Security Technologies Deconsolidation – Effective January 1, 2011, the company reduced its participation in the National Security Technologies joint venture (NSTec). As a result of the reduced participation in the joint venture, the company no longer consolidates NSTec's results in the company's condensed consolidated financial statements. NSTec's sales that were included in the company's consolidated sales and service revenues for the six months ended June 30, 2010 were \$288 million.

Sale of Advisory Services Division – In December 2009, the company sold its Advisory Services Division (ASD) for \$1.65 billion in cash to an investor group led by General Atlantic, LLC and affiliates of Kohlberg Kravis Roberts & Co. L.P. and recognized a gain of \$15 million, net of taxes. During the six months ended June 30, 2010, an additional \$7 million gain, net of taxes, was recorded to reflect the purchase price adjustment called for under the sale agreement. 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 the Information Systems segment that provide systems engineering technical assistance and other analysis and advisory services.

Discontinued Operations – Earnings for the Shipbuilding business and gains from previous divestitures, reported as discontinued operations, are presented in the following table:

<i>\$ in millions</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2011	2010	2011	2010
Sales and service revenues	\$	\$ 1,596	\$ 1,646	\$ 3,314
Earnings (loss) from discontinued operations		(37)	59	46
Income tax benefit (expense)		8	(26)	(23)
Earnings (loss), net of tax		(29)	33	23
Gain on divestiture			2	11
Income tax expense			(1)	(4)
Gain on divestitures, net of tax			1	7
Earnings (loss) from discontinued operations, net of tax	\$	\$ (29)	\$ 34	\$ 30

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The major classes of assets and liabilities included in discontinued operations for the Shipbuilding business are presented in the following table:

<i>\$ in millions</i>	December 31, 2010
Assets	
Current assets	\$ 1,315
Property, plant, and equipment, net	1,997
Goodwill	1,141
Other assets	759
Total assets of discontinued operations	\$ 5,212
Liabilities	
Trade accounts payable	\$ 274
Other current liabilities	955
Current liabilities	1,229
Long-term liabilities	1,563
Total liabilities of discontinued operations	\$ 2,792

6. SEGMENT INFORMATION

The company is aligned into four reportable segments: Aerospace Systems, Electronic Systems, Information Systems, and Technical Services.

The following table presents segment sales and service revenues for the three and six months ended June 30, 2011, and 2010:

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Sales and service revenues				
Aerospace Systems	\$ 2,592	\$ 2,842	\$ 5,328	\$ 5,538
Electronic Systems	1,791	1,984	3,599	3,866
Information Systems	2,031	2,123	4,056	4,187
Technical Services	656	801	1,344	1,564
Intersegment eliminations	(510)	(495)	(1,033)	(986)
Total sales and service revenues	\$ 6,560	\$ 7,255	\$13,294	\$14,169

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The following table presents segment operating income reconciled to total operating income for the three and six months ended June 30, 2011 and 2010:

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Operating income				
Aerospace Systems	\$ 331	\$ 335	\$ 632	\$ 631
Electronic Systems	284	264	521	490
Information Systems	189	205	383	388
Technical Services	51	52	105	101
Intersegment eliminations	(71)	(65)	(136)	(113)
Total segment operating income	784	791	1,505	1,497
Non-segment factors affecting operating income				
Unallocated corporate expenses	(38)	(40)	(48)	(65)
Net pension adjustment	99	1	202	3
Royalty income adjustment	(4)	(2)	(7)	(6)
Total operating income	\$ 841	\$ 750	\$ 1,652	\$ 1,429

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

Net Pension Adjustment – The net pension adjustment reflects the difference between pension expense determined in accordance with GAAP and pension expense allocated to the operating segments determined in accordance with CAS. The increase in net pension adjustment for the three and six months ended June 30, 2011, as compared to the same periods in 2010, is primarily due to improved return on plan assets in 2010.

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

7. INCOME TAXES

The company's effective tax rates on income from continuing operations were 34.0 percent and 34.3 percent for the three and six months ended June 30, 2011, compared to (9.6) percent and 10.4 percent for the three and six months ended June 30, 2010. In the second quarter of 2010, the company received final approval from the Internal Revenue Service (IRS) and the U.S. Congressional Joint Committee on Taxation 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 \$298 million (of which \$66 million was in cash), which were recorded as a reduction to the company's provision for income taxes. In connection with the settlement, the company also reduced its liability for uncertain tax positions, including previously accrued interest, by \$311 million. The company's effective tax rates for the three and six months ended June 30, 2010, differ from the statutory federal rate primarily due to manufacturing deductions, research and development credits, and the tax settlement with the IRS.

The company recognizes accrued interest and penalties related to uncertain tax positions in federal and foreign income tax expense. The company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The IRS is currently conducting an examination of the company's tax returns for the years

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2007 through 2009. Open tax years related to state and foreign jurisdictions remain subject to examination but are not considered material.

8. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

Goodwill

The carrying amounts of goodwill at both June 30, 2011, and December 31, 2010, were as follows:

<i>\$ in millions</i>	Aerospace Systems	Electronic Systems	Information Systems	Technical Services	Total
Goodwill	\$ 3,801	\$ 2,402	\$ 5,248	\$ 925	\$12,376

Accumulated goodwill impairment losses at June 30, 2011, and December 31, 2010, totaled \$570 million at the Aerospace Systems segment.

Purchased Intangible Assets

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

<i>\$ in millions</i>	June 30, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Contract and program intangibles	\$ 1,705	\$ (1,548)	\$ 157	\$ 1,705	\$ (1,531)	\$ 174
Other purchased intangibles	100	(83)	17	100	(82)	18
Total	\$ 1,805	\$ (1,631)	\$ 174	\$ 1,805	\$ (1,613)	\$ 192

The company's purchased intangible assets are subject to amortization and have been amortized on a straight-line basis over an original aggregate weighted-average period of 18 years. Aggregate amortization expense for the three and six months ended June 30, 2011, was \$9 million and \$18 million, respectively. Aggregate amortization expense for the three and six months ended June 30, 2010, was \$18 million and \$36 million, respectively.

The table below shows expected amortization for purchased intangibles for the remainder of 2011 and for the next five years:

<i>\$ in millions</i>	
Year ending December 31	
2011 (July 1—December 31)	\$19
2012	36
2013	29
2014	16
2015	15
2016	11

9. 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). In June 2011, the company sold marketable securities classified as trading securities for \$69 million, resulting in a \$3 million realized gain on the sale of securities. As

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of June 30, 2011, and December 31, 2010, there were marketable equity securities of \$2 million and \$68 million, respectively, included in prepaid expenses and other current assets and there were marketable equity securities of \$242 million and \$262 million, respectively, included in miscellaneous other assets in the condensed consolidated statements of financial position.

Derivative Financial Instruments and Hedging Activities – The company utilizes derivative financial instruments 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. 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 effective 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, the gains or losses resulting from changes in the fair value are reported in Other, net in the condensed consolidated statements of operations. Unrealized gains or losses on the effective cash flow hedges are reclassified from other comprehensive income to earnings from continuing operations upon the settlement of the underlying transactions.

As of June 30, 2011, there were no outstanding interest rate swaps. Foreign currency purchase and sale forward contract agreements with notional values of \$44 million and \$124 million, respectively, were designated for hedge accounting treatment. The remaining notional values outstanding at June 30, 2011, under foreign currency purchase and sale forward contracts of \$7 million and \$93 million, respectively, were not designated for hedge accounting treatment.

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 \$40 million and \$86 million, respectively, were designated for hedge accounting treatment. The remaining notional values outstanding at December 31, 2010, under foreign currency purchase and sale forward contracts of \$8 million and \$75 million, respectively, were not designated for hedge accounting treatment.

The derivative fair values and related unrealized gains and losses at June 30, 2011, and December 31, 2010, were not material.

There were no material transfers of financial instruments between the three levels of fair value hierarchy during the six months ended June 30, 2011, and the year ended December 31, 2010.

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 June 30, 2011, and December 31, 2010, the carrying values associated with these policies were \$263 million and \$257 million, respectively, which were included in miscellaneous other assets in the condensed consolidated statements of financial position.

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Long-Term Debt – As of June 30, 2011, and December 31, 2010, the carrying values of long-term debt were \$4.0 billion and \$4.7 billion, respectively, and the related estimated fair values were \$4.4 billion and \$5.1 billion, respectively. The fair value of long-term debt is calculated based on interest rates available for debt with terms and maturities similar to the company's existing debt arrangements. In February 2011, the company repaid notes with a face value of \$750 million and an interest rate of 7.125% upon their maturity.

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

10. INVESTIGATIONS, CLAIMS AND LITIGATION

Spin-Off of Shipbuilding Business – As provided in the Separation and Distribution Agreement with HII described in Note 5, HII generally has responsibility for investigations, claims and litigation matters related to the Shipbuilding business. The company has therefore excluded from this report certain previously disclosed Shipbuilding-related investigations, claims and litigation matters that are the responsibility of HII. The company does not believe these HII matters are likely to have a material adverse effect on the company's consolidated financial position, results of operations, or cash flows.

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, compensatory or treble damages or non-monetary relief. U.S. Government regulations provide that certain allegations against a contractor may lead to suspension or debarment from future U.S. Government contracts or the loss of export privileges for a company or a division or subdivision. Suspension or debarment could have a material adverse effect on the company because of its reliance on government contracts and authorizations.

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 U.S. Government's investigation and its agreement to make restitution if the government was harmed by any such violations. In July 2011, the Department of Justice informed the company that the Department had closed its criminal investigation without further action. Based upon the information available to the company to date, the company does not believe that the outcome of this matter is likely to 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.

The company is one of several defendants in litigation brought by the Orange County Water District in Orange County Superior Court in California on December 17, 2004, for alleged contribution to volatile organic chemical contamination of the County's shallow groundwater. The lawsuit includes counts against the defendants for violation of the Orange County Water District Act, the California Super Fund Act, negligence, nuisance, trespass and declaratory relief. Among other things, the lawsuit seeks unspecified damages for the cost of remediation, payment of attorney fees and costs, and punitive damages. Trial is scheduled to begin on February 10, 2012.

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

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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 401(k) Plans sponsored by Northrop Grumman Corporation. The company itself 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. By order dated March 29, 2011, the District Court granted the plaintiffs' motion for class certification. The District Court held a hearing on May 16, 2011 on various cross motions for summary judgment. The supplemental briefing requested by the District Court has been filed and the motions stand submitted. No trial date has been set. 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 to the company to date, the company does not believe that the resolution of any of the specific litigation matters listed above is likely to have a material adverse effect on its consolidated financial position, results of operations or cash flows.

In addition to the matters discussed above, the company is a party to various investigations, lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. Based on information available to the company, the company does not believe at this time that any of such additional matters will individually, or in the aggregate, have a material adverse effect on its financial position, results of operations or cash flows.

11. 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 June 30, 2011, the recognized amounts related to claims and requests for equitable adjustment are not material individually or in the aggregate.

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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 June 30, 2011, 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 or potential liabilities to third parties related to environmental matters, nor do they include amounts recorded as asset retirement obligations. To assess the potential impact on the company's 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 the range of reasonably possible future costs for environmental remediation sites is \$299 million to \$730 million. As of June 30, 2011, amounts accrued for probable environmental remediation costs are \$328 million, of which \$120 million is accrued in other current liabilities and \$208 million is accrued in other long-term liabilities in the condensed consolidated statements of financial position. 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) in the condensed consolidated statements of financial position. Factors that could result in changes to the company's estimates include: modification of planned remedial actions, increases or decreases in the estimated time required to remediate, changes to the determination of legally responsible parties, discovery of more extensive contamination than anticipated, changes in laws and regulations affecting remediation requirements, and improvements in remediation technology. Should other PRPs not pay their allocable share of remediation costs, the company may have to incur costs in addition to those already estimated and accrued. In addition, there are some potential remediation sites where the costs of remediation cannot be reasonably estimated. Although management cannot predict whether new information gained as projects progress will materially affect the estimated liability accrued, management does not anticipate that future remediation expenditures will have a material adverse effect on the company's consolidated financial position, results of operations or cash flows.

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. At June 30, 2011, there were \$152 million of stand-by letters of credit, \$197 million of bank guarantees, and \$140 million of surety bonds outstanding.

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

U.S. Government Cost Claims – From time to time, the company is advised 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

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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, for the three and six months ended June 30, 2011, was \$110 million and \$215 million, respectively, and was \$118 million and \$236 million for the three and six months ended June 30, 2010, respectively. These amounts are net of immaterial amounts of sublease rental income.

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

Spin-off of Shipbuilding Business – Under the Separation and Distribution Agreement with HII described in Note 5, from and after the spin-off transaction, HII assumed responsibility for certain commitments and contingencies related to the Shipbuilding business and agreed to indemnify the company for losses related to these commitments and contingencies. The company has therefore excluded from this report previously disclosed Shipbuilding-related commitments and contingencies now assumed by HII.

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

12. RETIREMENT BENEFITS

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

<i>\$ in millions</i>	Three Months Ended June 30				Six Months Ended June 30			
	Pension Benefits		Medical and Life Benefits		Pension Benefits		Medical and Life Benefits	
	2011	2010	2011	2010	2011	2010	2011	2010
Components of Net Periodic Benefit Cost								
Service cost	\$ 130	\$ 133	\$ 8	\$ 8	\$ 260	\$ 266	\$ 16	\$ 16
Interest cost	305	304	29	30	610	608	58	60
Expected return on plan assets	(423)	(380)	(16)	(14)	(846)	(760)	(32)	(28)
Amortization of:								
Prior service cost (credit)	6	9	(13)	(13)	12	18	(26)	(26)
Net loss from previous years	41	51	3	5	82	102	6	10
Net periodic benefit cost	\$ 59	\$ 117	\$ 11	\$ 16	\$ 118	\$ 234	\$ 22	\$ 32
Defined contribution plans cost	\$ 76	\$ 86			\$ 161	\$ 166		

Employer Contributions – The company's required minimum funding in 2011 for its pension plans and its medical and life benefit plans are approximately \$59 million and \$124 million, respectively. For the six months ended June 30, 2011, contributions of \$550 million have been made to the company's pension plans, including voluntary pension contribution totaling \$500 million, and \$40 million have been made to the company's post-retirement medical and life benefit plans.

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Defined Contribution Plans – The company also sponsors 401(k) defined contribution plans in which most employees are eligible to participate, including certain bargaining unit employees. Company contributions for most plans are based on a cash-matching of employee contributions up to 4 percent of compensation. In addition to the 401(k) defined contribution benefit plan, 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.

Spin-off of Shipbuilding Business – As a result of the previously mentioned spin-off of HII discussed in Note 5, the company transferred certain pension and other post-retirement benefit plans related exclusively to Shipbuilding employees and the Shipbuilding portion of Northrop Grumman pension and other post-retirement benefit plans that included Shipbuilding employees. A re-measurement of plan assets and liabilities was performed for those plans that included both Shipbuilding and Northrop Grumman employees as of March 31, 2011, the effective date of the spin-off. The effect of this re-measurement on the company's consolidated financial position, results of operations and cash flows was not material.

13. STOCK COMPENSATION PLANS

On May 18, 2011, the shareholders of the company approved the company's 2011 Long Term Incentive Stock Plan (2011 Plan), which replaced the expired 2001 Long-Term Incentive Stock Plan (2001 Plan). At June 30, 2011, Northrop Grumman had stock-based compensation awards outstanding under the 2001 Plan, which is applicable to employees, as well as under the 1993 Stock Plan for Non-Employee Directors and 1995 Stock Plan for Non-Employee Directors, as amended (Directors Plans). At June 30, 2011, no stock-based compensation awards had yet been issued under the new 2011 Plan. Each of these plans was approved by the company's shareholders. In addition, as a result of prior acquisitions there are other stock-based compensation awards outstanding. Share-based awards authorized under these employee plans include stock options, stock appreciation rights, stock bonuses, restricted stock, restricted stock units, performance shares and similar rights to purchase or acquire shares.

Under the 2011 Plan, the company is authorized to issue or transfer shares of common stock pursuant to any of the types of awards mentioned above. At June 30, 2011, the aggregate number of shares that may be issued or transferred pursuant to awards under the 2011 Plan is 45.6 million shares, including 6.5 million shares from the 2001 Plan that were previously authorized and available to be issued at the date the 2001 Plan expired. In addition, in the event that outstanding awards under the 2001 plan expire or terminate without being exercised or paid, as the case may be, such shares (the Forfeited Shares) will become available for award under the 2011 Plan. Shares issued under the 2011 Plan other than for stock options, stock appreciation rights and the Forfeited Shares will be counted against the 2011 Plan's aggregate share limit as 4.5 shares for every one share actually issued in connection with the award; any shares issued for stock options, stock appreciation rights and the Forfeited Shares will be counted against the remaining shares on a one for one basis. The 2011 Plan will also continue to provide equity-based award grants to non-employee directors once the existing share limits of the Directors Plans have been reached.

Shipbuilding Spin-off Adjustments – As a result of the spin-off of Shipbuilding, effective March 31, 2011, all outstanding stock-based compensation awards related to HII employees and retirees were assumed by HII. Also effective with the spin-off, the share amounts for all remaining Northrop Grumman outstanding stock options and stock awards, and the strike price for stock options were adjusted to maintain the aggregate intrinsic value of the grants at the date of the spin-off pursuant to the terms of the company's applicable stock-based compensation plans. Taking into account the change in the value of the company's common stock as a result of the distribution of the HII shares to the company's shareholders, the conversion ratio for the stock options and stock awards was 1.09. For stock options, the net effect of these adjustments resulted in an increase to the stock options outstanding due to the limited number of stock options applicable to and assumed by HII for Shipbuilding employees. For stock awards, the net effect was a decrease in stock awards outstanding as the number of shares assumed by HII for Shipbuilding employees exceeded the impact of the adjustment to the remaining Northrop Grumman employees. The Shipbuilding spin-off adjustments are reflected in the stock option and stock award tables below.

NORTHROP GRUMMAN CORPORATION**Compensation Expense**

Total pre-tax stock-based compensation expense for the six months ended June 30, 2011, and 2010, was \$64 million and \$69 million, respectively, of which \$7 million and \$18 million related to stock options and \$57 million and \$51 million related to stock awards, respectively. Tax benefits recognized in the condensed consolidated statements of operations for stock-based compensation during the six months ended June 30, 2011, and 2010, were \$26 million and \$27 million, respectively. In addition, the company realized tax benefits of \$15 million and \$11 million from the exercise of stock options and \$32 million and \$34 million from the issuance of stock awards in the six months ended June 30, 2011, and 2010, respectively. As a result of the spin-off of HII described in Note 5, stock-based compensation for HII employees of \$3 million and \$7 million has been recorded in discontinued operations for the six months ended June 30, 2011 and 2010, respectively.

At June 30, 2011, there was \$216 million of unrecognized compensation expense related to unvested awards granted under the company's stock-based compensation plans, of which \$20 million relate to stock options and \$196 million relate to stock awards. These amounts are expected to be charged to expense over a weighted-average period of 1.5 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 dividend yield represents the current annual dividend yield at the time stock options are awarded. Expected volatility is based on an average of (1) historical volatility of the company's stock and (2) implied volatility from traded options on the company's stock. The risk-free rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. The company uses historical data to estimate future forfeitures. The expected term of awards granted is derived from historical experience under the company's stock-based compensation plans and represents the period of time that awards granted are expected to be outstanding. 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.

The significant weighted-average assumptions relating to the valuation of the company's stock options granted during the six months ended June 30, 2011, and 2010, were as follows:

	2011	2010
Dividend yield	2.7%	2.9%
Volatility rate	25%	25%
Risk-free interest rate	2.4%	2.3%
Expected option life (years)	6	6

The company grants stock options primarily to executives, and the expected term of six years is based on these employees' exercise behavior. In 2009, the company granted stock options to non-executives and assigned an expected term of five years for valuing these stock options. The company believes that this stratification of expected terms best represents future expected exercise behavior between the two employee groups. The shorter expected life of non-executive employee stock options had an insignificant effect on the weighted average expected option life for the six months ended June 30, 2011, and 2010.

Using the Black-Scholes option pricing model, the weighted-average grant date fair value of stock options granted during the six months ended June 30, 2011, and 2010, was \$14 and \$11 per share, respectively.

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Stock option activity for the six months ended June 30, 2011, 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, 2011	13,221	\$ 55	3.8 years	\$ 149
Granted	805	63		
Exercised	(1,988)	45		
Canceled and forfeited	(43)	49		
Shipbuilding spin-off adjustments	150	59		
Outstanding at June 30, 2011	12,145	\$ 53	3.7 years	\$ 220
Vested and expected to vest in the future at June 30, 2011	12,025	\$ 53	3.7 years	\$ 218
Exercisable at June 30, 2011	9,337	\$ 52	3.1 years	\$ 176

The total intrinsic value of stock options exercised during the six months ended June 30, 2011, and 2010, was \$38 million and \$28 million, respectively. Intrinsic value is measured as the excess of the fair market value at the date of exercise (for stock options exercised) or at June 30, 2011 (for outstanding options), over the applicable exercise price.

Stock Awards

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

Stock award activity for the six months ended June 30, 2011, was as follows:

	Stock Awards (in thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2011	4,300	\$ 53	1.5 years
Granted	1,617	63	
Vested	(54)	65	
Forfeited	(220)	49	
ShipBuilding spin-off adjustments	(252)	47	
Outstanding at June 30, 2011	5,391	\$ 53	1.5 years

There were 2.2 million stock awards granted in the six months ended June 30, 2010, with a weighted-average grant date fair value of \$60 per share. During the six months ended June 30, 2011 and 2010, the company issued 1.4 million and 1.3 million shares, respectively, to employees in settlement of prior year stock awards that became fully vested, which had total fair values at issuance of \$87 million and \$76 million, respectively, and grant date fair values of \$101 million and \$91 million, respectively. The differences between the fair values at issuance and the grant date fair values reflect the effects of performance adjustments (described above) and changes in the fair market value of the company's common stock.

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 reviewed the accompanying condensed consolidated statement of financial position of Northrop Grumman Corporation and subsidiaries as of June 30, 2011, and the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2011 and 2010, and of cash flows and of changes in shareholders' equity for the six-month periods ended June 30, 2011 and 2010. These interim financial statements are the responsibility of the Corporation's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Northrop Grumman Corporation and subsidiaries as of December 31, 2010, and the related consolidated statements of operations, cash flows and changes in shareholders' equity for the year then ended (not presented herein); and in our report dated February 8, 2011 (June 16, 2011, as to the reclassification of the Shipbuilding segment as discontinued operations as described in Note 1), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 2010, is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

/s/ Deloitte & Touche LLP
Los Angeles, California
July 26, 2011

NORTHROP GRUMMAN CORPORATION

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

OVERVIEW

Northrop Grumman Corporation (herein referred to as "Northrop Grumman", the "company", "we", "us", or "our") provides technologically advanced, innovative products, services, and integrated solutions in aerospace, electronics, information and services to our global customers. We participate in many high-priority defense and government services technology programs in the United States (U.S.) and abroad as a prime contractor, principal subcontractor, partner, or preferred supplier. We conduct 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.

The following discussion should be read along with the unaudited condensed consolidated financial statements included in this Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2010, and the Form 8-K filed on June 17, 2011, which recast certain portions of our 2010 Form 10-K to reflect the spin-off of our Shipbuilding business as discontinued operations. The Form 10-K and Form 8-K dated June 17, 2011, provide a more thorough discussion of our products and services, industry outlook, and business trends. See further discussions in the "Consolidated Operating Results" and "Segment Operating Results" sections that follow.

Business Outlook and Operational Trends – Except as discussed below under "Economic Opportunities, Challenges, and Risks", there have been no material changes to our products and services, industry outlook, or business trends from those disclosed in our 2010 Form 10-K other than the spin-off of our Shipbuilding business to our shareholders effective March 31, 2011, which is reflected in our Form 8-K dated June 17, 2011.

Economic Opportunities, Challenges, and Risks – The U.S. Government's continued focus on addressing federal budget deficits and the growing national debt suggests a changing environment for our industry. Although defense spending is expected to remain a national priority within the federal budget, a fiscally constrained environment could prompt the government to seek additional deficit reduction by moderating discretionary spending, of which defense constitutes the majority share.

The Administration and Congress are engaged in vigorous discussion over alternative approaches to reduce the federal deficit and curtail spending. Some revision to current national security spending could emerge in forthcoming budget plans and appropriations as these negotiations continue. Further exacerbating this situation, the government has not finalized its plans for dealing with the impending debt ceiling limitation which, if not resolved reportedly by early August 2011, would limit the government's ability to pay its bills on a timely basis. President Obama and Congress are working on various alternative plans to extend the debt ceiling limitation, but there can be no assurance at this time when and how this matter will be resolved or its effects on the overall U.S. economy or federal budgets.

In this context, the DoD is currently conducting a strategic review intended to guide its budgeting decisions. Our company awaits the results of this review, as well as the outcomes of the broader federal budget discussion, as these decisions are expected to shape planning directions across the industry.

Force levels in Iraq have shrunk significantly. In late June 2011, the President announced his plans for a troop withdrawal from Afghanistan that would remove roughly a third of the U.S. troops currently in country by the summer of 2012. These events reflect reduced spending on the counterinsurgency warfare that has driven much of U.S. defense near term requirements over the last decade. Elements of our industry that have gained significantly through war spending might expect that impact to decline going forward.

An emerging DoD focus on the need for U.S. capabilities to counter advancing threats in anti-access and area denial scenarios could present a key focal point for future investments. The recently retired Secretary of Defense, Robert Gates, laid these out in a speech on June 4, 2011, in which he noted that modernization programs would be critical in the future. The U.S. will continue to maintain a range of powerful military capabilities to support

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U.S. national security interests, even amidst potentially rising economic difficulties, and will have an enduring need for many of the sophisticated capabilities that we provide. Northrop Grumman's development portfolio includes such key areas as long range strike, missile defense, cybersecurity, unmanned systems, defense electronics, information systems, satellite communications, directed energy applications, restricted programs, and intelligence surveillance and reconnaissance capabilities, among others. As a result, the company believes it is well positioned to help the DoD meet its critical future capability requirements for protecting U.S. security in the years ahead.

Green Initiatives – We could be affected by future laws or regulations related to climate change concerns and other actions known as “green initiatives.” In 2009, 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.

Recent Developments in U.S. Government 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.

Notable Events – Notable events or activities during the six months ended June 30, 2011, included the following:

- We completed the spin-off of our Shipbuilding business (Huntington Ingalls Industries or HII) and this business is now reported within discontinued operations.
- In connection with the spin-off of HII, we received a cash contribution of \$1,429 million.
- We reduced our participation in the National Security Technologies (NSTec) joint venture, which resulted in a \$1,745 million reduction in contract backlog.
- We repaid notes with a face value of \$750 million.
- We increased the quarterly common stock dividend, from \$0.47 per share to \$0.50 per share.
- We repurchased approximately 15.6 million shares of common stock under an accelerated share repurchase agreement with an initial value of \$1.0 billion.

CRITICAL ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

There have been no material changes to our Critical Accounting Policies, Estimates, or Judgments from those discussed in our Form 8-K dated June 17, 2011, that recast certain portions of our 2010 Form 10-K.

NORTHROP GRUMMAN CORPORATION
CONSOLIDATED OPERATING RESULTS

Selected financial highlights are presented in the table below:

<i>\$ in millions, except per share amounts</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Sales and service revenues	\$ 6,560	\$ 7,255	\$13,294	\$14,169
Cost of sales and service revenues	5,163	5,884	10,518	11,495
General and administrative expenses	556	621	1,124	1,245
Operating income	841	750	1,652	1,429
Interest expense	(53)	(65)	(111)	(142)
Federal and foreign income tax expense	268	(65)	530	134
Discontinued operations		(29)	34	30
Diluted earnings per share from continuing operations	1.81	2.44	3.48	3.77
Cash (used in) provided by continuing operations	(34)	552	78	100

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 in our Form 8-K dated June 17, 2011, that recast certain portions of our 2010 Form 10-K. Our portfolio of long-term contracts is largely flexibly-priced, which means that sales tend to fluctuate in concert with costs across our large portfolio of active contracts, with operating income being a critical measure of operational performance. Due to the Federal Acquisition Regulation (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 accounting principles generally accepted in the United States of America (GAAP). Unusual fluctuations in operating performance driven by 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 four segments versus distinguishing between products and services. Our Aerospace Systems and Electronic Systems segments generate predominantly product sales, while the Information Systems and Technical Services segments generate predominantly service revenues.

Sales and Service Revenues

Sales and service revenues consist of the following:

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Product sales	\$ 3,709	\$ 4,167	\$ 7,572	\$ 8,191
Service revenues	2,851	3,088	5,722	5,978
Sales and service revenues	\$ 6,560	\$ 7,255	\$13,294	\$14,169

Sales and service revenues for the three and six months ended June 30, 2011, decreased \$695 million and \$875 million, respectively, as compared with the same periods in 2010, reflecting lower sales in all four segments. The decrease in sales and service revenues during the three months ended June 30, 2011, is primarily due to a \$250 million decrease at Aerospace Systems from lower volume on manned aircraft programs and civil space

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programs; a \$193 million decrease at Electronic Systems from lower volume on land and self protection systems programs and targeting systems programs; and a \$145 million decrease at Technical Services from the reduced participation in the NSTec joint venture effective January 1, 2011, resulting in no sales recorded for the joint venture in 2011, compared to \$152 million in the same period in 2010.

The decrease in sales and service revenues during the six months ended June 30, 2011, is primarily due to a \$210 million decrease at Aerospace Systems from lower sales volume on manned aircraft programs and civil space programs; a \$267 million decrease at Electronic Systems from land and self protection systems programs; and a \$220 million decrease at Technical Services from the reduced participation in the NSTec joint venture effective January 1, 2011, resulting in no sales recorded for the joint venture in 2011, compared to \$288 million in the same period in 2010. See “Segment Operating Results” below for further information.

Cost of Sales and Service Revenues and General and Administrative Expenses

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

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Cost of sales and service revenues				
Cost of product sales	\$2,662	\$ 3,078	\$ 5,504	\$ 6,068
<i>% of product sales</i>	71.8%	73.9%	72.7%	74.1%
Cost of service revenues	2,501	2,806	5,014	5,427
<i>% of service revenues</i>	87.7%	90.9%	87.6%	90.8%
General and administrative expenses	556	621	1,124	1,245
<i>% of total sales and service revenues</i>	8.5%	8.6%	8.5%	8.8%
Cost of sales and service revenues and general and administrative expenses	\$5,719	\$6,505	\$11,642	\$12,740

Cost of Product Sales and Service Revenues – The decrease in cost of product sales as a percentage of product sales for the three and six months ended June 30, 2011, as compared with the same periods in 2010, is primarily due to performance improvements in Aerospace Systems and Electronic Systems.

The decrease in cost of service revenues as a percentage of service revenues for the three and six months ended June 30, 2011, as compared with the same periods in 2010, is primarily due to performance improvements in Technical Services resulting from the effects of reduced participation in the NSTec joint venture. Effective January 1, 2011, the company reduced its participation in this joint venture, and as a result no longer consolidates sales or cost of sales for the joint venture.

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 as a percentage of total sales and service revenues decreased to 8.5 percent for the three and six months ended June 30, 2011, from 8.6 percent and 8.8 percent, respectively, for the comparable periods in 2010, primarily due to lower independent research and development and bid and proposal costs.

Operating Income

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.

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We internally manage our operations by reference to “segment operating income.” Segment operating income is defined as operating income before unallocated corporate 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>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Segment operating income	\$ 784	\$ 791	\$ 1,505	\$ 1,497
Unallocated corporate expenses	(38)	(40)	(48)	(65)
Net pension adjustment	99	1	202	3
Royalty income adjustment	(4)	(2)	(7)	(6)
Total operating income	\$ 841	\$ 750	\$ 1,652	\$ 1,429

Segment Operating Income – Segment operating income for the three months ended June 30, 2011, decreased \$7 million, or 1 percent, as compared with the same period in 2010. Segment operating income was 12.0 percent and 10.9 percent of sales and service revenues for the three months ended June 30, 2011 and 2010, respectively. Segment operating income for the six months ended June 30, 2011, increased \$8 million, or 1 percent, as compared with the same period in 2010. Segment operating income was 11.3 percent and 10.6 percent of sales and service revenues for the six months ended June 30, 2011 and 2010, respectively. Performance improvements at Aerospace Systems and Electronic Systems and the effects of the reduced participation in the NSTec joint venture at Technical Services more than offset the reduction in segment operating income resulting from lower sales volume at all four segments and contributed to the rate improvement in 2011. See “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 the three months ended June 30, 2011, decreased by \$2 million, which is comparable to the same period in 2010. Unallocated corporate expenses for the six months ended June 30, 2011, decreased by \$17 million as compared to the same period in 2010, primarily due to higher estimated recoveries of prior year overhead expenses, lower state income taxes and lower stock based compensation expense, partially offset by higher costs related to environmental remediation.

Net Pension Adjustment – Net pension adjustment reflects the difference between pension expense determined in accordance with GAAP and pension expense allocated to the operating segments determined in accordance with CAS. For the three months ended June 30, 2011 and 2010, the net pension adjustment resulted in income of \$99 million and \$1 million, respectively. For the six months ended June 30, 2011 and 2010, the net pension adjustment resulted in income of \$202 million and \$3 million, respectively. The increase in net pension adjustment for 2011 is primarily due to improved return on plan assets in 2010.

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

Interest Expense

Interest expense for the three months ended June 30, 2011, decreased \$12 million, as compared with the same period in 2010, primarily due to a lower weighted average interest rate resulting from our debt refinancing in November 2010. Interest expense for the six months ended June 30, 2011, decreased \$31 million, as compared

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with the same period in 2010, primarily due to a lower weighted average interest rate resulting from our debt refinancing in November 2010.

Federal and Foreign Income Tax Expense

Our effective tax rate on earnings from continuing operations for the three and six months ended June 30, 2011, was 34.0 percent and 34.3 percent, compared with (9.6) percent and 10.4 percent for the three and six months ended June 30, 2010. For 2010, our effective tax rates differ from the statutory federal rate primarily due to manufacturing deductions, research and development credits, and the tax settlement with the Internal Revenue Service (IRS). In the second quarter of 2010, we recognized net tax benefits of approximately \$298 million, primarily as a result of a final settlement with the IRS and the U.S. Congressional Joint Committee on Taxation related to our tax returns for the years ended 2004 through 2006. Excluding the effect of the tax settlement with the IRS in 2010, our effective tax rate on earnings from continuing operations for the three and six months ended June 30, 2010, was 34.5 percent and 33.6 percent, respectively. See Note 7 to the condensed consolidated financial statements in Part I, Item 1.

Discontinued Operations

Earnings from discontinued operations for the six months ended June 30, 2011 and 2010, were primarily attributable to the Shipbuilding business, which was spun off to our shareholders in March 2011. Earnings from discontinued operations for the six months ended June 30, 2011, increased \$4 million as compared with the same period in 2010.

Earnings from discontinued operations for the six months ended June 30, 2010, also include a \$7 million adjustment to the gain on the December 2009 sale of our Advisory Services Division to reflect purchase price adjustments and the utilization of additional capital loss carry-forwards.

Diluted Earnings Per Share From Continuing Operations

Diluted earnings per share from continuing operations for the three months ended June 30, 2011, was \$1.81 per share, as compared with \$2.44 per share for the same period in 2010. Earnings per share are based on weighted average diluted shares outstanding of 287.2 million for the three months ended June 30, 2011, and 303.8 million for the same period in 2010.

Diluted earnings per share from continuing operations for the six months ended June 30, 2011, was \$3.48 per share, as compared with \$3.77 per share for the same period in 2010. Earnings per share are based on weighted average diluted shares outstanding of 292.2 million for the six months ended June 30, 2011, and 305.0 million for the same period in 2010. See Note 4 to the condensed consolidated financial statements in Part I, Item 1.

The tax settlement with the IRS in the second quarter of 2010 for approximately \$298 million discussed above increased our diluted earnings per share from continuing operations on a net basis by approximately \$.98 per share for the six months ended June 30, 2010.

Cash (Used In) Provided By Continuing Operations

For the three months ended June 30, 2011, cash used in continuing operations was \$34 million, as compared with \$552 million cash provided by continuing operations in the same period in 2010. The decrease of \$586 million reflects higher working capital requirements and pension contributions in the 2011 period.

For the six months ended June 30, 2011, cash provided by continuing operations was \$78 million, as compared to \$100 million for the same period in 2010. The decrease of \$22 million reflects higher pension contributions in the 2011 period, partially offset by the sale of marketable securities.

NORTHROP GRUMMAN CORPORATION
SEGMENT OPERATING RESULTS
Basis of Presentation

We are aligned into four reportable segments: Aerospace Systems, Electronic Systems, Information Systems, and Technical Services.

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Sales and Service Revenues				
Aerospace Systems	\$ 2,592	\$ 2,842	\$ 5,328	\$ 5,538
Electronic Systems	1,791	1,984	3,599	3,866
Information Systems	2,031	2,123	4,056	4,187
Technical Services	656	801	1,344	1,564
Intersegment eliminations	(510)	(495)	(1,033)	(986)
Total sales and service revenues	\$ 6,560	\$ 7,255	\$13,294	\$14,169
Operating Income				
Aerospace Systems	\$ 331	\$ 335	\$ 632	\$ 631
Electronic Systems	284	264	521	490
Information Systems	189	205	383	388
Technical Services	51	52	105	101
Intersegment eliminations	(71)	(65)	(136)	(113)
Total Segment Operating Income	\$ 784	\$ 791	\$ 1,505	\$ 1,497
Non-segment factors affecting operating income				
Unallocated corporate expenses	(38)	(40)	(48)	(65)
Net pension adjustment	99	1	202	3
Royalty income adjustment	(4)	(2)	(7)	(6)
Total operating income	\$ 841	\$ 750	\$ 1,652	\$ 1,429

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 incurred due to varying production activity levels, delivery rates, or service levels on individual contracts. Volume changes will typically carry a corresponding operating income change based on the margin rate for a particular contract.

Segment Operating Income

Segment operating income reflects the aggregate performance results of contracts within a business area or segment. Excluded from this measure are certain costs not directly associated with contract performance, including the portion of corporate expenses such as management and administration, legal, environmental, certain compensation costs 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 for the period. 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. We identify favorable and unfavorable adjustments above a minimal threshold level to determine our qualitative discussion of performance results and, where material, we disclose the effects of such adjustments on a contract or program basis. Overall, our contract performance

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adjustments generally reflect margin improvements over the life of a contract as performance risks are reduced or eliminated. Thus we would expect that our aggregate cumulative adjustments would be favorable.

Operating income may also be affected by, among other things, the effects of workforce stoppages, natural disasters such as 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.

Contract Descriptions

For convenience, a brief description of certain programs discussed in this Form 10-Q is included in the “Glossary of Programs” section that follows.

AEROSPACE SYSTEMS**Business Description**

Aerospace Systems 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, which are primarily government agencies, use these systems in many different mission areas, including: intelligence, surveillance and reconnaissance (ISR); 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 (S&SS); Space Systems (SS); Battle Management & Engagement Systems (BM&ES); and Advanced Programs & Technology (AP&T).

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Sales and service revenues	\$2,592	\$2,842	\$5,328	\$5,538
Segment operating income	331	335	632	631
<i>As a percentage of segment sales</i>	<i>12.8%</i>	<i>11.8%</i>	<i>11.9%</i>	<i>11.4%</i>

Sales and Service Revenues

Aerospace Systems revenue for the three months ended June 30, 2011, decreased \$250 million, or 9 percent, as compared with the same period in 2010. The decrease is primarily due to \$139 million lower sales in S&SS, \$99 million lower sales in SS, and \$25 million lower sales in BM&ES; partially offset by higher sales in AP&T. The lower sales in S&SS are primarily due to lower volume on F-35 and F/A-18 manned aircraft programs. The lower sales in SS are primarily due to lower volume on National Polar-orbiting Operational Environmental Satellite System (NPOESS) due to a program restructure and lower volume on restricted programs. The lower sales in BM&ES are primarily due to lower volume on E-2 Hawkeye, partially offset by ramping up on Long Endurance Multi-Intelligence Vehicle (LEMV).

Aerospace Systems revenue for the six months ended June 30, 2011, decreased \$210 million, or 4 percent, as compared with the same period in 2010. The decrease is primarily due to \$128 million lower sales in S&SS and \$165 million lower sales in SS, partially offset by \$62 million higher sales in BM&ES and \$22 million higher sales in AP&T. The lower sales in S&SS are primarily due to lower volume on F-35 and restricted programs. The lower sales in SS are primarily due to lower volume on NPOESS due to a program restructure and lower volume on James Webb Space Telescope due to a program re-plan. The higher sales in BM&ES are primarily due to increased activity on LEMV and higher volume on Broad Area Maritime Surveillance Unmanned Aircraft Systems and Joint Surveillance Target Attack Radar System programs, partially offset by lower volume on the E-2 Hawkeye program. The higher sales in AP&T are primarily due to higher volume on restricted programs, partially offset by lower volume on the Navy Unmanned Combat Air Systems program.

NORTHROP GRUMMAN CORPORATION**Segment Operating Income**

Operating income at Aerospace Systems for the three months ended June 30, 2011, decreased \$4 million, or 1 percent, as compared with the same period in 2010, and operating income as a percentage of sales was 12.8 percent, up from 11.8 percent in the same period in 2010. The lower operating income and increase as a percentage of sales is primarily due to lower sales volume at S&SS, SS, and BM&ES, offset by program performance improvements principally due to a program restructure on NPOESS. In addition, operating income in 2010 benefited from favorable performance improvements on several programs at S&SS.

Operating income at Aerospace Systems for the six months ended June 30, 2011, increased \$1 million, consistent with the same period in 2010, and operating income as a percentage of sales was 11.9 percent, up from 11.4 percent in the same period in 2010. The slightly higher operating income and increase as a percentage of sales is due to program performance improvements principally due to a program restructure on NPOESS. In addition, operating income in 2010 benefited from favorable performance improvements on several programs at S&SS.

ELECTRONIC SYSTEMS**Business Description**

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. Electronic Systems provides a variety of defense electronics and systems, airborne fire control radars, situational awareness systems, early warning systems, airspace management systems, navigation systems, communications systems, marine systems, space systems, and logistics services. The segment consists of five business areas: Intelligence, Surveillance & Reconnaissance Systems; Land & Self Protection Systems; Naval & Marine Systems; Navigation Systems; and Targeting Systems.

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Sales and service revenues	\$1,791	\$1,984	\$3,599	\$3,866
Segment operating income	284	264	521	490
<i>As a percentage of segment sales</i>	<i>15.9%</i>	<i>13.3%</i>	<i>14.5%</i>	<i>12.7%</i>

Sales and Service Revenues

Electronic Systems revenue for the three months ended June 30, 2011, decreased \$193 million, or 10 percent, as compared with the same period in 2010. The decrease is primarily due to \$145 million lower sales in Land & Self Protection Systems and \$36 million lower sales in Targeting Systems. The lower sales in Land & Self Protection Systems are primarily due to lower indefinite delivery indefinite quantity (IDIQ) volume on Large Aircraft Infrared Countermeasures (LAIRCM) and Vehicular Intercommunications Systems (VIS) programs as a result of fewer deliveries. The lower sales in Targeting Systems are primarily due to lower volume on F-16 International activities.

Electronic Systems revenue for the six months ended June 30, 2011, decreased \$267 million, or 7 percent, as compared with the same period in 2010. The decrease is primarily due to \$289 million lower sales in Land & Self Protection Systems, partially offset by \$18 million higher sales in Targeting Systems. The lower sales in Land & Self Protection Systems are primarily due to lower IDIQ volume on LAIRCM and VIS programs as a result of fewer deliveries. The higher sales in Targeting Systems are primarily due to higher volume on LITENING Gen 4 program as a result of increased deliveries and other restricted programs.

Segment Operating Income

Operating income at Electronic Systems for the three months ended June 30, 2011, increased \$20 million, or 8 percent, as compared with the same period in 2010, and operating income as a percentage of sales increased to

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15.9 percent from 13.3 percent in the same period in 2010. The higher operating income and increase as a percentage of sales is due to performance improvements on several contracts nearing completion at Land & Self Protection Systems and Targeting Systems, and performance improvements at Intelligence, Surveillance & Reconnaissance Systems, partially offset by the sales volume decreases described above.

Operating income at Electronic Systems for the six months ended June 30, 2011, increased \$31 million, or 6 percent, as compared with the same period in 2010, and operating income as a percentage of sales increased to 14.5 percent from 12.7 percent in the same period in 2010. The higher operating income and increase as a percentage of sales is due to performance improvements on several contracts nearing completion at Land & Self Protection Systems and Intelligence, Surveillance & Reconnaissance Systems, partially offset by the sales volume decreases described above.

INFORMATION SYSTEMS**Business Description**

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

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Sales and service revenues	\$2,031	\$2,123	\$4,056	\$4,187
Segment operating income	189	205	383	388
<i>As a percentage of segment sales</i>	9.3%	9.7%	9.4%	9.3%

Sales and Service Revenues

Information Systems revenue for the three months ended June 30, 2011, decreased \$92 million, or 4 percent, as compared with the same period in 2010. The decrease is primarily due to lower sales in Defense Systems primarily due to lower volume on Saudi Arabian American Oil Company (ARAMCO), Network Centric Solutions Defense Knowledge Online (Netcents DKO), Multi-Role Tactical Command Data Link (MRTCDL), and several other programs, partially offset by higher volume on Navy Anti-Terrorism Force Protection and Encore II programs.

Information Systems revenue for the six months ended June 30, 2011, decreased \$131 million, or 3 percent, as compared with the same period in 2010. The decrease is primarily due to \$73 million lower sales in Defense Systems. The lower sales in Defense Systems are primarily due to lower volume on Systems and Software Engineering Support, ARAMCO, MRTCDL programs, and several other programs, partially offset by higher volume on Encore II and Trailer Mounted Support System programs.

Segment Operating Income

Operating income at Information Systems for the three months ended June 30, 2011, decreased \$16 million, or 8 percent, as compared with the same period in 2010, and operating income as a percentage of sales decreased to 9.3 percent from 9.7 percent for the same period in 2010. The lower operating income is primarily due to lower sales volume at Defense Systems. The decrease as a percentage of sales is primarily due to the effects of a favorable performance improvement in 2010 on the New York City Wireless (NYCWIn) program, partially offset by a gain related to the sale of a Civil Systems contract in May 2011.

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Operating income at Information Systems for the six months ended June 30, 2011, decreased \$5 million, or 1 percent, as compared with the same period in 2010, and operating income as a percentage of sales increased to 9.4 percent from 9.3 percent for the same period in 2010. The lower operating income is primarily due to lower sales volume at Defense Systems. The increase as a percentage of sales is primarily due to improved performance on several Civil Systems programs and a gain related to the sale of a Civil Systems contract in May 2011, partially offset by the effects of a favorable performance improvement in 2010 on the NYCWiN program.

TECHNICAL SERVICES**Business Description**

Technical Services is a leading provider of logistics, infrastructure, and sustainment support, and also provides a wide array of technical services, including training and simulation. The segment consists of three business areas: Defense and Government Services Division (DGSD); Training Solutions Division (TSD); and Integrated Logistics and Modernization Division (ILMD).

<i>\$ in millions</i>	Three Months Ended		Six Months Ended	
	2011	2010	2011	2010
Sales and service revenues	\$656	\$801	\$1,344	\$1,564
Segment operating income	51	52	105	101
<i>As a percentage of segment sales</i>	7.8%	6.5%	7.8%	6.5%

Sales and Service Revenues

Technical Services revenue for the three months ended June 30, 2011, decreased \$145 million, or 18 percent, as compared with the same period in 2010. The decrease is primarily due to \$169 million lower sales in DGSD and \$30 million lower sales in TSD, partially offset by \$54 million higher sales in ILMD. The lower sales in DGSD are primarily due to the reduced participation in the NSTec joint venture. Effective January 1, 2011, the company reduced its participation in this joint venture, resulting in no sales recorded for the joint venture in the three months ended June 30, 2011, compared with sales of \$152 million for the same period in 2010. The lower sales in TSD are primarily due to lower sales volume demand on Joint Warfighting Center (JWFC) and Africa Contingency Operations Training & Assistance (ACOTA) programs. The higher sales in ILMD are primarily due to increased activity on the KC-10 Contractor Logistics Support (KC-10) program, which began in February 2010.

Technical Services revenue for the six months ended June 30, 2011, decreased \$220 million, or 14 percent, as compared with the same period in 2010. The decrease is primarily due to \$308 million lower sales in DGSD and \$46 million lower sales in TSD, partially offset by \$134 million higher sales in ILMD. The lower sales in DGSD are primarily due to the reduced participation in the NSTec joint venture. Effective January 1, 2011, the company reduced its participation in this joint venture, resulting in no sales recorded for the joint venture in the six months ended June 30, 2011, compared with sales of \$288 million for the same period in 2010. The lower sales in TSD are primarily due to lower sales volume demand on JWFC and ACOTA programs. The higher sales in ILMD are primarily due to increased activity on the KC-10 program, which began in February 2010.

Segment Operating Income

Operating income at Technical Services for the three months ended June 30, 2011, decreased \$1 million, or 2 percent, as compared with the same period in 2010, and operating income as a percentage of sales increased to 7.8 percent from 6.5 percent for the same period in 2010. The increase as a percentage of sales is primarily due to improved program performance across various programs and the effects of the change in participation in the NSTec joint venture, partially offset by the sales volume decreases described above.

Operating income at Technical Services for the six months ended June 30, 2011, increased \$4 million, or 4 percent, as compared with the same period in 2010, and operating income as a percentage of sales increased to 7.8 percent from 6.5 percent for the same period in 2010. The higher operating income and increase as a

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percentage of sales is primarily due to improved program performance across various programs and the effects of the change in participation in the NSTec joint venture, partially offset by the sales volume decreases described above.

BACKLOG**Definition**

Total backlog at June 30, 2011, was approximately \$41.8 billion. Total backlog includes both funded backlog (firm orders for which funding is contractually obligated by the customer) and unfunded backlog (firm orders for which funding is not currently contractually obligated by the customer). Unfunded backlog excludes unexercised contract options and unfunded IDIQ orders. For multi-year services contracts with non-federal government customers having no stated contract values, backlog includes only the amounts committed by the customer. Backlog is converted into sales as work is performed or deliveries are made.

Backlog consisted of the following at June 30, 2011, and December 31, 2010:

<i>\$ in millions</i>	June 30, 2011			December 31, 2010		
	Funded	Unfunded	Total Backlog	Funded	Unfunded	Total Backlog
Aerospace Systems	\$ 8,750	\$ 10,355	\$19,105	\$ 9,185	\$ 11,683	\$20,868
Electronic Systems	7,701	1,806	9,507	8,093	2,054	10,147
Information Systems	4,369	5,497	9,866	4,711	5,879	10,590
Technical Services	2,561	765	3,326	2,763	2,474	5,237
Total backlog	\$23,381	\$ 18,423	\$ 41,804	\$24,752	\$ 22,090	\$ 46,842

New Awards

The estimated value of contract awards included in backlog during the six months ended June 30, 2011, is \$10.4 billion. Significant new awards during this period include \$492 million for the Global Hawk HALE program, \$427 million for Defense Weather Satellite System program, and \$401 million for the B-2 Stealth Bomber program.

Backlog Adjustment

Total backlog as of June 30, 2011, was reduced by \$1,745 million to reflect a change in the company's participation in the NSTec joint venture effective January 1, 2011, at which time the NSTec joint venture results were no longer consolidated into the company's consolidated financial statements, as well as \$409 million to reflect the restructure of the NPOESS program.

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.

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

<i>\$ in millions</i>	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2011	2010	2011	2010
Net earnings	\$ 520	\$ 711	\$1,050	\$ 1,180
Net earnings from discontinued operations		29	(34)	(30)
Other non-cash items ⁽¹⁾	215	166	379	340
Retiree benefit funding in excess of expense	(474)	(220)	(440)	(135)
Trade working capital increase	(295)	(134)	(877)	(1,255)
Cash (used in) provided by continuing operations	\$ (34)	\$ 552	\$ 78	\$ 100

(1) Includes depreciation and amortization, stock-based compensation expense, realized gain on sale of investment, and deferred income taxes.

Free Cash Flow From Continuing Operations

Free cash flow from continuing operations represents cash (used in) provided by operating activities from continuing 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. We believe free cash flow from continuing operations is a useful measure for investors to consider. This measure is a key factor in our planning for and consideration of strategic acquisitions, stock repurchases and the payment of dividends.

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

For 2011 and beyond, cash generated from continuing operations supplemented by borrowings under credit facilities and/or in the capital markets, if needed, is expected to be sufficient to service debt and contractual obligations, finance capital expenditures, fund required and voluntary pension contributions, continue acquisition of shares under our share repurchase program, and continue paying dividends to our shareholders. We continue to assess potential ramifications of the U.S. Government's inability to meet its obligations to us if the debt ceiling is not increased. We believe our cash resources and committed revolver capacity will be available to provide sufficient liquidity in the event that the U.S. Government fails to pay its obligations for a period of time. Depending on the severity of the economic fallout of the government's actions, we expect that we may also be able to access additional bank and capital market financing if the government stops payments for an extended period, however such additional financing is not currently committed and there can be no assurance that it would be available if needed. Nevertheless, an extended delay in the timely payment of billings by the U.S. Government would likely result in a material adverse effect on our financial position, results of operations and cash flows.

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The table below reconciles cash (used in) provided by continuing operations to free cash flow from continuing operations:

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Cash (used in) provided by continuing operations	\$ (34)	\$ 552	\$ 78	\$ 100
Less:				
Capital expenditures	(94)	(75)	(216)	(178)
Outsourcing contract and related software costs		(1)	(1)	(4)
Free cash flow from continuing operations	\$ (128)	\$ 476	\$ (139)	\$ (82)

Cash Flows

The following is a discussion of our major operating, investing and financing activities from continuing operations for the six months ended June 30, 2011 and 2010, respectively, as classified in the condensed consolidated statements of cash flows in Part I, Item 1.

Operating Activities – Cash provided by continuing operations for the six months ended June 30, 2011, was \$78 million, as compared with \$100 million for the same period in 2010. The decrease of \$22 million in cash provided by continuing operations is primarily due to higher pension contributions in the 2011 period, partially offset by the sale of marketable securities.

Investing Activities – Net cash provided by investing activities from continuing operations for the six months ended June 30, 2011, was \$1,253 million, as compared with \$159 million cash used in the same period of 2010. The \$1,412 million increase in net cash provided by investing activities from continuing operations is primarily due to the contribution received from the spin-off of the Shipbuilding business in 2011.

Financing Activities – Net cash used in financing activities for the six months ended June 30, 2011, was \$1,927 million, as compared with \$1,101 million in the same period of 2010. The \$826 million increase in net cash used in financing activities is primarily due to higher debt repayments and common stock repurchases in 2011.

ACCOUNTING STANDARDS UPDATES

See Note 2 to the condensed consolidated financial statements in Part I, Item 1 for information related to accounting standards updates.

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This Form 10-Q and the information we are incorporating by reference contain statements, other than statements of historical fact, that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “expect,” “intend,” “may,” “could,” “plan,” “project,” “forecast,” “believe,” “estimate,” “outlook,” “anticipate,” “trends” and similar expressions generally identify these forward-looking statements. Forward-looking statements are based upon assumptions, expectations, plans and projections that we believe to be reasonable when made. These statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict. Specific factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include, but are not limited to, those identified under Risk Factors in our Form 10-Q for the quarter ended March 31, 2011, those identified in this report under Part II, Item 1A and other important factors disclosed in this report, and from time to time in our other filings with the SEC.

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

CONTRACTUAL OBLIGATIONS

There have been no material changes to our contractual obligations from those discussed in our Form 8-K dated June 17, 2011, that recast certain portions of our 2010 Form 10-K to reflect the effects of the spin-off of the Shipbuilding business.

GLOSSARY OF PROGRAMS

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

Program Name	Program Description
Africa 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.
B-2 Stealth Bomber	Maintain and upgrade the fleet of 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.
Broad Area Maritime Surveillance (BAMS) Unmanned Aircraft System	A maritime derivative of the Global Hawk that provides persistent maritime ISR data collection and dissemination capability to the Maritime Patrol and Reconnaissance Force.
Defense Weather Satellite System (DWSS)	Design, develop, integrate, test and operate two satellites with sensors that will provide global and regional weather and environmental data for the DoD.
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 Advanced Hawkeye. Recently the Navy approved Milestone C for Low Rate Initial Production.
Encore II	Provide Military Agencies, DoD, and other agencies of the Federal Government IT services and associated enabling products to satisfy IT activities at all operating levels, including hardware and software incidental to an overall IT solution.
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-16 International	F-16 fire control radar providing increased air-to-air detection and high-resolution ground mapping, sold in various configurations to international customers.

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Program Name	Program Description
F-35	Design, integration, and/or development of the center fuselage and weapons bay, communications, navigations, identification subsystem, systems engineering, and mission systems software and sensors, as well as provide ground and flight test support, modeling, simulation activities, and training courseware.
Global Hawk High-Altitude Long-Endurance (HALE) Systems	Develop, deliver and sustain the Global Hawk HALE unmanned aerial system and its derivatives to both domestic and international customers for ISR including deployment of assets to support the global war on terror. The Global Hawk system has a central role in ISR missions supporting operations in Afghanistan and Iraq.
James Webb Space Telescope (JWST)	Design, develop, integrate and test a space-based infrared telescope satellite to observe the formation of the first stars and galaxies in the universe.
Joint Surveillance Target Attack Radar System (Joint STARS)	Joint STARS detects, locates, classifies, tracks and targets hostile ground movements, communicating real-time information through secure data links with U.S. Air Force and Army command posts.
Joint Warfighting Center (JWFC)	Provide non-personal general and technical support to the USJFCOM Joint Force Trainer / JWFC to ensure the successful worldwide execution of the Joint Training and Transformation missions.
KC-10 Contractor Logistics Support (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.
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.
LITENING Gen 4	Self-contained multi-sensor targeting and surveillance system that enables aircrews to detect, acquire, auto-track and identify targets at extremely long ranges for weapons delivery and non-traditional ISR missions.
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.
Multi-Role Tactical Common Data Link (MRTCDL)	Provide war fighters with critical real-time networking connectivity by enabling extremely fast exchange of data via ground, airborne and satellite networks.
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.

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Program Name	Program Description
National Security Technologies (NSTec)	Participate in a joint venture that manages and operates the Nevada National Security Site, providing infrastructure support, including oversight of the nuclear explosives safety team, supporting hazardous chemical spill testing, emergency response training and conventional weapons testing.
Navy Anti-Terrorism Force Protection (ATFP)	Provide command and control (C2), dispatch systems, and security and force protection systems procurement, installation and sustainment at Naval facilities worldwide.
Navy UCAS (N-UCAS)	Design, develop and demonstrate the first unmanned jet aircraft able to take off and land aboard an aircraft carrier. N-UCAS will demonstrate that a long-range, low-observable, unmanned aircraft can operate safely from aircraft carriers and refuel in-flight to achieve ultra-long endurance for several missions including strike and ISR.
Network Centric Solutions Defense Knowledge Online (Netcents DKO)	Maintain and enhance key user services such as Portal, E-mail, IM, Directory, Search, Go Mobile, SSO, Database, Army Home Page in support of the 2.3 million Army and DoD users.
New York City Wireless (NYCWIn)	Provide New York City's broadband public-safety wireless network.
Postal Automation	Supports sequencing and sorting of letters and flats with the United States Postal Service (USPS) and both letters and flats within the international market. Postal Automation also supports the USPS to ensure the safety of the mail through its Biohazard Detection equipment.
Saudi Arabian American Oil Company (ARAMCO)	Provide an integrated security system at multiple sites with C2 connectivity to various regional C2 centers within Saudi Arabia.
Systems and Software Engineering Support (SSES)	Provide life cycle software solutions and services that enable warfighting superiority and information dominance across the enterprise, by providing systems and software engineering and scientific support for a wide variety of Army and DoD customers.
Trailer Mounted Support System (TMSS)	Trailer Mounted Support System is a key part of the Army's Standard Integrated Command Post System program providing workspace, power distribution, lighting, environmental conditioning (heating and cooling) tables and a common grounding system for commanders and staff at all echelons.
Vehicular Intercommunications Systems (VIS)	Provide clear and noise-free communications between crewmembers inside combat vehicles and externally over as many as six combat net radios for the Army. The active noise-reduction features of VIS provide significant improvement in speech intelligibility, hearing protection, and vehicle crew performance.

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Item 3. 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 June 30, 2011, substantially all outstanding borrowings were fixed-rate, long-term debt obligations of which a significant portion are not callable until maturity. Our sensitivity to a 1 percent change in interest rates is tied to our \$2 billion credit agreement, which had no balance outstanding at June 30, 2011, or at December 31, 2010. See Note 9 to the condensed consolidated financial statements in Part I, Item 1.

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 June 30, 2011, we had no interest rate swap agreements in effect and at December 31, 2010, we had one interest rate swap agreement in effect. See Note 9 to the condensed consolidated financial statements in Part I, Item 1.

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 June 30, 2011, and December 31, 2010, the amount of foreign currency forward contracts outstanding was not material. We do not consider the market risk exposure related to foreign currency exchange to be material to the condensed consolidated financial statements. See Note 9 to the condensed consolidated financial statements in Part I, Item 1.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our principal executive officer (Chairman, Chief Executive Officer and President) and principal financial officer (Corporate Vice President and Chief Financial Officer) have evaluated the company's disclosure controls and procedures as of June 30, 2011, 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, as amended, 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 Controls over Financial Reporting

During the three months ended June 30, 2011, no change occurred in our internal controls over financial reporting that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about certain legal proceedings in which we are involved in Note 10 to the condensed consolidated financial statements in Part I, Item 1. The legal proceedings disclosed in Note 15 to the consolidated financial statements in Part II, Item 8 of our 2010 Form 10-K included matters relating to our former Shipbuilding business, which the company has recast in a Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on June 17, 2011. As disclosed elsewhere in this report, we completed a spin-off of HII effective as of March 31, 2011, and our Shipbuilding business is now reported as discontinued operations. As provided in the Separation and Distribution Agreement with HII described in Note 5 of the condensed consolidated financial statements in Part I, Item 1, HII generally has responsibility for investigations, claims and litigation matters related to the Shipbuilding business. The company has therefore excluded from this report certain previously disclosed Shipbuilding-related investigations, claims and litigation matters that are the responsibility of HII.

In addition to the matters disclosed in Note 10, we are a party to various investigations, lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. Based on information available to us, we do not believe at this time that any of such additional matters 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 II, Item 1A, of this report.

Item 1A. Risk Factors

The information presented below sets forth what we reasonably believe represent material changes to the risk factors described in our Form 10-Q for the three months ended March 31, 2011, and should be read in conjunction with the risk factors therein, and the information described in this report, our 2010 Form 10-K and the Form 8-K dated June 17, 2011, which recast certain portions of our 2010 Form 10-K to report the company's Shipbuilding business within discontinued operations.

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

The funding of U.S. Government programs is subject to congressional budget authorization and appropriation processes. For many programs, Congress appropriates funds on a fiscal year basis even though a program performance period may extend over several fiscal years. Consequently, programs are often partially funded initially and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds committed on a contract, we are at risk for reimbursement of those costs until additional funds are appropriated. We cannot predict the extent to which total funding and/or funding for individual programs will be included, increased or reduced as part of the 2012 and subsequent budgets ultimately approved by Congress or will be included in separate supplemental appropriations. The impact, severity and duration of the current U.S. economic situation, sweeping economic plans adopted or to be 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 become unavailable, or are 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 financial position, results of operations, and/or cash flows.

In addition, the U.S. Government is reportedly approaching its existing statutory limit on the amount of permissible federal debt, and this limit must be raised in order for the U.S. Government to continue to pay its obligations on a timely basis. If the debt ceiling is not raised, it is unclear how the U.S. Government would prioritize its payments and where our payments would fall in that priority list. A significant portion of

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our work is performed directly or indirectly under U.S. Government contracts that provide generally that when funding has been approved by the customer (through the budgetary and appropriations process referenced above), the contractor will continue to perform on the contract even if the U.S. Government is unable to make timely payments. Failure to continue contract performance places the contractor at risk of termination for default. In such circumstances where performance is continued in the absence of payment, the contractor may be entitled to certain interest on amounts not paid within a specified time period. Such conditions are unprecedented in the history of U.S. Government fiscal policy administration, and there is no assurance that should the U.S. Government fail to pass legislation in time to avoid reaching the debt ceiling, such legislation would be forthcoming in the near term. Should conditions occur such that the U.S. Government or others are unable to pay us timely for work performed, we would need to finance that work from our available cash resources, credit facilities and access to the capital markets, if available. It is unclear how long the U.S. Government's bill paying capacity might be constrained, and therefore, how long the company might be required to finance contract activities; however, it is likely that there are practical limitations on how long the company could finance its operations under these circumstances. The company believes that these circumstances are not likely to occur, or that if they were to occur, they would not extend for a substantial period of time. Nevertheless, an extended delay in the timely payment of billings by the U.S. Government would likely result in a material adverse effect on our financial position, results of operation and cash flows.

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

Purchases of Equity Securities – The table below summarizes our repurchases of common stock during the three months ended June 30, 2011:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	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)
April 1 through April 30, 2011				\$ 4,000
May 1 through May 31, 2011	15,583,606	\$ 64.17	15,583,606	3,000
June 1 through June 30, 2011				3,000
Total	15,583,606	\$ 64.17	15,583,606	\$ 3,000⁽¹⁾

(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. On April 25, 2011, the company's board of directors authorized an increase to the remaining share repurchase authorization to \$4.0 billion, an increase of approximately \$2.2 billion. As of June 30, 2011, the company had \$3.0 billion remaining under this authorization for share repurchases.

Under the outstanding share repurchase authorization, the company entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. (Goldman Sachs) on May 2, 2011, to repurchase approximately 15.6 million shares of common stock at an initial price of \$64.17 per share for a total of \$1.0 billion. Under this agreement, Goldman Sachs immediately borrowed shares that were sold to and canceled by the company. Subsequently, Goldman Sachs began purchasing shares in the open market to settle its share borrowings. The cost of the company's initial share repurchase is subject to adjustment based upon the actual cost of the shares

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subsequently purchased by Goldman Sachs. The price adjustment can be settled, at the company's option, in cash or in shares of common stock.

As of June 30, 2011, Goldman Sachs had purchased 7.9 million shares, or 51 percent of the shares under the agreement, at an average price per share of \$65.02 net of commissions and other fees. Assuming Goldman Sachs purchases the remaining shares at a price per share equal to the average purchase price of \$65.02 per share, the company would be required to pay approximately \$20 million or issue approximately 286,000 shares of common stock to Goldman Sachs to complete the transaction. The settlement amount may increase or decrease depending upon the average price paid for the shares under the program. Settlement is expected to occur in the third quarter of 2011, depending upon the timing and pace of the purchases, and could result in an adjustment to shareholders' equity.

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.

Issuances of Equity Securities Under TRW Plans – In connection with our acquisition of TRW Inc., in December 2002 we assumed options granted under certain TRW stock-based compensation plans for an aggregate of 11.6 million shares of Northrop Grumman common stock (adjusted for our 2004 stock split and 2011 spin-off of our Shipbuilding business). Following completion of the TRW acquisition and assumption of these options, we filed an amendment to our registration statement on Form S-4 intended to register the shares related to the exercise of these options. As of July 22, 2011, options for approximately 11 million shares had been exercised, including the following option exercises during the three and six month periods covered by this report on Form 10-Q: in the quarter ended March 31, 2011, options for 75,000 shares at an average exercise price of \$37.77 per share, or \$2.9 million in total, were exercised; in the quarter ended June 30, 2011, options for 35,000 shares at an average exercise price of \$33.94 per share, or \$1.2 million in total, were exercised. At the time these options were exercised, the registration statement may not have been available and, therefore, these shares of common stock may be deemed to have been issued without registration. The company has filed a registration statement on Form S-8 to cover the exercise of all remaining options and shares issuable under these plans.

Item 3. Defaults Upon Senior Securities

No information is required in response to this item.

Item 5. Other Information

In anticipation of the spin-off of HII, we completed a holding company reorganization on March 30, 2011, to create a new holding company named Northrop Grumman Corporation. In connection with the spin-off of HII, we entered into supplemental indentures to each of our outstanding indentures to substitute the new Northrop Grumman Corporation for the former Northrop Grumman Corporation. These supplemental indentures were filed as Exhibits 4.1 to 4.10 to Form 10-Q for the three months ended March 31, 2011.

Item 6. Exhibits

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

NORTHROP GRUMMAN CORPORATION

2.2	Separation and Distribution Agreement dated as of March 29, 2011, among Titan II, Inc. (formerly Northrop Grumman Corporation), Northrop Grumman Corporation (formerly New P, Inc.), Huntington Ingalls Industries, Inc., Northrop Grumman Shipbuilding, Inc. and Northrop Grumman Systems Corporation (incorporated by reference to Exhibit 10.2 to Form 8-K dated March 29, 2011 and filed April 4, 2011)
*3.1	Restated Certificate of Incorporation of Northrop Grumman Corporation dated March 30, 2011
3.2	Restated Bylaws of Northrop Grumman Corporation (as restated March 30, 2011) (incorporated by reference to Exhibit 3.1 of Form 8-K dated May 17, 2011 and filed May 23, 2011)
+10.1	Letter dated June 23, 2011 from Wes Bush, Chief Executive Officer and President, regarding terms of the relocation arrangement for James F. Palmer, Corporate Vice President and Chief Financial Officer, in connection with the relocation of the headquarters of Northrop Grumman Corporation (incorporated by reference to Exhibit 10.1 to Form 8-K dated June 20, 2011 and filed June 24, 2011)
+10.2	Compensatory Arrangements of Certain Officers (incorporated by reference to Item 5.02(e) of Form 8-K dated May 17, 2011 and filed May 23, 2011)
+10.3	Northrop Grumman 2011 Long-Term Incentive Stock Plan (incorporated by reference to Exhibit A to the Company's Proxy Statement on Schedule 14A for the 2011 Annual Meeting of Shareholders filed April 8, 2011, SEC File No. 001-16411)
*+10.4	Northrop Grumman Electronic Systems Executive Pension Plan (Amended and Restated Effective as of January 1, 2011) dated June 27, 2011
*+10.5	Northrop Grumman Savings Excess Plan (Amended and Restated Effective as of January 1, 2011) dated June 27, 2011
*+10.6	Northrop Grumman Deferred Compensation Plan (Amended and Restated Effective as of January 1, 2011) dated June 27, 2011
*+10.7	Northrop Grumman ERISA Supplemental Plan (Amended and Restated Effective as of January 1, 2011) dated June 17, 2011
*+10.8	Northrop Grumman Officers Retirement Account Contribution Plan, amended and restated effective as of January 1, 2011
*+10.9	Appendix B to the Northrop Grumman Supplemental Plan 2: ERISA Supplemental Program 2 (Amended and Restated Effective as of January 1, 2011)
*+10.10	Appendix F to the Northrop Grumman Supplemental Plan 2: CPC Supplemental Executive Retirement Program (Amended and Restated Effective as of January 1, 2011) dated June 27, 2011
*+10.11	Appendix G to the Northrop Grumman Supplemental Plan 2: Officers Supplemental Executive Retirement Program (Amended and Restated Effective as of January 1, 2011) dated June 27, 2011
*+10.12	Appendix I to the Northrop Grumman Supplemental Plan 2: Officers Supplemental Executive Retirement Program II (Amended and Restated Effective as of January 1, 2011) dated June 27, 2011
*+10.13	Northrop Grumman Legacy Officers Plan Matrix, Plan Year July 1, 2010—June 30, 2011
*+10.14	Form of Agreement for 2011 Restricted Stock Rights granted under the Northrop Grumman 2001 Long-Term Incentive Stock Plan (replaces Grant Certificate Specifying the Terms and Conditions Applicable to 2011 Restricted Stock Rights Granted Under the 2001 Long-Term Incentive Stock Plan filed as Exhibit 10.3 to Form 8-K dated February 15, 2011 and filed February 22, 2011)
*+10.15	Group Personal Excess Liability Policy
*+10.16	Northrop Grumman Legacy Officers Plan Matrix, Plan Year July 1, 2011 — June 30, 2012

NORTHROP GRUMMAN CORPORATION

+10.17	Non-Employee Director Compensation Term Sheet, effective as of April 1, 2011 (incorporated by reference to Exhibit 99.2 to Form 8-K dated July 19, 2011 and filed July 25, 2011)
*12(a)	Computation of Ratio of Earnings to Fixed Charges
*15	Letter from Independent Registered Public Accounting Firm
*31.1	Rule 13a-14(a)/15d-14(a) Certification of Wesley G. Bush (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.2	Rule 13a-14(a)/15d-14(a) Certification of James F. Palmer (Section 302 of the Sarbanes-Oxley Act of 2002)
**32.1	Certification of Wesley G. Bush pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of James F. Palmer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**101	Northrop Grumman Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language); (i) the Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Financial Position, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statements of Changes in Shareholders' Equity, and (v) Notes to Condensed Consolidated Financial Statements
+	Management contract or compensatory plan or arrangement
*	Filed with this report
**	Furnished with this report

RESTATED CERTIFICATE OF INCORPORATION
OF
NORTHROP GRUMMAN CORPORATION

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

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

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

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

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

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

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

SEVENTH: The business and affairs of the Corporation shall be managed by and under the direction of the Board of Directors. Except as may otherwise be provided pursuant to Section 2 of Article Fourth hereof in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, the exact number of directors of the Corporation shall be fixed from time to time by the Board of Directors.

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

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

TENTH: RESERVED.

ELEVENTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual meeting or at a 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 capital 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 this Restated Certificate of Incorporation have been satisfied.

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

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

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

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

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

IN WITNESS WHEREOF, this Restated Certificate of Incorporation which restates and integrates and further amends the provisions of the Restated Certificate of Incorporation of this Corporation, and which has been duly adopted in accordance with Sections 228, 242 and 245 of the Delaware General Corporation Law, has been executed by its duly authorized officer as of the date set forth below,

NORTHROP GRUMMAN CORPORATION

By: /s/ Wesley G. Bush
Name: Wesley G. Bush
Title: Chief Executive Officer and President

Date: March 30, 2011

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 prior January 1, 2011 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.

Section 11.11. Transfer of Liabilities to HII. Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. ("HII") to its shareholders on March 31, 2011 (the "HII Distribution Date"). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Plan and the liabilities for these participants' benefits under the Plan were transferred to HII. On and after the HII Distribution Date, the Company and the Plan, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Plan.

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 27th day of June, 2011.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation,
Benefits & International

APPENDIX A

Executive Buyback

Section A.01. Introduction. The Executive Buy Back process permits newly eligible Executives to “buy back” past years of Executive Benefit Service under the Plan for periods of time during which they did not make the Maximum Contribution.

Section A.02. Buy Back Offer. If an Employee did not make the Maximum Contribution during each of the years of his or her Vesting Service prior to the time he or she first became an Executive, the Employee will be permitted to pay make-up payments of Maximum Contributions in order to “buy back” his or her non-contributory years of service.

(a) The make-up payments required are the Maximum Contributions that would have been payable during the 10 years prior to the date he or she first became an Executive (or such lesser period from the date the Employee was employed by a Participating Company or a Designated Entity) plus compounded interest on those amounts.

(b) This Plan is intended as essentially a continuation of the Westinghouse Plan (see Appendix C). Accordingly, this Section is to be interpreted as requiring an Executive to make up Maximum Contributions not only for his or her periods of participation under this Plan but also Maximum Contributions that would have been due under the Westinghouse Plan. The terms of (a) will be interpreted to include the corresponding terms under the Westinghouse Plan and the 10-year period will include periods before the Westinghouse Acquisition.

Section A.03. One-Time Opportunity. Upon qualifying as an Executive, an Executive will be offered an Executive Buy Back opportunity at the time he or she first becomes an Executive (or when this Appendix first becomes effective, if later). The actual terms of the Executive Buy Back will be determined from time to time by the Committee. This election will be offered one time to the Executive and his or her decision whether or not to “buy back” will be irrevocable.

Section A.04. Payment. Executive Buy Back payments are pre-tax and are made from compensation by deferral elections entered into prior to the year in which the compensation is determined and paid. Executive Buy Back payments will not be deposited into the ES Pension Plan trust and will not increase the Executive’s Qualified Plan Benefit.

Section A.05. Refund of Buy Back Payment. If, at some point, an Employee is no longer an Executive or otherwise becomes ineligible to receive an Executive Pension Supplement, any Executive Buy Back payments the Employee has made (including any interest the Employee paid) plus any other amount as defined in Section 2.16(b)(2) in the definition of Maximum Contribution paid by the Employee to the Company will be refunded, with interest at such time as the Employee meets one of the following criteria:

- (a) Termination or retirement from a Participating Company or a Designated Entity; or
- (b) Death;

provided, however, no refund will be made if the Employee is an eligible Executive, whether or not the amount of his or her Executive Pension Supplement exceeds zero. All interest rates will be determined at the discretion of the Committee.

Any amounts that are refundable under this Section A.05 that are not Grandfathered Amounts will be paid in a lump sum upon the Executive's Separation from Service, subject to the six-month delay rule in Section E.02.

Section A.06. Effective Date. The provisions of this Appendix permitting Buy Backs will become effective on a date specified by resolution of the Committee specifically citing this Section.

APPENDIX B

Rehired Executives

Section B.01. Retired Executives Rehired as Executives. If an Executive who retired from a Participating Company or a Designated Entity and who received or is receiving an Executive Pension Supplement as a lump sum or on a monthly basis is rehired in an Executive position by a Participating Company, Designated Entity, or any other Affiliated Company, the following provisions apply:

(a) Monthly Payments: For an Executive with a monthly Executive Pension Supplement:

(1) The Plan will suspend all Executive Pension Supplement payments that are Grandfathered Amounts;

(2) If, but only if, the Executive is Retirement Eligible at the time of subsequent actual retirement:

(A) Previous years of Vesting Service and Executive Benefit Service accrued prior to the Executive's retirement will be restored; and

(B) The Executive's Executive Pension Supplement will be recalculated in accordance with the Plan at his or her subsequent actual retirement date as long as the Executive then meets all Plan benefit qualification requirements;

(3) The Executive, having previously met the requirement of five years of continuous service as an Executive prior to his or her first retirement, need not again meet that requirement;

(4) The Executive's Average Annual Compensation will be computed without regard to the break in service, using zero for any periods during which the Executive was a retiree;

(5) If the Executive elected to take a lump sum Qualified Plan Benefit with respect to his or her initial retirement, then in any subsequent calculation of the Executive's Executive Pension Supplement, the Executive's Executive Pension Base will be reduced by both the Executive's Qualified Plan Benefit received at the time of the initial retirement and the Executive's Qualified Plan Benefit accrued from the date of rehire through the date of his or her subsequent retirement.

(6) If the Executive continued to receive payments that were not Grandfathered Amounts during the period of rehire, an actuarial reduction will apply at his subsequent termination.

(b) Lump Sums: For an Executive who received a lump sum Executive Pension Supplement and who is Retirement Eligible at the time of subsequent actual retirement:

(1) Previous years of Vesting Service will be restored but not previous years of Executive Benefit Service;

(2) The Plan will calculate the Executive's additional Executive Pension Supplement at his or her subsequent actual retirement date on the basis of years of service after the rehire in accordance with the Plan as the Executive then meets all Plan benefit qualification requirements;

(3) The Executive, having previously met the requirement of five years of continuous service as an Executive prior to his or her first retirement, need not again meet that requirement;

(4) The Executive's Average Annual Compensation will be computed without regard to the break in service, using zero for any periods during which the Executive was a retiree;

(5) If the Executive elected a monthly Qualified Plan Benefit with respect to his or her initial retirement, then the Executive's Qualified Plan Benefit accrued from the date of rehire through the subsequent date of actual retirement will be subtracted from the Executive's Executive Pension Base in calculating the Executive's additional Executive Pension Supplement at his or her subsequent retirement.

Section B.02. Former Executives with Vested Pensions Rehired as Executives. If the employment of an Executive of a Participating Company or a Designated Entity who was eligible only for a vested pension under the relevant qualified defined benefit or Defined Contribution Plan, if any, was terminated and the Executive is rehired by a Participating Company, Designated Entity, or any other Affiliated Company, the following provisions apply:

(a) Previous years of Vesting Service and Executive Benefit Service accrued prior to the Executive's termination of employment will be restored;

(b) The Executive must meet the requirement of five years of continuous service as an Executive prior to a subsequent actual retirement, counting only years of service after the rehire;

(c) Only base salary and incentive awards earned after the rehire will be used in computing Average Annual Compensation;

(d) If the Executive elected to take his or her vested pension as a lump sum, in any calculation of an Executive Pension Supplement at actual retirement, the Executive's Executive Pension Base will be reduced by both the Executive's Qualified Plan Benefit at the time of the initial termination of employment and the Executive's Qualified Plan Benefit accrued from the date of rehire through the date of actual retirement.

Section B.03. Retired Executives Rehired in Non-Executive Positions. If an Executive who retired from a Participating Company or a Designated Entity and who received or is receiving an Executive Pension Supplement as a lump sum or on a monthly basis is rehired by a

Participating Company, Designated Entity, or any other Affiliated Company in a non-Executive position, the following provisions apply:

(a) For a former Executive who was receiving a monthly Executive Pension Supplement:

(1) The Plan will suspend all Executive Pension Supplement payments that are Grandfathered Amounts;

(2) If, but only if, the former Executive is still Retirement Eligible at the time of subsequent actual retirement, the Plan will recommence Executive Pension Supplement payments that were suspended at the time of the Executive's subsequent actual retirement without recalculation of amount;

(3) At subsequent actual retirement, the former Executive may receive any form of payment of his or her Executive Pension Supplement then permitted under the Plan, as selected by the Committee.

(b) For a former Executive who received his or her Executive Pension Supplement as a lump sum, no further benefits will be paid by the Plan.

Section B.04. Events That Span Westinghouse Acquisition. This Plan is intended as essentially a continuation of the Westinghouse Plan (see Appendix C) and this Appendix is to be interpreted accordingly.

(a) Reductions for payments of Qualified Plan Benefits will be interpreted to include reductions for payments of similar benefits under Westinghouse plans.

(b) Determination of the form of Qualified Plan Benefits will take into account the form of payments under Westinghouse plans.

(c) The terms of this Appendix will be interpreted, where appropriate, to include the corresponding terms under the Westinghouse Plan and to take into account events both before and after the Westinghouse Acquisition.

Section B.05. Breaks Spanning March 1, 1996. There may be Executives who participated in the Westinghouse Plan but because of a break in their service did not become employees of the Affiliated Companies on March 1, 1996 as a result of the Westinghouse Acquisition.

(a) Those Executives might be hired later by the Electronic Sensors & Systems Division.

(b) They will in no case be entitled to service or compensation credits or benefits under this Plan with respect to any service or compensation prior to their first hire by the Electronic Sensors & Systems Division after March 1, 1996. The Executives will not be considered to have previously met the requirement of five years of continuous service as an Executive.

APPENDIX C

Coordination With Westinghouse Plan

Section C.01. In General. As part of the Westinghouse Acquisition, this Plan was established by Northrop Grumman Corporation.

(a) This Plan is intended to be a continuation of the Westinghouse Plan with only minor changes.

(b) This Plan assumes remaining liabilities of the Westinghouse Plan with regard to those participants of the Westinghouse Plan who became Employees of the Northrop Grumman controlled group on March 1, 1996 as a result of the Westinghouse Acquisition. Accordingly, benefits earned by Participants of this Plan under the Westinghouse Plan before March 1, 1996 are payable under this Appendix.

(c) Employees first hired after the Westinghouse Acquisition will therefore not be affected by this Appendix and will have their pension benefits governed entirely by the other Articles and Appendices of this Plan.

Section C.02. Pre-Acquisition Benefits.

(a) Except as provided in Sections C.03 and C.04, benefits earned under the Westinghouse Executive Pension Plan are in addition to the benefits which may be earned under Articles 4 and 5.

(b) The Westinghouse Plan benefits will be calculated taking into account all pertinent facts for determining benefits under the Westinghouse Plan's provisions (including benefits and contributions under Westinghouse plans) as they have existed from time to time.

Section C.03. Coordination of Pre and Post-Acquisition Benefits. The Plan will be interpreted in light of events before and after the Westinghouse Acquisition to coordinate the calculation of benefits (including service and compensation components, benefits and contributions under Westinghouse plans and rehire provisions) under this Appendix and benefits based on Articles 4 and 5 so that the Plan will function as if it were essentially a continuation of the Westinghouse Plan.

Section C.04. No Duplication of Benefits. Because this Plan is intended as a continuation of the Westinghouse Plan, this Plan will not pay any benefits already paid or payable by the Westinghouse Plan itself.

APPENDIX D

2005-2007 Transition Rules

This Appendix D provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Executives with benefit commencement dates after January 1, 2005 and before January 1, 2008.

Section D.01. Election. Executives scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Executives electing optional forms of benefits under this provision will commence payments on the Executive's selected benefit commencement date.

Section D.02. 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Executives commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Executive.

(a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.

(b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:

(1) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, an Executive must be an elected or appointed officer of the Company and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;

(2) The lump sum payment shall be made in 2005 as soon as feasible after the election; and

(3) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.

Section D.03. 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007),

distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Executive's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Executive's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

APPENDIX E

Post 2007 Distribution of 409A Amounts

The provisions of this Appendix E shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Article VII, and Appendix D addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008

Section E.01. Time of Distribution. Subject to the special rules provided in this Appendix E, distributions to an Executive of his vested retirement benefit shall commence as of the Payment Date.

Section E.02. Special Rule for Key Employees. If an Executive is a Key Employee and age 55 or older at his Separation from Service, distributions to the Executive shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Executive's death). Amounts otherwise payable to the Executive during such period of delay shall be accumulated and paid on the first day of the seventh month following the Executive's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).

Section E.03. Forms of Distribution. Subject to the special rules provided in this Appendix E, an Executive's vested retirement benefit shall be distributed in the form of a single life annuity. However, an Executive may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:

- (a) 50% joint and survivor annuity
- (b) 75% joint and survivor annuity
- (c) 100% joint and survivor annuity.

If an Executive is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found

Section E.04. Death. If a married Executive dies before the Payment Date, a death benefit will be payable to the Executive's spouse commencing 90 days after the Executive's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of an Executive's vested retirement benefit based on a 100% joint and survivor annuity determined on the Executive's date of death. This benefit is also payable to an Executive's

domestic partner who is properly registered with the Company in accordance with procedures established by the Company.

Section E.05. Actuarial Assumptions. Except as provided in Section E.06, all forms of payment under this Appendix E shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6%

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

Section E.06. Accelerated Lump Sum Payouts.

(a) Post-2007 Separations. Notwithstanding the provisions of this Appendix E, for Executives who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of an Executive's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Executive (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section E.02, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Executive's Separation from Service.

(b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix E, for Executives who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of an Executive's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Executive attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Executive (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the Executive attains age 55, but no earlier than January 1, 2008.

(c) Conflicts of Interest. The present value of an Executive's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.

(d) Present Value Calculation. The conversion of an Executive's retirement benefit into a lump sum payment and the present value calculations under this Section E.06 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will be based on the Executive's immediate benefit if the Executive is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Executive will be eligible to receive at age 55.

Section E.07. Effect of Early Taxation. If the Executive's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Executive.

Section E.08. Permitted Delays. Notwithstanding the foregoing, any payment to an Executive under the Plan shall be delayed upon the Company's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section E.08 shall be paid in accordance with Code section 409A.

NORTHROP GRUMMAN
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 last amended and restated effective as of January 1, 2011. This restatement amends that version of the Plan, and is also effective January 1, 2011. This restatement 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.

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

3.6 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of their contributions due to poor investment performance.

ARTICLE IV

ACCOUNTS

4.1 Accounts

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

4.2 Valuation of Accounts

The valuation of Participants' recordkeeping Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(a) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(b) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(c) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

4.3 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

ARTICLE V

VESTING AND FORFEITURES

5.1 In General

A Participant's interest in his or her Account will be nonforfeitable, subject to the exceptions in Section 5.2.

5.2 Exceptions

The following exceptions apply to the vesting rule:

(a) A RAC Participant shall become vested in his RAC Subaccount upon completing three years of service. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

(b) 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.

8.11 Liabilities Transferred to HII

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

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 27th day of June, 2011.

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.

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 last amended and restated effective as of January 1, 2011. This restatement amends that version of the Plan, and is also effective January 1, 2011. This restatement includes changes that apply to amounts earned and vested under the Plan prior to 2005.

This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the “Code”) and official guidance issued thereunder (except with respect to amounts covered by Appendix B), and (2) to be “a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees” within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I

DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

(a) “Account” shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.

(b) “Administrative Committee” means the committee in charge of Plan administration, as described in Article VII.

(c) “Affiliated Companies” shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).

(d) “Base Salary” shall mean a Participant’s annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Affiliated Companies and prior to reduction for any salary contributions to a plan established pursuant to section 125 of the Code or qualified pursuant to section 401(k) of the Code.

(e) “Beneficiary” or “Beneficiaries” shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a

Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(1) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(2) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

(3) No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Effective January 1, 2007, a Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(4) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person's living parent(s) to act as custodian, (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

(5) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

(f) "Board" shall mean the Board of Directors of the Company.

(g) “Bonuses” shall mean the bonuses earned under the Company’s formal incentive plans, as defined by the Administrative Committee, and payable while a Participant is an Employee.

(h) “Code” shall mean the Internal Revenue Code of 1986, as amended.

(i) “Committees” shall mean the Committees appointed by the Board to administer the Plan and investments in accordance with Article VII.

(j) “Company” shall mean Northrop Grumman Corporation and any successor.

(k) “Compensation” shall be Base Salary plus Bonuses. However, any payment authorized by the Compensation and Management Development Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, shall not be treated as Compensation. Further, any award payment under the Northrop Grumman Long-Term Incentive Cash Plan shall not be treated as Compensation.

(l) “Disability” or “Disabled” shall mean the Participant’s inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

(m) “Early Distribution” shall mean an election by a Participant in accordance with Appendix Section B.2 to receive a withdrawal of amounts from his or her Account prior to the time at which such Participant would otherwise be entitled to such amounts.

(n) “Eligible Employee” shall mean any Employee who meets the following conditions:

- (1) he or she is initially treated by the Affiliated Companies as an Employee and not as an independent contractor; and
- (2) he or she meets the eligibility criteria established by the Administrative Committee.

The eligibility criteria established by the Administrative Committee will include, but not be limited to, classifications of Employees who are eligible to participate and the date as of which various groups of Employees will be eligible to participate. This includes, for example, Administrative Committee authority to delay eligibility for employees of newly acquired companies who become Employees.

(o) “Employee” shall mean any common law employee of the Affiliated Companies.

(p) “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

(q) “Hardship Distribution” shall mean a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of his or her dependent (as defined in Section 152(a) of the Code), loss of a Participant’s property due to casualty, or other similar or extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that would constitute an unforeseeable emergency will depend upon the facts of each case, but, in any case, a Hardship Distribution may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant’s assets, to the extent the liquidation of assets would not itself cause severe financial hardship, or (iii) by cessation of deferrals under this Plan.

(r) “Initial Election Period” shall mean:

(1) in the case of a newly hired Employee who is entitled to participate under Article II, the 30-day period following the date on which the Employee first becomes an Eligible Employee; and

(2) in the case of any other Employee who becomes an Eligible Employee and is entitled to participate under Article II, the next Open Enrollment Period.

(s) “Investment Committee” means the committee in charge of investment aspects of the Plan, as described in Article VII.

(t) “Key Employee” means an employee treated as a “specified employee” under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) if the Company’s or an Affiliated Company’s stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

(u) “Open Enrollment Period” means the period each Plan Year designated by the Administrative Committee for electing deferrals for the following Plan Year.

(v) “Participant” shall mean any Eligible Employee who participates in this Plan in accordance with Article II.

(w) “Payment Date” shall mean:

(1) for distributions upon early termination under Section B.1(a), a date after the end of the month in which termination of employment occurs;

(2) for distributions after Retirement, Disability or death under Section B.1(b), a date after the end of the month in which occurs Retirement, the determination of Disability by the Administrative Committee, or the notification of the Administrative Committee of the Participant's death (or later qualification of the Beneficiary or Beneficiaries), as applicable; and

(3) for distributions with a scheduled withdrawal date under Section B.1(c), a date after the December 31 prior to the elected payment year,

the exact date in each case to be determined by the Administrative Committee to allow time for administrative processing.

(x) "Plan" shall be the Northrop Grumman Deferred Compensation Plan.

(y) "Plan Year" shall be the calendar year.

(z) "Retirement" shall mean termination of employment with the Affiliated Companies after reaching age 55.

(aa) "Scheduled Withdrawal Date" shall mean the distribution date elected by the Participant for an in-service withdrawal of amounts deferred in a given Plan Year, and earnings and losses attributable thereto, as set forth on the election form for such Plan Year.

(bb) "Separation from Service" or "Separates from Service" or "Separating from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II

PARTICIPATION

2.1 In General

(a) An Eligible Employee may become a Participant by complying with the procedures established by the Administrative Committee for enrolling in the Plan.

(b) Anyone who becomes an Eligible Employee will be entitled to become a Participant during his or her Initial Election Period or any subsequent Open Enrollment Period.

(c) An individual will cease to be a Participant when he or she no longer has a positive balance to his or her Account under the Plan.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan and enrollment forms or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees.

2.3 Cessation of Eligibility

If the Administrative Committee determines or reasonably believes that a Participant has ceased to be a management or highly compensated employee within the meaning of ERISA Title I, the Participant will no longer be able to make elections to defer compensation under the Plan.

If an Eligible Employee receives a distribution under Appendix Section B.2, the Employee will not be permitted to defer amounts under the Plan for the two Plan Years following the year of distribution.

ARTICLE III

DEFERRAL ELECTIONS

3.1 Elections to Defer Compensation

(a) Initial Elections. Each Participant may elect to defer an amount of Compensation by filing an election with the Administrative Committee no later than the last day of his or her Initial Election Period. If the election is made pursuant to Section 1.1(r)(1), it will apply for the remainder of the Plan Year. Otherwise, the election will apply for the following Plan Year.

(b) Subsequent Elections. A Participant may elect to defer Compensation earned in subsequent Plan Years by filing a new election in the Open Enrollment Period for each subsequent Plan Year. An election to participate for a Plan Year is irrevocable.

(c) General Rules for all Elections. The Administrative Committee may establish procedures for elections and set limits and other requirements on the amount of Compensation that may be deferred. The Administrative Committee may change these rules from time to time. 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.

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

3.4 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.

8.12 Liabilities Transferred to HII

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

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 27th day of June, 2011.

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) 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
ERISA SUPPLEMENTAL PLAN
(Amended and Restated Effective as of January 1, 2011)

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INTRODUCTION

The Northrop Grumman ERISA Supplemental Plan (the "Plan"), formerly known as the Northrop Corporation ERISA Supplemental Plan 1, is hereby amended and restated effective as of January 1, 2011. This restatement amends the January 1, 2009 restatement of the Plan and includes changes that apply to Grandfathered Amounts.

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

ARTICLE I

Definitions

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

- 1.01 Affiliated Companies. The Company and any other entity related to the Company under the rules of section 414 of the Code. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.
- 1.02 CIC Plans. Northrop Grumman Corporation Change-In-Control Severance Plan (effective August 1, 1996, as amended) or the Northrop Grumman Corporation March 2000 Change-In-Control Severance Plan.
- 1.03 Code. The Internal Revenue Code of 1986, as amended.
- 1.04 Company. The Company as designated in the Pension Plans.
- 1.05 Grandfathered Amounts. Plan benefits that were earned and vested as of December 31, 2004 within the meaning of Code section 409A and official guidance thereunder.
- 1.06 Key Employee. An employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

- 1.07 Participant. Any employee who (a) is eligible for benefits under one or both Pension Plans, (b) meets the eligibility requirements of Section 2.02 of this Plan and (c) and has not received full payment under the Plan.
- 1.08 Payment Date. The 1st of the month coincident with or following the later of (a) the date the Participant attains age 55, or (b) the date the Participant Separates from Service.
- 1.09 Plan. The Northrop Grumman ERISA Supplemental Plan, formerly known as the Northrop Corporation ERISA Supplemental Plan 1.
- 1.10 Pension Plan Benefits. This term is defined in Section 2.08 of this Plan.
- 1.11 Pension Plan and Pension Plans. Any of the following:
- (a) The Northrop Grumman Retirement Plan
 - (b) The Northrop Grumman Retirement Plan—Rolling Meadows Site
 - (c) The Northrop Grumman Retirement Value Plan (effective as of January 1, 2000)
 - (d) The Northrop Grumman Electronics Systems — Space Division Salaried Employees’ Pension Plan (effective as of the Aerojet Closing Date)
 - (e) The Northrop Grumman Electronics Systems — Space Division Union Employees’ Pension Plan (effective as of the Aerojet Closing Date)
- “Aerojet Closing Date” means the Closing Date specified in the April 19, 2001 Asset Purchase Agreement by and Between Aerojet-General Corporation and Northrop Grumman Systems Corporation.
- 1.12 Separation from Service or Separates from Service. A “separation from service” within the meaning of Code section 409A.
- 1.13 Termination of Employment. Complete termination of employment with the Affiliated Companies.
- (a) If a Participant leaves one Affiliated Company to go to work for another, he or she will not have a Termination of Employment.
 - (b) A Participant will have a Termination of Employment if he or she leaves the Affiliated Companies because the affiliate he or she works for ceases to be an Affiliated Company because it is sold or spunoff.

ARTICLE II

Eligibility for and Amount of Benefits

- 2.01 Purpose. The purpose of this Plan is simply to restore to employees of the Company the benefits they lose under the Pension Plans as a result of the benefit limits in Code section 415, as amended, or any successor section (“section 415”), as the benefit limits are described in the applicable Pension Plan.
- 2.02 Eligibility. Each Participant is eligible to receive a benefit under this Plan if:
- (a) he or she has vested in benefits under one or more of the Pension Plans;
 - (b) he or she has vested benefits reduced because of the application of section 415;
 - (c) he or she is not eligible to receive a benefit under the Northrop Corporation Supplemental Retirement Income Program for Senior Executives or any other plan or program which bars an employee from participation in this Plan; and
 - (d) he or she is not a “Participant” in the Charles H. Noski Executive Retirement Plan as that term is defined under that plan.
- 2.03 Amount of Benefit. The benefit payable from the Company under this Plan to a Participant will equal the retirement benefit, if any, which would have been payable to the Participant under the terms of a Pension Plan but for the restrictions of section 415 (as described in the applicable Pension Plan).

The benefit payable under this Plan will be reduced by the amount of Pension Plan Benefits attributable to the applicable Pension Plan.

Benefits under this Plan will only be paid to supplement benefit payments actually made from a Pension Plan. If benefits are not payable under a Pension Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Plan with respect to such Pension Plan.

In no event, however, (1) will this Plan pay any amount of a Participant’s retirement benefit, if any, attributable to the “2000 Ad Hoc Increase for Retirees” Appendix added to certain of the Company’s tax-qualified plans pursuant to the Board of Directors resolution adopted May 17, 2000, or (2) will a Participant be entitled to a benefit (or an increased benefit) from or as a result of participation in this Plan under the Board of Directors resolution adopted May 17, 2000.

The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Plan:

- (1) any payment authorized by the Compensation Committee that is (a) calculated pursuant to the method for determining a bonus amount under the Annual

Incentive Plan (AIP) for a given year, and (b) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and

(2) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

2.04 Preretirement Surviving Spouse Benefit. This Section only applies to Grandfathered Amounts.

Preretirement surviving spouse benefits will be payable under this Plan on behalf of a Participant if such Participant's surviving spouse is eligible for preretirement surviving spouse benefits payable from a Pension Plan. The benefit payable will be the amount which would have been payable under the Pension Plan but for the restrictions of section 415 (as described in the applicable Pension Plan).

The benefit payable under this Plan will be reduced by the amount of Pension Plan Benefits attributable to the applicable Pension Plan.

No benefit will be payable under this Plan with respect to a spouse after the death of that spouse.

See Appendix A and Appendix B for the rules that apply to other benefits earned under the Plan.

2.05 Forms and Times of Benefit Payments. This Section only applies to Grandfathered Amounts.

The Company will determine the form and timing of benefit payments in its sole discretion. However, for payments made to supplement those of a particular Pension Plan, the Company will only select among the options available under that Pension Plan, and using the same actuarial adjustments used in that Pension Plan except in cases of lump sums.

Whenever the present value of the amount payable under the Plan does not exceed \$10,000, it will be paid in the form of a single lump sum as of the first of the month following Termination of Employment. The lump sum will be calculated using the factors and methodology described in Section 3.08 below. (See Section 2.09 for the rule that applies as of January 1, 2008).

No payments will commence under this Plan until a Participant has a Termination of Employment, even in cases where benefits have commenced under a Pension Plan for Participants over age 70-1/2.

See Appendix A and Appendix B for the rules that apply to other benefits earned under the Plan.

2.06 Beneficiaries and Spouses. This Section only applies to Grandfathered Amounts.

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

If a Participant is married on the date his or her benefits are scheduled to commence, his or her beneficiary will be his or her spouse unless some other beneficiary is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before benefits commence and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

The Participant's spouse will be the spouse as determined under the underlying Pension Plan.

See Appendix A and Appendix B for the rules that apply to other benefits earned under the Plan.

2.07 Plan Termination. No further benefits may be earned under this Plan with respect to a particular Pension Plan after the termination of such Pension Plan.

2.08 Pension Plan Benefits. The term "Pension Plan Benefits" generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Pension Plan. However, this Plan is only intended to remedy pension reductions caused by the operation of section 415 and not reductions caused for any other reason. In those instances where pension benefits are reduced for some other reason, the term "Pension Plan Benefits" shall be deemed to mean the benefits that would have been actually payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA § 4041(c) or any comparable successor provision of law) of a Pension Plan. In such a case, the Pension Plan Benefits will be deemed to refer to the payments that would have been made from the Pension Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA § 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under Code section 412(c)(8), as amended, or any comparable successor provision of law.
- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant's benefits to a third party on behalf of or with respect to a Participant.

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

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

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

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

- (a) To receive their Grandfathered Amounts in any form of distribution available under the Plan at October 3, 2004, provided that form remains available under the underlying qualified pension plan at the time payment of the Grandfathered Amounts commences. The conversion factors for these distribution forms will be based on the factors or basis in effect under this Plan on October 3, 2004.
- (b) To receive their Grandfathered Amounts in any life annuity form not included in (a) above but included in the underlying qualified pension plan distribution options at the time payment of the Grandfathered Amounts commences. The conversion factors will be based on the following actuarial assumptions:

Interest Rate: 6%

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

2.11 Special Tax Distribution. On the date a Participant's retirement benefit is reasonably ascertainable within the meaning of IRS regulations under Code section 3121(v)(2), an amount equal to the Participant's portion of the FICA tax withholding will be distributed in a single lump sum payment. This payment will be based on all benefits under the Plan, including Grandfathered Amounts. This payment will reduce the Participant's future benefit payments under the Plan on an actuarial basis.

ARTICLE III

Lump Sum Election

This Article only applies with respect to Grandfathered Amounts. See Appendix A and Appendix B for the distribution rules that apply to other benefits earned under the Plan.

3.01 In General. This Article sets forth the rules under which Participants may elect to receive their benefits in a lump sum. Except as provided in Section 3.08, this Article does not apply to active employees (as defined in Section 3.04) in cases where benefits are automatically payable in lump sum form under Article II.

3.02 Retirees Election. Participants and Participants' beneficiaries already receiving monthly benefits under the Plan at its inception will be given a one-time opportunity to elect a lump sum payout of future benefit payments.

- (a) The election must be made within a 60-day period determined by the Company. Within its discretion, the Company may delay the commencement of the 60-day period in instances where the Company is unable to timely communicate with a particular payee.
- (b) The determination as to whether a payee is already receiving monthly benefits will be made at the beginning of the 60-day period.
- (c) An election to take a lump sum must be accompanied by a waiver of the existing retiree medical benefits by those Participants (and their covered spouses or surviving spouses) entitled either to have such benefits entirely paid for by the Company or to receive such benefits as a result of their classification as an employee under Executive Class Code II.

Following the waiver, waiving Participants (and covered spouses or surviving spouses) will be entitled to the coverage offered to employees who are eligible for Senior Executive Retirement Insurance Benefits in effect as of July 1, 1993.

- (d) If the person receiving payments as of the beginning of the 60-day period dies prior to making a lump sum election, his or her beneficiary, if any, may not make the lump sum election.
- (e) Elections to receive a lump sum (and waivers under (c)) must be made in writing and must include spousal consent if the payee (whether the Participant or beneficiary) is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.
- (f) An election (with spousal consent, where required) to receive the lump sum made at any time during the 60-day period will be irrevocable. If no proper election has been made by the end of the 60-day period, payments will continue unchanged in the monthly form that had previously been applicable.

- 3.03 Retirees Lump Sum. If a retired Participant or beneficiary makes a valid election under Section 3.02 within the 60-day period, monthly payments will continue in the previously applicable form for 12 months (assuming the payees live that long).
- (a) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum to the Participant, if alive, or, if not, to the beneficiary under the previously applicable form of payment.
 - (b) No lump sum payment will be made if:
 - (1) The Participant is receiving monthly benefit payments in a form that does not provide for survivor benefits and the Participant dies before the time the lump sum payment is due.
 - (2) The Participant is receiving monthly benefit payments in a form that does provide for survivor benefits but the Participant and the beneficiary die before the time the lump sum payment is due.
 - (c) The following rules apply where payment is being made in the form of a 10-year certain and continuous life annuity option:
 - (1) If the Participant is deceased at the commencement of the 60-day election period, the surviving beneficiary may not make the election if there are less than 13 months left in the 10-year certain period.
 - (2) If the Participant elects the lump sum and dies prior to the first of the 13th month:
 - (A) if the 10-year certain period has already ended, all monthly payments will cease at the Participant's death and no lump sum payment will be made;
 - (B) if the 10-year certain period ends after the Participant's death and before the beginning of the 13th month, monthly payments will end at the end of the 10-year certain period and no lump sum payment will be made; and
 - (C) if the 10-year certain period ends after the beginning of the 13th month, monthly payments will continue through the 12th month, and a lump sum payment will be made as of the first of the 13th month, equal to the present value of the remaining benefit payments.

3.04 Actives Election. Active Participants may elect to have their benefits paid in the form of a single lump sum under this Section.

- (a) A Participant is considered to be “Active” under this Section if he or she is still employed by the Affiliated Companies on or after the beginning of the initial 60-day period referred to in Section 3.02.
- (b) An election to take a lump sum may be made at any time during the 60-day period prior to Termination of Employment and covers both—
 - (1) Benefits payable to the Participant during his or her lifetime, and
 - (2) Survivor benefits (if any) payable to the Participant’s beneficiary, including preretirement death benefits (if any) payable to the Participant’s spouse.
- (c) An election does not become effective until the earlier of
 - (1) the Participant’s Termination of Employment, or
 - (2) the Participant’s death.

Before the election becomes effective, it may be revoked.

If a Participant does not have a Termination of Employment within 60 days after making an election, the election will never take effect.

- (d) An election may only be made once. If it fails to become effective after 60 days or is revoked before becoming effective, it cannot be made again at a later time.
- (e) After a Participant has a Termination of Employment, no election can be made.
- (f) If a Participant dies before making a lump sum election, his or her spouse may not make a lump sum election with respect to any benefits which may be due the spouse.
- (g) Elections to receive a lump sum must be made in writing and must include spousal consent if the Participant is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.

3.05 Actives Lump Sum — Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.04 has a Termination of Employment after he or she is entitled to commence benefits under the Pension Plans, payments will be made in accordance with this Section.

- (a) Monthly benefit payments will be made for up to 12 months, commencing the first of the month following Termination of Employment. Payments will be made:

- (1) in the case of a Participant who is not married on the date benefits are scheduled to commence, based on a straight life annuity for the Participant's life and ceasing upon the Participant's death should he or she die before the 12 months elapse, or
 - (2) in the case of a Participant who is married on the date benefits are scheduled to commence, based on a joint and survivor annuity form —
 - (A) with the survivor benefit equal to 50% of the Participant's benefit;
 - (B) with the Participant's spouse as the survivor annuitant;
 - (C) determined by using the contingent annuitant option factors used to convert straight life annuities to 50% joint and survivor annuities under the Northrop Retirement Plan; and
 - (D) with all payments ceasing upon the death of both the Participant and his or her spouse should they die before the 12 months elapse.
- (b) As of the first of the 13th month, the present value of the remaining benefit payments will be paid in a single lump sum. Payment of the lump sum will be made to the Participant if he or she is still alive, or, if not, to his or her surviving spouse, if any.
- (c) No lump sum payment will be made if:
- (1) The Participant is receiving monthly benefit payments in the form of a straight life annuity and the Participant dies before the time the lump sum payment is due.
 - (2) The Participant is receiving monthly benefit payments in a joint and survivor annuity form and the Participant and his or her spouse both die before the time the lump sum payment is due.
- (d) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:
- (1) the Participant dies after making a valid lump sum election but prior to commencement of any benefits under this Plan;
 - (2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and
 - (3) the spouse survives to the first of the month following the date of the Participant's death.

3.06 Actives Lump Sum — Not Retirement Eligible. If a Participant with a valid lump sum election in effect under Section 3.04, has a Termination of Employment before he or she is entitled to commence benefits under the Pension Plans, payments will be made in accordance with this Section.

- (a) No monthly benefit payments will be made.
- (b) Following Termination of Employment, a single lump sum payment of the benefit will be made on the first of the month following 12 months after the date of the Participant's Termination of Employment.
- (c) A lump sum will be payable to a Participant's spouse as of the first of the month following the date of the Participant's death, if:
 - (1) the Participant dies after making a valid lump sum election but prior to commencement of any benefits under this Plan;
 - (2) the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit under this Plan; and
 - (3) the spouse survives to the first of the month following the date of the Participant's death.
- (d) No lump sum payment will be made if the Participant is unmarried at the time of death and dies before the time the lump sum payment is due.

3.07 Lump Sums with CIC Severance Plan Election. A Participant who elects lump sum payments of all his or her nonqualified benefits under the CIC Plans is entitled to have his or her benefits paid as a lump sum calculated under the terms of the applicable CIC Plan. Otherwise, benefit payments are governed by the general provisions of this Article, which provide different rules for calculating the amount of lump sum payments.

3.08 Calculation of Lump Sum. The factors to be used in calculating the lump sum are as follows:

Interest: Whichever of the following two rates that produces the smaller lump sum:

- (1) the discount rate used by the Company for purposes of Statement of Financial Accounting Standards No. 87 of the Financial Accounting Standards Board as disclosed in the Company's annual report to shareholders for the year end immediately preceding the date of distribution, or
- (2) the applicable interest rate that would be used to calculate a lump sum value for the benefit under the Pension Plans.

Mortality: the applicable mortality table that would be used to calculate a lump sum value for the benefit under the Northrop Grumman Retirement Plan.

Increase in Section 415 Limit: 4% per year.

Age: Age rounded to the nearest month on the date the lump sum is payable.

Variable Unit Values Variable Unit Values are presumed not to increase for future periods after the date the lump sum is payable.

The annuity to be converted to a lump sum will be the remaining annuity currently payable to the Participant or his or her beneficiary at the time the lump sum is due.

For example, assume a Participant is receiving benefit payments in the form of a 50% joint and survivor annuity.

If the Participant and the survivor annuitant are both still alive at the time the lump sum payment is due, the present value calculation will be based on the remaining benefits that would be paid to both the Participant and the survivor in the annuity form.

If only the survivor is alive, the calculation will be based solely on the remaining 50% survivor benefits that would be paid to the survivor.

If only the Participant is alive, the calculation will be based solely on the remaining benefits that would be paid to the Participant.

In the case of a Participant who dies prior to commencement of benefits under this Plan so that only a preretirement surviving spouse benefit (if any) is payable, the lump sum will be based solely on the value of the preretirement surviving spouse benefit.

In the case of a lump-sum under Section 3.07 (related to lump sums with a CIC Severance Plan election), the lump-sum amount will be calculated as described in that section and the rules of this Section 3.08 are not used.

3.09 Spousal Consent. Spousal consent, as required for elections as described above, need not be obtained if the Company determines that there is no spouse or the spouse cannot be located.

ARTICLE IV

Miscellaneous

4.01 Amendment and Plan Termination. The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. This includes the right to amend or eliminate any of the provisions of the Plan with respect to lump sum distributions, including any lump sum calculation factors,

whether or not a Participant has already made a lump sum election. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's accrued benefit under the Plan as of the date of such amendment or termination.

No amendment of the Plan shall apply to the Grandfathered Amounts, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to the Grandfathered Amounts.

The Company may, in its sole discretion, seek reimbursement from the Pension Plans to the extent this Plan pays Pension Plan Benefits to which Participants were entitled to or became entitled to under the Pension Plans.

- 4.02 Not an Employment Agreement. Nothing contained in this Plan gives any Participant the right to be retained in the service of the Company, nor does it interfere with the right of the Company to discharge or otherwise deal with Participants without regard to the existence of this Plan.
- 4.03 Assignment of Benefits. A Participant, surviving spouse or beneficiary may not, either voluntarily or involuntarily, assign, anticipate, alienate, commute, sell, transfer, pledge or encumber any benefits to which he or she is or may become entitled under the Plan, nor may Plan benefits be subject to attachment or garnishment by any of their creditors or to legal process.

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

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

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

4.04 Nonduplication of Benefits. This Section applies if, despite Section 4.03, with respect to any Participant (or his or her beneficiaries), the Company is required to make payments under this Plan to a person or entity other than the payees described in the Plan. In such a case, any amounts due the Participant (or his or her beneficiaries) under this Plan will be reduced by the actuarial value of the payments required to be made to such other person or entity.

Actuarial value will be determined using the factors and methodology described in Section 3.08 above (in the case of lump sums) and using the actuarial assumptions in the underlying Pension Plan in all other cases.

In dividing a Participant's benefit between the Participant and another person or entity, consistent actuarial assumptions and methodologies will be used so that there is no increased actuarial cost to the Company.

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

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

4.06 Construction. The Company shall have full discretionary authority to determine eligibility and to construe and interpret the terms of the Plan, including the power to remedy possible ambiguities, inconsistencies or omissions.

4.07 Governing Law. This Plan shall be governed by the law of the State of California, except to the extent superseded by federal law.

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

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

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

- 4.10 Number. The singular, where appearing in this Plan, will be deemed to include the plural, unless the context clearly indicates the contrary.
- 4.11 2001 Reorganization. Effective as of the 2001 Reorganization Date in (d), the corporate structure of Northrop Grumman Corporation and its affiliates was modified. Effective as of the Litton Acquisition Date in (e), Litton Industries, Inc. was acquired and became a subsidiary of the Northrop Grumman Corporation (the “Litton Acquisition”).
- (a) The former Northrop Grumman Corporation was renamed Northrop Grumman Systems Corporation. It became a wholly-owned subsidiary of the new parent of the reorganized controlled group.
 - (b) The new parent corporation resulting from the restructuring is called Northrop Grumman Corporation. All references in this Plan to the former Northrop Grumman Corporation and its Board of Directors now refer to the new parent corporation bearing the same name and its Board of Directors.
 - (c) As of the 2001 Reorganization Date, the new Northrop Grumman Corporation became the sponsor of this Plan, and its Board of Directors assumed authority over this Plan.
 - (d) 2001 Reorganization Date. The date as of which the corporate restructuring described in (a) and (b) occurred.
 - (e) Litton Acquisition Date. The date as of which the conditions for the completion of the Litton Acquisition were satisfied in accordance with the “Amended and Restated Agreement and Plan of Merger Among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc., and LII Acquisition Corp.
- 4.12 Liabilities Transferred to HII. Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. (“HII”) to its shareholders on March 31, 2011 (the “HII Distribution Date”). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Plan and the liabilities for these participants’ benefits under the Plan were transferred to HII. On and after the HII Distribution Date, the Company and the Plan, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Plan.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 27th day of June, 2011.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas _____

Debora L. Catsavas
Vice President, Compensation,
Benefits & International

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APPENDIX A – 2005-2007 TRANSITION RULES

This Appendix A provides the distribution rules that apply to the portion of benefits under the Plan subject to Code section 409A for Participants with benefit commencement dates after January 1, 2005 and before January 1, 2008.

- A.01 Election. Participants scheduled to commence payments during 2005 may elect to receive both pre-2005 benefit accruals and 2005 benefit accruals in any optional form of benefit available under the Plan as of December 31, 2004. Participants electing optional forms of benefits under this provision will commence payments on the Participant's selected benefit commencement date.
- A.02 2005 Commencements. Pursuant to IRS Notice 2005-1, Q&A-19 & Q&A-20, Participants commencing payments in 2005 from the Plan may elect a form of distribution from among those available under the Plan on December 31, 2004, and benefit payments shall begin at the time elected by the Participant.
- (a) Key Employees. A Key Employee Separating from Service on or after July 1, 2005, with Plan distributions subject to Code section 409A scheduled to be paid in 2006 and within six months of his date of Separation from Service, shall have such distributions delayed for six months from the Key Employee's date of Separation from Service. The delayed distributions shall be paid as a single sum with interest at the end of the six month period and Plan distributions will resume as scheduled at such time. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years). Alternatively, the Key Employee may elect under IRS Notice 2005-1, Q&A-20 to have such distributions accelerated and paid in 2005 without the interest adjustment, provided, such election is made in 2005.
- (b) Lump Sum Option. During 2005, a temporary immediate lump sum feature shall be available as follows:
- (i) In order to elect a lump sum payment pursuant to IRS Notice 2005-1, Q&A-20, a Participant must be an elected or appointed officer of the Company and eligible to commence payments under the underlying qualified pension plan on or after June 1, 2005 and on or before December 1, 2005;
- (ii) The lump sum payment shall be made in 2005 as soon as feasible after the election; and
- (iii) Interest and mortality assumptions and methodology for calculating lump sum amount shall be based on the Plan's procedures for calculating lump sums as of December 31, 2004.

A.03 2006 and 2007 Commencements. Pursuant to IRS transition relief, for all benefit commencement dates in 2006 and 2007 (provided election is made in 2006 or 2007), distribution of Plan benefits subject to Code section 409A shall begin 12 months after the later of: (a) the Participant's benefit election date, or (b) the underlying qualified pension plan benefit commencement date (as specified in the Participant's benefit election form). Payments delayed during this 12-month period will be paid at the end of the period with interest. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such period (i.e., the rate may change in the event the period spans two calendar years).

**APPENDIX B – POST 2007
DISTRIBUTION OF 409A AMOUNTS**

The provisions of this Appendix B shall apply only to the portion of benefits under the Plan that are subject to Code section 409A with benefit commencement dates on or after January 1, 2008. Distribution rules applicable to the Grandfathered Amounts are set forth in Articles II and III, and Appendix A addresses distributions of amounts subject to Code section 409A with benefit commencement dates after January 1, 2005 and prior to January 1, 2008.

- B.01 Time of Distribution. Subject to the special rules provided in this Appendix B, distributions to a Participant of his vested retirement benefit shall commence as of the Payment Date.
- B.02 Special Rule for Key Employees. If a Participant is a Key Employee and age 55 or older at his Separation from Service, distributions to the Participant shall commence on the first day of the seventh month following the date of his Separation from Service (or, if earlier, the date of the Participant's death). Amounts otherwise payable to the Participant during such period of delay shall be accumulated and paid on the first day of the seventh month following the Participant's Separation from Service, along with interest on the delayed payments. Interest shall be computed using the retroactive annuity starting date rate in effect under the Northrop Grumman Pension Plan on a month-by-month basis during such delay (i.e., the rate may change in the event the delay spans two calendar years).
- B.03 Forms of Distribution. Subject to the special rules provided in this Appendix B, a Participant's vested retirement benefit shall be distributed in the form of a single life annuity. However, a Participant may elect an optional form of benefit up until the Payment Date. The optional forms of payment are:
- (a) 50% joint and survivor annuity
 - (b) 75% joint and survivor annuity
 - (c) 100% joint and survivor annuity.

If a Participant is married on his Payment Date and elects a joint and survivor annuity, his survivor annuitant will be his spouse unless some other survivor annuitant is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before the Payment Date and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

- B.04 Death. If a married Participant dies before the Payment Date, a death benefit will be payable to the Participant's spouse commencing 90 days after the Participant's death. The death benefit will be a single life annuity in an amount equal to the survivor portion of a Participant's vested retirement benefit based on a 100% joint and survivor annuity determined on the Participant's date of death. This benefit is also payable to a

Participant's domestic partner who is properly registered with the Company in accordance with procedures established by the Company.

B.05 Actuarial Assumptions. Except as provided in Section B.06, all forms of payment under this Appendix B shall be actuarially equivalent life annuity forms of payment, and all conversions from one such form to another shall be based on the following actuarial assumptions:

Interest Rate: 6 %

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

B.06 Accelerated Lump Sum Payouts.

- (a) Post-2007 Separations. Notwithstanding the provisions of this Appendix B, for Participants who Separate from Service on or after January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date of his Separation from Service, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment. Subject to the special timing rule for Key Employees under Section B.02, the lump sum payment shall be made within 90 days after the first of the month coincident with or following the date of the Participant's Separation from Service.
- (b) Pre-2008 Separations. Notwithstanding the provisions of this Appendix B, for Participants who Separate from Service before January 1, 2008, if the present value of (a) the vested portion of a Participant's retirement benefit and (b) other vested amounts under nonaccount balance plans that are aggregated with the retirement benefit under Code section 409A, determined on the first of the month coincident with or following the date the Participant attains age 55, is less than or equal to \$25,000, such benefit amount shall be distributed to the Participant (or his spouse or domestic partner, if applicable) in a lump sum payment within 90 days after the first of the month coincident with or following the date the Participant attains age 55, but no earlier than January 1, 2008.
- (c) Conflicts of Interest. The present value of a Participant's vested retirement benefit shall also be payable in an immediate lump sum to the extent required under conflict of interest rules for government service and permissible under Code section 409A.
- (d) Present Value Calculation. The conversion of a Participant's retirement benefit into a lump sum payment and the present value calculations under this Section B.06 shall be based on the actuarial assumptions in effect under the Northrop Grumman Pension Plan for purposes of calculating lump sum amounts, and will

be based on the Participant's immediate benefit if the Participant is 55 or older at Separation from Service. Otherwise, the calculation will be based on the benefit amount the Participant will be eligible to receive at age 55.

B.07 Effect of Early Taxation. If the Participant's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Participant.

B.08 Permitted Delays. Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Company's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section B.08 shall be paid in accordance with Code section 409A.

NORTHROP GRUMMAN
OFFICERS RETIREMENT ACCOUNT CONTRIBUTION PLAN
(Effective as of January 1, 2011)

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INTRODUCTION

The Northrop Grumman Officers Retirement Account Contribution Plan (the "Plan") was adopted effective as of October 1, 2009. This restatement amends the Plan effective January 1, 2011.

This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder, and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I

DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

"Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.

"Administrative Committee" means the committee in charge of Plan administration, as described in Article VI.

"Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).

"Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(a) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(b) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is

no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company. A Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(c) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (1) to that person's living parent(s) to act as custodian, (2) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (3) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company.

(d) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

“Board” shall mean the Board of Directors of the Company.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Committees” shall mean the Committees appointed as provided in Article VI.

“Company” shall mean Northrop Grumman Corporation and any successor.

“Company Contributions” shall mean credits to a Participant's Account, as described in Section 3.2.

“Compensation” shall be “compensation” as defined by Section 5.01 of the NGSP.

“Eligible Employee” shall mean any Employee who meets the following conditions:

- (a) he or she is an elected or appointed officer of an Affiliated Company other than Vinnell Corporation, Component Technologies or Premier America Credit Union;
- (b) he or she is not eligible to accrue benefits under a Company-sponsored qualified defined benefit pension plan;
- (c) he or she is not eligible to actively accrue benefits under Appendix F (“CPC SERP”), Appendix G (“OSERP”), or Appendix I (“OSERP II”) of the Northrop Grumman Supplemental Plan 2; and
- (d) he or she is not otherwise designated as being ineligible to participate in the Plan.

“Employee” shall mean any common law employee of the Affiliated Companies who is classified as an employee by the Affiliated Companies.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

“Investment Committee” means the committee in charge of investment aspects of the Plan, as described in Article VI.

“Key Employee” means an employee treated as a “specified employee” under Code section 409A(a)(2)(B)(i) of the Company or the Affiliated Companies (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) if the Company’s or an Affiliated Company’s stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

“NGSP” means the Northrop Grumman Savings Plan.

“Participant” shall mean any Eligible Employee who participates in this Plan in accordance with Article II.

“Plan” shall be the Northrop Grumman Officers Retirement Account Contribution Plan.

“Separation from Service” means a “separation from service” within the meaning of Code section 409A.

ARTICLE II

PARTICIPATION

2.1 In General

(a) An Employee shall automatically become a Participant and eligible for Company Contributions as of the later of October 1, 2009 or the date the Employee becomes an Eligible Employee.

(b) An individual will cease to be a Participant when he or she no longer has a positive balance in his or her Account.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees and will not be entitled to participate in the Plan.

ARTICLE III

CREDITS TO ACCOUNTS

3.1 Accounts

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

3.2 Company Contribution Credits

If a Participant qualifies as an Eligible Employee during a payroll period, the Participant's Account shall be credited with a Company Contribution as soon as practicable after the end of the payroll period. The Company Contribution for a payroll period shall equal 4% of the Participant's Compensation for the payroll period.

3.3 Earnings Credits

A Participant's Account will be periodically credited with earnings, gains and losses as if the Account was invested in the same investment options as the Participant's RAC Subaccount in the Northrop Grumman Savings Excess Plan. If a Participant does not have such a RAC Subaccount, his Account will be credited with earnings, gains and losses as if the Account was invested in the qualified default investment alternative ("QDIA") that applies to the Participant under the NGSP.

3.4 Valuation of Accounts

(a) The valuation of Participants' Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(b) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(c) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(d) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

3.5 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

3.6 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of the Company Contributions credited to their Accounts due to poor investment performance.

ARTICLE IV

VESTING AND FORFEITURES

4.1 In General

A Participant shall become vested in his Account balance upon completing three years of service. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

4.2 Exceptions

The following exceptions apply to the vesting rule:

- (a) Forfeitures on account of a lost payee. See Section 5.5.
- (b) Forfeitures under an escheat law.
- (c) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.
- (d) Expenses charged to a Participant's Account.
- (e) Investment losses.

ARTICLE V

DISTRIBUTIONS

5.1 Normal Distribution Rules

The vested balance in a Participant's Account shall be distributed in a lump sum upon a Participant's Separation from Service. Notwithstanding the foregoing, distribution will not be made to a Key Employee upon a Separation from Service until the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee).

5.2 Effect of Taxation

If Plan benefits are includible in the income of a Participant under Code section 409A prior to actual receipt of the benefits, the Administrative Committee shall immediately distribute the benefits found to be so includible to the Participant.

5.3 Permitted Delays

Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Administrative Committee's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;
- (c) provided, that any payment delayed pursuant to this Section 5.3 shall be paid in accordance with Code section 409A.

5.4 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check that has been issued by the Company. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

5.5 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited.

5.6 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VI

ADMINISTRATION

6.1 Committees

- (a) The Administrative Committee shall be appointed by the Company.

(b) An Investment Committee (referred to together with the Administrative Committee as, the "Committees"), comprised of one or more persons, shall be appointed by and serve at the pleasure of the Board (or its delegate). The number of members comprising the Investment Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written

notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

6.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of a Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committee then in office. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

The Company shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The Administrative Committee shall conduct its business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Administrative Committee may deem appropriate. The Administrative Committee shall hold meetings from time to time in any convenient location.

6.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and make all factual determinations;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);

(g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and

(h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

6.4 Powers and Duties of the Investment Committee

The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

(a) To oversee any rabbi trust; and

(b) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

6.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

6.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the compensation of all Participants, their death or other events that cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

6.7 Committee Compensation, Expenses and Indemnity

(a) The members of the Committees shall serve without compensation for their services hereunder.

(b) The Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.

(c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other

than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

6.8 Claims

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

ARTICLE VII

MISCELLANEOUS

7.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

7.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 4.2 will not be treated as violations of this Section.

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

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

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

7.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite Section 7.2, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

7.4 Withholding

There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes, which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

7.5 Amendment, Modification, Suspension or Termination

The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's Account balance as of the date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article V, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

7.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

7.7 Receipt and Release

Any payment to a payee in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan, the Committees and the Affiliated Companies. The Administrative Committee may require such payee, as a condition precedent to such payment, to execute a receipt and release to such effect.

7.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

7.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

7.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

7.11 Liabilities Transferred to HII

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

* * *

IN WITNESS WHEREOF, this Plan is hereby executed by a duly authorized officer on this 27th day of June, 2011.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits &
International

APPENDIX B
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

ERISA Supplemental Program 2

(Amended and Restated Effective as of January 1, 2011)

Appendix B to the Northrop Grumman Supplemental Plan 2 (the "Appendix") is hereby amended and restated effective as of January 1, 2011. This restatement amends the January 1, 2009 restatement and includes changes that apply to Grandfathered Amounts.

B.01 Purpose. The purpose of the Program is:

- (a) to restore benefits lost under the Pension Plans as a result of the compensation limit in Code section 401(a)(17), or any successor provision; and
- (b) to include compensation deferred under a Deferred Compensation Plan and deferrals required in connection with participation under the Northrop Grumman Electronic Systems Executive Pension Plan.

B.02 Eligibility. An employee of the Company, other than Charles H. Noski, is eligible to receive a benefit under this Program if he or she:

- (a) retires on or after January 1, 1989;
- (b) has vested in Pension Plan benefits that are reduced because of one or both of the following:
 - (1) the Code section 401(a)(17) limit on compensation; or
 - (2) participation in a Deferred Compensation Plan.

B.03 Amount of Benefit.

- (a) The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime will equal the amounts described in (1) through (3) below.
 - (1) Cash Balance Piece. Effective for periods after June 30, 2003, a Participant whose retirement benefit is determined under the terms of a Cash Balance Plan is credited under this Program with Benefit Credits (as defined under the Participant's Cash Balance Plan) he or she would have received:
-

- (A) but for the restrictions of Code sections 401(a)(17) or 415, as those limits are described by the applicable Cash Balance Plan; and
- (B) but for the fact the Participant made deferrals to a Deferred Compensation Plan.

For purposes of (B), the Benefit Credits earned are credited in accordance with the terms of the Cash Balance Plan applicable to Eligible Pay in excess of the Social Security Wage Base and any compensation deferred is only treated as compensation for benefit calculation purposes under this Program in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.

- (2) Historical and Transition Piece. Effective for periods prior to July 1, 2003 the Participant is credited with the retirement benefit, if any, that would have been payable under the terms of the Pension Plan:

- (A) but for the restrictions of Code sections 401(a)(17) or 415, as those limits are described by the applicable Pension Plan; and
- (B) but for the fact that the Participant deferred compensation under either a Deferred Compensation Plan or in connection with the Northrop Grumman Electronic Systems Executive Pension Plan.

For purposes of (B), any compensation deferred is only treated as compensation for benefit calculation purposes under this Program in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.

- (3) For Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of eligible pay for purposes of calculating benefit amounts. All benefits resulting from this change in determining the highest three years of eligible pay shall be subject to Code section 409A.
- (b) The benefit payable under this Program will be reduced by the combined amounts of Pension Plan Benefits and the Northrop Grumman ERISA Supplemental Plan benefits attributable to the applicable Pension Plan.
- (c) Notwithstanding any other provision of the Program, in accordance with Section G.05, a Participant's total accrued benefits under all plans, programs, and arrangements in which he or she participates, including the benefit accrued under Section B.03, may not exceed 60% of his or her Final Average Salary (as defined in Section G.02(c)), reduced for early retirement using the factors in Section G.09. If this limit is exceeded, the Participant's accrued benefit under Appendix F or G, whichever is applicable, will be reduced first, and the Participant's accrued benefit under this Program will then be reduced to the extent necessary to satisfy the limit.

- (d) Minimum Normal Retirement Benefits for Designated Participants.
- (1) “Minimum Normal Retirement Benefits for Designated Participants” are benefits provided only in the Pension Plan appendices (i.e., benefits in excess of the benefits provided by other portions of the Pension Plans).
 - (A) These extra benefits are meant to partially restore benefits lost because of Code section 401(a)(17).
 - (B) Therefore, they are not included in the “retirement benefit” in (a), but they are included for purposes of the offset in (b).
 - (2) Example. An employee is initially entitled to an \$85,000 annual benefit under the Pension Plans. The employee would be entitled, but for section 401(a)(17), to a \$100,000 annual benefit under the Pension Plans, so that \$15,000 is payable under this Program. The Company then adds the minimum normal retirement benefit appendices under the Pension Plans, which are intended to pay all or a portion of the benefits previously payable by this Program under the Pension Plans instead. Assume this results in the employee being entitled to an additional \$10,000 annual benefit under the appendices to the Pension Plans, so that the Pension Plans now pay a total of \$95,000. This Program restores to the employee only the difference between \$100,000 and \$95,000, or a \$5,000 annual benefit.
- (e) Benefits under this Program will only be paid to supplement benefit payments actually made from a Pension Plan. If benefits are not payable under a Pension Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Program with respect to such Pension Plan.
- (f) The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Program:
- (1) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (2) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

B.04 Preretirement Surviving Spouse Benefit.

- (a) Preretirement surviving spouse benefits will be payable under this Program on behalf of a Participant if such Participant's surviving spouse is eligible for benefits payable from a Pension Plan.
- (b) The benefit payable will be:
 - (1) for periods after June 30, 2003, the amount which would have been payable under the Cash Balance Plan:
 - (A) but for the restrictions of Code sections 401(a)(17) and 415 (or any successor sections), as those limits are described by the applicable Cash Balance Plan; and
 - (B) but for the fact that the Participant deferred compensation under a Deferred Compensation Plan (with Benefit Credits determined by reference to amounts exceeding the Social Security Wage Base); and
 - (2) for periods prior to July 1, 2003, the amount which would have been payable under the Pension Plan:
 - (A) but for the restrictions of Code sections 401(a)(17) and 415 (or any successor sections), as those limits are described by the applicable Pension Plan; and
 - (B) but for the fact that the Participant deferred compensation under either a Deferred Compensation Plan or in connection with the Northrop Grumman Electronic Systems Executive Pension Plan.
 - (3) For Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of eligible pay for purposes of calculating benefit amounts. All benefits resulting from this change in determining the highest three years of eligible pay shall be subject to Code section 409A.
- (c) For purposes of paragraph (b)(2) above, any compensation deferred will only be treated as compensation for benefit calculation purposes under this Program in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.
- (d) The benefit payable under this Program will be reduced by the combined amounts of the Pension Plan Benefits and the Northrop Grumman Corporation ERISA Supplemental Plan benefits attributable to the applicable Pension Plan.
- (e) No benefit will be payable under this Program with respect to a spouse after the death of that spouse.

- (f) The following shall not be considered as compensation for purposes of determining the amount of any benefit under the Program:
- (1) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (2) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.

B.05 Plan Termination. No further benefits may be earned under this Program with respect to a particular Pension Plan after the termination of such Pension Plan.

B.06 Pension Plan Benefits. For purposes of this Appendix, the term “Pension Plan Benefits” generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Pension Plan. However, this Program is only intended to remedy pension reductions caused by the operation of section 401(a)(17) and not reductions caused for any other reason. In those instances where pension benefits are reduced for some other reason, the term “Pension Plan Benefits” shall be deemed to mean the benefits that actually would have been payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA § 4041(c) or any comparable successor provision of law) of a Pension Plan. In such a case, the Pension Plan Benefits will be deemed to refer to the payments that would have been made from the Pension Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA § 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under Code section 412(c)(8), as amended, or any comparable successor provision of law.
- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant’s benefits to a third party on behalf of or with respect to a Participant.

B.07 ISA Excess Plan Participants.

- (a) Background. Effective as of the ISA Eligibility Date, all liabilities for benefits accrued after that date under the Northrop Grumman Integrated Systems & Aerostructures (ISA) Sector ERISA Excess Plan (the “ISA Plan”) are transferred to this Plan. This Section describes the treatment of those liabilities (“Transferred Liabilities”) and the Participants to whom those liabilities relate (“Transferred Participants”).

The “ISA Eligibility Date” is July 1, 2000.

- (b) Transferred Participants. This Section B.07 applies only to employees who: (1) were active participants in the ISA Plan as of the day before the ISA Eligibility Date; and (2) accrued a benefit under the terms of the ISA Plan on or after the ISA Eligibility Date.
- (c) Treatment of Transferred Liabilities. The Transferred Liabilities consist of any post-ISA Eligibility Date accruals under Article III of the ISA Plan. Those liabilities are treated as if they were accrued under Section B.03 of this Plan. Other provisions of this Plan govern as provided below.
- (d) Distributions. Distributions of benefits attributable to the Transferred Liabilities are generally made under Articles II and III of this Plan.
- (e) Other Provisions. The Transferred Liabilities and the Transferred Participants are fully subject to Articles I-III and Appendix B of this Plan. The amount of the Transferred Liabilities is, however, determined under Article III of the ISA Plan.

B.08 Grumman Excess Plan Spinoff.

- (a) Background. Effective as of the Grumman Spinoff Date, all liabilities for benefits accrued by Transferred Participants under the Northrop Grumman Excess Plan for the Grumman Pension Plan (the “Grumman Plan”) were transferred to this Plan. This Section describes the treatment of those liabilities (“Transferred Liabilities”) under this Plan. The “Grumman Spinoff Date” is July 1, 2003.
- (b) Treatment of Transferred Liabilities. The Transferred Liabilities will generally be treated under the Plan like any other benefits under B.03.
- (c) Transferred Participants. The “Transferred Participants” are active employees who were eligible to participate in the Grumman Plan as of June 30, 2003. Grumman Plan benefits of individuals who terminated employment before July 1, 2003 remain subject to the Grumman Plan, and this Plan assumes no liabilities for those benefits.
- (d) Distributions. Distributions of amounts corresponding to the Transferred Liabilities will generally be made under Articles II and III.
- (e) Other Provisions. The Transferred Liabilities and the Transferred Participants are fully subject to Articles I-III and Appendix B.

B.09 Liabilities Transferred to HII. Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. (“HII”) to its shareholders on March 31, 2011 (the “HII Distribution Date”). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Program and the liabilities for these

participants” benefits under the Program were transferred to HII. On and after the HII Distribution Date, the Company and the Program, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Program.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 27th day of June, 2011.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation, Benefits &
International

APPENDIX F
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

CPC Supplemental Executive Retirement Program

(Amended and Restated Effective as of January 1, 2011)

Appendix F to the Northrop Grumman Supplemental Plan 2 (the "Appendix") is hereby amended and restated effective as of January 1, 2011. This restatement amends the prior January 1, 2011 restatement and includes changes that apply to Grandfathered Amounts.

F.01 Purpose. The purpose of this Program is to give enhanced retirement benefits to eligible elected officers of the Company's Corporate Policy Council. This Program is intended to supplement benefits that are otherwise available under the Qualified Plans.

F.02 Definitions and Construction.

- (a) Capitalized terms used in this Appendix that are not defined in this Appendix or Article I of the Plan are taken from the Qualified Plans and are intended to have the same meaning.
 - (b) CPC Service.
 - (1) Months of CPC Service will be determined under the rules of the Qualified Plans for determining Credited Service.
 - (2) Only months of Credited Service after the commencement of a Participant's tenure on the Corporate Policy Council will be counted.
 - (3) Months of CPC Service will continue to be counted for a Participant until the earlier of (A) and (B):
 - (A) The date the Participant ceases to earn benefit accrual service under either the Qualified Plans or some other defined benefit plan of the Affiliated Companies that is qualified under section 401(a) of the Code ("Successor Qualified Plan").
 - (B) Cessation of the officer's membership on the Corporate Policy Council (whether because of termination of his membership or dissolution of the Council).
 - (C) Examples: The following examples assume that the Participant continues to earn months of CPC Service under the Qualified Plans until termination of employment.
-

Example 1: Officer A terminates employment with the Affiliated Companies on March 31, 2004. At that time, he is still a member of the CPC. His service under this Program ceases to accrue on March 31, 2004.

Example 2: Officer B ceases to be a member of the CPC on December 31, 2005, though continuing to work for the Affiliated Companies after that date. His service under this Program ceases to accrue on December 31, 2005.

- (4) If a Participant is transferred to a position with an Affiliated Company not covered by a Qualified Plan, CPC Service will be determined as the Credited Service under the Participant's last Qualified Plan.
 - (A) If such a transfer occurs, the Participant will continue to earn deemed service credits as if he or she were still participating under the Qualified Plan.
 - (B) Those deemed service credits will not be considered as earned under the Qualified Plan for purposes of determining:
 - (i) benefits under the Qualified Plan or supplements to the Qualified Plan other than this Program, or
 - (ii) the offset under Section F.04(b) below, including the early retirement factors associated with the plans included in the offset.
- (c) Eligible Pay. Subject to paragraphs (1) through (4) below, Eligible Pay will generally be determined under the rules of the Participant's supplemental benefit plan (for section 401(a)(17) purposes).
 - (1) For periods during which a Participant did not participate in a supplemental benefit plan, Eligible Pay will be determined by reference to the applicable qualified defined benefit retirement plan under which the Participant benefits.
 - (A) Eligible Pay will be calculated without regard to any otherwise applicable limitations under the Code, including section 401(a)(17).
 - (B) Eligible Pay will include compensation deferred under a Deferred Compensation Plan and in connection with the Northrop Grumman Electronic Systems Executive Pension Plan.
 - (C) For purposes of (B), any compensation deferred will only be treated as compensation for Plan benefit calculation purposes in

the year(s) payment would otherwise have been made and not in the year(s) of actual payment.

- (2) For periods during which a Participant did not participate in a supplemental benefit plan or a qualified defined benefit retirement plan, Eligible Pay will be his or her annualized base pay (determined in accordance with the Northrop Grumman Retirement Plan), plus any bonuses received.
 - (A) Annualized base pay is calculated without regard to any otherwise applicable limitations under the Code, including section 401(a)(17).
 - (B) Annualized base pay includes compensation deferred under a deferred compensation arrangement with those deferrals treated as compensation for Plan benefit calculation purposes in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.
- (3) If a Participant experiences a Termination of Employment before December 31 of any year, Eligible Pay for the year in which the Participant's Termination of Employment occurs is determined in accordance with the Standard Annualization Procedure in Article 2 of the Standard Definitions and Procedures for Certain Northrop Grumman Corporation Retirement Plans.
- (4) The following shall not be considered as Eligible Pay for purposes of determining the amount of any benefit under the Program:
 - (A) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (B) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.
- (d) Final Average Salary will mean the Participant's average Eligible Pay for the highest three of the last ten consecutive Plan Years. For this purpose, years will be deemed to be consecutive even though a break in service year(s) intervenes.

Notwithstanding the foregoing, for Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of Eligible Pay. All benefits resulting from this change in determining the highest three years of Eligible Pay shall be subject to Code section 409A.

- (e) The benefits under this Program are designed to supplement benefits under the Qualified Plans and are therefore to be construed utilizing the same principles and benefit calculation methodologies applicable under the Qualified Plans except where expressly modified.
- (f) Benefits under this Program will be calculated without regard to the limits in sections 401(a)(17) and 415 of the Code.

F.03 Eligibility. Eligibility for benefits under this Program will be limited to those elected officers of the Company's Corporate Policy Council, other than Charles H. Noski, designated as "Participants" by the Company's Board of Directors or Compensation Committee. No Participant will be entitled to any benefits under this Appendix F until he or she becomes Vested under the Qualified Plans, except to the extent provided in Section F.08.

No individuals shall become eligible to participate in the Program after June 2009.

F.04 Benefit Amount. A Participant's total accrued benefit under this Program is his or her gross benefit under (a), reduced by (b) (as modified by (c)), and adjusted under (d). The benefit calculated under this Section F.04 will be subject to the benefit limit under Section F.05.

- (a) A Participant's gross annual benefit under this Program will equal $3.33\% \times \text{Final Average Salary} \times \text{months of CPC Service} \div 12$.

Effective July 1, 2009, a Participant's gross annual benefit under this Program will equal the sum of (A), (B) and (C) below:

- (A) $3.33\% \times \text{Final Average Salary} \times \text{months of CPC Service up to 120 months} \div 12$,
- (B) $1.50\% \times \text{Final Average Salary} \times \text{months of CPC Service in excess of 120 months up to 240 months} \div 12$, and
- (C) $1.00\% \times \text{Final Average Salary} \times \text{months of CPC Service in excess of 240} \div 12$.

Notwithstanding the foregoing, if a Participant had 120 months or more of CPC Service on July 1, 2009, his gross annual benefit under this Program will equal his gross annual benefit under this Program on June 30, 2009 plus accruals in accordance with (B) and (C) above based on CPC Service after June 30, 2009.

- (1) The benefit payable is a single, straight life annuity commencing on the Participant's Normal Retirement Date. The form of benefit and timing of commencement will be determined under Section F.06.

- (2) If a Participant's benefit is paid under this Program before his Normal Retirement Date, the gross benefit will be adjusted for early commencement in accordance with Section G.04(c).
- (b) The gross benefit under (a) above (multiplied by any applicable early retirement factor) is reduced by the retirement benefits the participant is entitled to receive (including all early retirement subsidies, supplements, and other such benefits) under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified (but not contributory or defined contribution plans, programs, or arrangements).
- (c) For purposes of the offset adjustment in subsection (b):
- (1) The Participant's gross benefit under subsection (a) will be reduced only by the benefits accrued under the plans described in (b) for the period during which the Participant earns CPC Service.
- (A) No offset will be made for accruals earned before (or after) participation in this Program.
- (B) Offsets will be made for benefits accrued under any plan while a Participant:
- (i) is employed by the Affiliated Companies; or
- (ii) was employed by a company before it became an Affiliated Company.
- (C) The offset under (b) includes any benefit enhancements under change-in-control Special Agreements (including enhancements for age and service) that Participants have entered into with the Company ("Special Agreements").
- (D) The offset under (b) does not include:
- (i) benefits accrued under the Supplemental Retirement Income Program for Senior Executives described in Appendix A; or
- (ii) Part II benefits under the Litton Restoration Plan and Litton Restoration Plan II.
- (2) If a Participant's benefit under this Program commences upon reaching age 65, benefits under all the plans and programs described in (b) above will be compared on the basis of a single, straight life annuity commencing at age 65 using the assumptions in Section F.09.

- (3) If a Participant's benefit under this Program commences before age 65, benefits under this Program will be offset for the plans described in (b) above by converting the benefits paid or payable from those plans to an actuarially equivalent single life annuity benefit commencing upon retirement. For this purpose, the benefit will be converted to an early retirement benefit under each applicable plan's terms and further adjusted, if necessary, for different normal forms of benefits or different commencement dates using the actuarial assumptions in Section F.09.
- (d) A Participant's benefit under this Program will be no less than the benefit that would have been accrued under Appendix G had the Participant been eligible to participate in that Program.
 - (1) If the net benefit calculated under Appendix G would be greater than the benefit determined in accordance with Sections F.04(a) through (c), the Participant will receive an additional amount under this Program equal to the difference between the net benefit calculated under Appendix G and the benefit calculated under Sections F.04(a) through (c).
 - (2) The above comparison will be made following the application of the applicable early retirement factors and offset adjustments under this Program and Appendix G.

F.05 Benefit Limit. A Participant's total accrued benefits under all plans, programs, and arrangements in which he or she participates, including the benefit accrued under Section F.04 and all plans included in Section F.04(b), may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the Participant's benefit accrued under this Program will be reduced to the extent necessary to satisfy the limit.

- (a) The accrued benefits a Participant has earned under the plans included in Section F.04(b) that are taken into account for purposes of this Section are not limited to those benefits accrued during the time he or she participated in this Program (as described in Section F.04(c)(1)), but instead will count all service with the Affiliated Companies.
- (b) If a participant has previously received a distribution from one of the plans included in Section F.04(b), that previously received benefit applies toward the limit in this Section.
- (c) The Participant's Final Average Salary is reduced for early retirement applying the factors in Section G.04(c).
- (d) The limit in this Section may not be exceeded even after the benefits under this Program have been enhanced under any Special Agreements.

F.06 Payment of Benefits.

- (a) Benefits will generally be paid in accordance with Section 2.03 of the Plan.

In addition to all other benefit forms otherwise available under this Program, effective as of January 1, 2004, a Participant may elect to have his or her benefits paid in the form of a 75% Joint and Survivor Option. Under this option, the Participant is paid a reduced monthly benefit for life and then, if the Participant's spouse is still alive, a benefit equal to 75% of the Participant's monthly benefit is paid to the spouse for the remainder of his or her life. If the spouse is not still alive when the Participant dies, no further payments are made. The determination of the benefit payable under this option will be made utilizing the factors for a 75% Joint and Survivor Option under the provisions of the Northrop Grumman Retirement Plan.

- (b) Except as provided in subsection (c), benefits will commence as of the first day of the month following the Participant's Termination of Employment or, if later, as of the date the Participant's early retirement benefit commences under the Qualified Plans.
- (c) If a Participant has a Termination of Employment because of Disability before the Participant is eligible for an early retirement benefit from a Qualified Plan, benefits may commence immediately, subject to adjustment for early commencement using the applicable factors and methodologies under Sections F.04(a)(2) and F.04(c)(3).
- (d) If a Participant dies after commencement of benefits, any survivor benefits will be paid in accordance with the form of benefit selected by the Company. If a Participant dies prior to commencement of benefits, payment will be made under Section F.07.

The distribution rules under this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

F.07 Preretirement Death Benefits. If a Participant dies before benefits commence, preretirement surviving spouse benefits are payable under this Program if his or her surviving spouse is eligible for a qualified preretirement survivor annuity (as required under section 401(a)(11) of the Code) from a Qualified Plan.

- (a) **Amount and Form of Preretirement Death Benefit.** A preretirement death benefit paid to a surviving spouse is the survivor benefit portion of a 100% joint-and-survivor annuity calculated using the survivor annuity factors under the Northrop Grumman Pension Plan in an amount determined as follows:
- (1) First, the Participant's gross benefit under Section F.04(a) will be calculated and reduced, as necessary, for early retirement using the factors in Section F.04(a)(2) and adjusted, as necessary, in accordance with Section F.04(d);

- (2) Second, the target preretirement death benefit under this Program will be calculated by applying the appropriate 100% joint-and-survivor annuity factor (as provided in the Northrop Grumman Pension Plan) to the amount determined in (1); and
- (3) Third, the target preretirement death benefit determined in (2) will be reduced by the preretirement death benefits, if any, payable under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified, that are otherwise included in the offsets described under Section F.04(b) such that the sum of the preretirement death benefit payments made to the surviving spouse under all plans, including this Program, will equal, at all times, the level of payments determined to be the target preretirement death benefit (subject to the benefit limit described in Section G.05(a)).

(b) Timing of Preretirement Death Benefit.

- (1) Benefits commence as of the first day of the month following the death of the Participant, subject to adjustment for early commencement using the applicable factors under G.04(c).
- (2) If there is a dispute as to whom payment is due, the Company may delay payment until the dispute is settled.

(c) No benefit is payable under this Program with respect to a spouse after the spouse dies.

The distribution rules under this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

F.08 Individual Arrangements. This Section applies to a Participant who has an individually-negotiated arrangement with the Company for supplemental retirement benefits.

- (a) This Section is intended to coordinate the benefits under this Program with those of any individually-negotiated arrangement. Participants with such arrangements will be paid the better of the benefits under the arrangement or under Sections F.04 or F.07 (as limited by F.05).
- (b) In no case will duplicate benefits be paid under this Program and such an individual arrangement. Any payments under this Program will be counted toward the Company's obligations under an individual arrangement, and vice-versa.
- (c) If the benefit under an individually-negotiated arrangement exceeds the one payable under this Program, then the individual benefit will be substituted as the benefit payable under this Program (even if it exceeds the limit under F.05).

- (d) To determine which benefit is greater, all benefits will be compared, subject to adjustment for early retirement using the applicable factors and methodologies under Sections F.04(a)(2) and F.04(c)(3).
- (e) For purposes of (d), the individually-negotiated benefit will be determined in accordance with all of its terms and conditions. Nothing in this Section is meant to alter any of those terms and conditions.
- (f) This Section does not apply to the Special Agreements.

F.09 Actuarial Assumptions: The following defined terms and actuarial assumptions will be used to the extent necessary to convert benefits to straight life annuity form commencing at the Participant's Normal Retirement Date under Sections F.04 and F.08:

Interest: Five percent (5%)

Mortality: The applicable mortality table which would be used to calculate a lump sum value for the benefit under the Qualified Plans.

Increase in Code Section 415 Limit: 2.8% per year.

Variable Unit Values Variable Unit Values are presumed not to increase for future periods after commencement of benefits.

F.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 that is not a Grandfathered Amount 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 F.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 F.10.
- (e) Notice and Claims Procedure.
- (1) The Company will provide timely notice to any Participant who incurs a forfeiture pursuant to this Section F.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 F.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 F.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 F.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.

F.11 Transfer of Liabilities to HII. Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. ("HII") to its shareholders on March 31, 2011 (the "HII Distribution Date"). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Program and the liabilities for these participants' benefits under the Program were transferred to HII. On and after the HII Distribution Date, the Company and the Program, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Program.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 27th day of June, 2011.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation,

Benefits & International

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APPENDIX G
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

Officers Supplemental Executive Retirement Program

(Amended and Restated Effective as of January 1, 2011)

Appendix G to the Northrop Grumman Supplemental Plan 2 (the "Appendix") is hereby amended and restated effective as of January 1, 2011. This restatement amends the prior January 1, 2011 restatement and includes changes that apply to Grandfathered Amounts.

G.01 Purpose. The purpose of this Program is to give enhanced retirement benefits to eligible officers of the Company. This Program is intended to supplement benefits that are otherwise available under the Qualified Plans.

G.02 Definitions and Construction.

- (a) Capitalized terms used in this Appendix that are not defined in this Appendix or Article I of the Plan are taken from the Qualified Plans, and are intended to have the same meaning.
 - (b) Eligible Pay. Subject to paragraphs (1) through (5) below, Eligible Pay will generally be determined under the rules of the Participant's supplemental benefit plan (for section 401(a)(17) purposes).
 - (1) For periods during which a Participant did not participate in a supplemental benefit plan, Eligible Pay will be determined by reference to the applicable qualified defined benefit retirement plan under which the Participant benefits.
 - (A) Eligible Pay will be calculated without regard to any otherwise applicable limitations under the Code, including section 401(a)(17).
 - (B) Eligible Pay will include compensation deferred under a Deferred Compensation Plan and in connection with the Northrop Grumman Electronic Systems Executive Pension Plan.
 - (C) For purposes of (B), any compensation deferred will only be treated as compensation for Plan benefit calculation purposes in the year(s) payment would otherwise have been made and not in the year(s) of actual payment.
 - (2) Special Rules for Certain Participants.
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- (A) Former Northrop Grumman Electronic Systems Executive Pension Plan Participants. For years prior to 2002, Eligible Pay is determined by reference to the Participant's total base salary under the Northrop Grumman Electronic Systems Pension Plan plus any bonuses that were received or would have been received had the Participant not elected to have the amounts deferred under a deferred compensation arrangement. No compensation of any kind paid or otherwise earned while employed by an entity prior to that entity becoming an Affiliated Company will be included in the Participant's Eligible Pay.
- (B) Employees of Newport News Shipbuilding, Inc. For the period beginning on January 1, 1994 and ending December 31, 2003, Eligible Pay is determined by reference to the Participant's total base salary plus any bonuses that were received or would have been received had the Participant not elected to have the amounts deferred under a deferred compensation arrangement.
- (3) If a Participant experiences a Termination of Employment before December 31 of any year, Eligible Pay for the year in which the Participant's Termination of Employment occurs is determined in accordance with the Standard Annualization Procedure in Article 2 of the Standard Definitions and Procedures for Certain Northrop Grumman Corporation Retirement Plans.
- (4) The following shall not be considered as Eligible Pay for purposes of determining the amount of any benefit under the Program:
 - (A) any payment authorized by the Compensation Committee that is (1) calculated pursuant to the method for determining a bonus amount under the Annual Incentive Plan (AIP) for a given year, and (2) paid in lieu of such bonus in the year prior to the year the bonus would otherwise be paid under the AIP, and
 - (B) any award payment under the Northrop Grumman Long-Term Incentive Cash Plan.
- (5) Eligible Pay shall include amounts earned after a Participant attains age 65, provided any benefits based on such compensation shall be subject to Code section 409A.
- (c) Final Average Salary for any Plan Year is the Participant's average Eligible Pay for the highest three of the last ten consecutive Plan Years in which the Participant was an employee of an Affiliated Company and a participant in a qualified defined benefit retirement plan. For this purpose, years will be deemed to be consecutive even though a break in service year(s) intervenes.

Notwithstanding the foregoing, for Participants whose employment ceases after 2005, all Plan Years after 1996 (not just the last ten) shall be considered in determining the highest three years of Eligible Pay. All benefits resulting from this change in determining the highest three years of Eligible Pay shall be subject to Code section 409A.

(d) Months of Benefit Service.

- (1) Months of Benefit Service will be determined under the rules of the Qualified Plans for determining Credited Service.
- (2) Months of Benefit Service will continue to be counted for a Participant until the earlier of (A) or (B):
 - (A) The date the Participant ceases to earn benefit accrual service under either the Qualified Plans or some other defined benefit plan of the Affiliated Companies that is qualified under section 401(a) of the Code (“Successor Qualified Plan”).
 - (B) Cessation of the Participant’s status as an elected or appointed officer of the Company (except as otherwise provided in Section G.04(f)).
- (3) If a Participant is transferred to a position with an Affiliated Company not covered by a Qualified Plan, Months of Benefit Service will be determined as the Credited Service in the Participant’s last Qualified Plan.
 - (A) If such a transfer occurs, the Participant will continue to earn deemed service credits as if he or she were still participating under the Qualified Plan.
 - (B) Those deemed service credits will not be considered as earned under the Qualified Plan for purposes of determining:
 - (i) benefits under the Qualified Plan or supplements to the Qualified Plan other than this Program, or
 - (ii) the offset under Section G.05 below, including the early retirement factors associated with the plans included in the offset.
- (4) For Participants who become eligible to participate in the Program on or after March 10, 2006, Months of Benefit Service shall not include any time that counts as service under any portion of a plan spun out of the Company’s controlled group, if the service is no longer treated as benefit accrual service under a qualified plan in the Company’s controlled group.

(5) Months of Benefit Service shall continue to be earned after a Participant has attained age 65, provided that any benefits based on such service shall be subject to Code section 409A.

(e) The benefits under this Program are designed to supplement benefits under the Qualified Plans and are to be construed using the same principles and benefit calculation methodologies applicable under the Qualified Plans except where expressly modified in this Program.

(f) Benefits are calculated without regard to the limits in sections 401(a)(17) and 415 of the Code.

G.03 Eligibility. Except as otherwise provided in (a) through (f) below, eligibility for benefits under this Program is limited to elected or appointed officers of the Company, other than Charles H. Noski.

(a) Employees of Newport New Shipbuilding, Inc. will be eligible to participate under this Program effective January 1, 2004.

(b) No employees of Vinnell Corporation, Component Technologies, or Premier America Credit Union are eligible for benefits under this Program.

(c) No Participant is entitled to any benefits under this Appendix G until he or she becomes Vested under the Qualified Plans, except to the extent provided otherwise in this Appendix G.

(d) No individual who is, was, or will be eligible to participate in and receive benefits under Appendix F of the Plan (the "CPC SERP") is eligible to participate under this Program.

(e) Notwithstanding any other provisions of this Program to the contrary, elected and appointed officers of the Company's Mission Systems and Space Technology Sectors will be eligible to participate under this Program effective as of January 1, 2005.

(f) After June 2008, the only employees who shall become eligible to participate in the Program shall be:

(1) individuals who become elected or appointed officers of the Company after June 2008 due to rehire or promotion, provided they have been and continue to be actively accruing benefits under a Company-sponsored qualified defined benefit pension plan, and

(2) any other individuals designated for participation in writing by the Vice President, Compensation, Benefits and International (as such title may be modified from time to time).

G.04 Benefit Amount.

(a) A Participant's annual Normal Retirement Benefit under this Program equals the sum of (1) through (3) below, subject to the limit described in Section G.05:

(1) $2.0\% \times \text{Final Average Salary} \times \text{Months of Benefit Service up to 120 months} \div 12$

(2) $1.5\% \times \text{Final Average Salary} \times \text{Months of Benefit Service in excess of 120 months up to 240 months} \div 12$

(3) $1.0\% \times \text{Final Average Salary} \times \text{Months of Benefit Service in excess of 240 months up to 540 months} \div 12$

However, if an employee performs service during his or her career in covered positions under both this Appendix G and the CPC SERP: the employee's entire benefit will be calculated under Section F.04 of the CPC SERP and payable under the terms of that program; all benefits accrued under this Program will be eliminated; and no amounts will be payable under this Appendix G.

(b) The total benefit payable is a single, straight life annuity commencing at age 65, assuming an annual benefit equal to the gross benefit under (a). The form of benefit and timing of commencement will be determined under Section G.06.

(c) If a Participant's benefit is paid under this Program before age 65, the benefit will be adjusted as follows. The Early Retirement Benefit is a monthly benefit equal to the Normal Retirement Benefit reduced by the lesser of:

(1) $1/12\text{th of } 2.5\%$ 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 Credited Service under the applicable Qualified Plan (also computed to the nearest $1/12\text{th}$ of a year) as of the date his or her employment terminated.

A Participant's Vesting Service and months of Credited Service earned under the Qualified Plans (or deemed earned in the event of a transfer) are used to determine whether the Early Retirement Benefit provisions apply and to calculate the early retirement reduction.

(d) Except as provided otherwise in this Appendix G, no benefit will be paid under this Program if a Participant experiences a Termination of Employment before (1)

attaining age 55 and completing 120 Months of Benefit Service, or (2) attaining age 65 and completing 60 Months of Benefit Service.

Notwithstanding any other provision of the Program to the contrary, a Participant who otherwise satisfies the requirements of this subsection (d) is not required to retire and commence benefits under this Program upon his or her Termination of Employment. This provision applies to Grandfathered Amounts only.

- (e) A Participant shall be entitled to benefits notwithstanding the Participant's failure to meet the requirements of Section G.04(d) if the following requirements are satisfied:
- (1) the Participant has been involuntarily terminated without cause or terminated due to the divestiture of his business unit;
 - (2) the Participant has reached age 53 and completed 10 years of early retirement eligibility service, or has accumulated 75 points, as of the date of termination, all as determined under the terms of the Northrop Grumman Pension Plan; and
 - (3) the Participant is actively accruing benefits under the Program as of the date of termination.

If a Participant receives a notice of an involuntary termination and then transfers to another related entity instead of being involuntarily terminated, the Participant will not qualify for vesting under this subsection (e). If an involuntarily terminated Participant is rehired by the Company, vesting under this subsection (e) would not apply unless the Participant is subsequently terminated and meets the requirements described above.

All benefits payable pursuant to this subsection (e) shall be subject to reduction for early retirement as applicable under Section G.04(c). All benefits payable under this subsection (e) shall be subject to section 409A of the Code.

- (f) The rules set forth in this Section G.04(f) shall apply in the event a Participant ceases to satisfy the eligibility requirements of Section G.03 (the "eligibility requirements") because the Participant is no longer an elected or appointed officer of the Company:
- (1) for purposes of calculating the Participant's benefit amount pursuant to Section G.04(a), "Eligible Pay" and "Months of Benefit Service" shall not reflect amounts paid or service on or after the date the Participant ceases to satisfy the eligibility requirements, except that in the event the Participant subsequently satisfies the eligibility requirements, "Eligible Pay" and "Months of Benefit Service" shall reflect all pay and past service to the extent consistent with the terms of this Program in effect for newly eligible employees at the time the Participant satisfies the eligibility requirements for the second time;

- (2) for purposes of applying the 60% limitation pursuant to Section G.05(a), “Eligible Pay” shall include amounts paid on or after the date the Participant ceases to satisfy the eligibility requirements;
- (3) for purposes of applying the offset provision of Section G.05(b), benefits accrued under other plans shall reflect pay and service on or after the date the Participant ceases to satisfy the eligibility requirements;
- (4) for purposes of applying Sections G.04(d) and G.04(e), service on or after the date the Participant ceases to satisfy the eligibility requirements shall continue to count as service, provided that if the Participant would not otherwise receive benefits if not for the application of this paragraph (4), all benefits shall be subject to section 409A of the Code;
- (5) for purposes of applying the reduction for early retirement pursuant to Section G.04(c), service on or after the date the Participant ceases to satisfy the eligibility requirements shall continue to count as service.

G.05 Benefit Limit. Accruals under Section G.04 will be limited as provided in this Section.

- (a) A Participant’s total accrued benefits under all plans, programs, and arrangements in which he or she participates, including the benefit accrued under Section G.04 and all plans included in Section G.05(b), may not exceed 60% of his or her Final Average Salary. If this limit is exceeded, the Participant’s benefit accrued under this Program will be reduced to the extent necessary to satisfy the limit.
 - (1) The Participant’s Final Average Salary will be reduced for early retirement applying the factors in Section G.04(c).
 - (2) The limit in this subsection may not be exceeded even after the benefits under this Program have been enhanced under any Special Agreements.
- (b) The gross benefit calculated under Section G.04 above (multiplied by any applicable early retirement factor) is reduced by the retirement benefits the participant is entitled to receive (including all early retirement subsidies, supplements, and other such benefits) under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified (but not contributory or defined contribution plans, programs, or arrangements).
- (c) For purposes of the offset in subsection (b):
 - (1) Offsets will be made:
 - (A) with respect to:

- (i) benefits accrued under any plan while a Participant is employed by the Affiliated Companies; and
 - (ii) benefits accrued under any plan while a Participant was employed by a company before it became an Affiliated Company;
- (B) with respect to any benefit enhancements under change-in-control Special Agreements (including enhancements for age and service) that Participants have entered into with the Company (“Special Agreements”); and
- (C) without regard to:
 - (i) benefits accrued under the Supplemental Retirement Income Program for Senior Executives described in Appendix A;
 - (ii) Part II benefits under the Litton Restoration Plan and Litton Restoration Plan II; or
 - (iii) benefits accrued under the Company’s Pilot’s Transition Plan.
- (2) If a Participant’s benefit under this Program commences upon reaching age 65, the Participant’s benefits under all the plans and programs described in (b) above will be compared on the basis of a single, straight life annuity commencing at age 65 using the assumptions stated in Section G.09.
- (3) If a Participant’s benefit under this Program commences before age 65, benefits under this Program will be offset for the plans described in (b) above by converting the benefits paid or payable from those plans to an actuarially equivalent single life annuity benefit commencing upon retirement. For this purpose, the benefit will be converted to an early retirement benefit under each applicable plan’s terms and further adjusted, if necessary, for different normal forms of benefits or different commencement dates using the actuarial assumptions of Section G.09.
- (4) If a Participant previously received a distribution under one of the plans described in (b) above for a period of service that counts as Months of Benefit Service, that previously received benefit applies toward the limit under this Section.
- (e) Example: A Participant elects to receive an early retirement benefit at age 55 after completing 240 Months of Benefit Service with Final Average Salary equal to \$250,000. The Participant has accrued monthly benefits under the Northrop Grumman Electronic Systems Pension Plan (the “ES Plan”) equal to \$2,550

payable at age 55, the Northrop Grumman ERISA Supplemental Program 2 (“ERISA 2”) equal to \$600 payable at age 55, and the Northrop Grumman Electronic Systems Executive Pension Plan (the “ES EPP”) equal to \$600 payable at age 65.

The Participant’s pre-offset benefit under this Program, calculated in accordance with Section G.04, equals 35% of the Participant’s Final Average Salary (\$250,000) x 75% to account for the early retirement reduction under Section G.04(c). This results in a monthly gross benefit under this Program, before the benefit limit is applied, equal to \$5,468.75. The Participant’s total net benefit is calculated, taking into account the offset under (b) above, by reducing the gross benefit by the following:

- (1) the \$2,550 monthly benefit under the ES Plan payable at age 55, subject to that plan’s conversion factors; and
- (2) the \$600 ERISA 2 early retirement single life annuity payable at age 55.
- (3) No offset results from the ES EPP, however, because the Participant is not eligible to receive a benefit at age 55 under that plan.

This results in a monthly gross benefit under this Program equal to \$2,318.75.

G.06 Payment of Benefits.

- (a) Benefits will generally be paid in accordance with Section 2.03 of the Plan.

In addition to all other benefit forms otherwise available under this Program, effective as of January 1, 2004, a Participant may elect to have his or her benefits paid in the form of a 75% Joint and Survivor Option. Under this option, the Participant is paid a reduced monthly benefit for life and then, if the Participant’s spouse is still alive, a benefit equal to 75% of the Participant’s monthly benefit is paid to the spouse for the remainder of his or her life. If the spouse is not still alive when the Participant dies, no further payments are made. The determination of the benefit payable under this option will be made utilizing the factors for a 75% Joint and Survivor Option under the provisions of the Northrop Grumman Retirement Plan.

- (b) Except as provided in (c), benefits will commence as of the first day of the month following the Participant’s Termination of Employment or, if later, as of the date the Participant’s early retirement benefit commences under the Qualified Plans.
- (c) If a Participant has a Termination of Employment because of disability before the Participant is eligible for an early retirement benefit from a Qualified Plan, benefits may commence immediately, subject to adjustment for early commencement using the applicable factors and methodologies under Sections G.04(c) and G.05(c)(3).

- (d) If a Participant dies after commencement of benefits, any survivor benefits will be paid in accordance with the form of benefit selected by the Company. If a Participant dies prior to commencement of benefits, payment will be made under Section G.07.

The distribution rules under this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

G.07 Preretirement Death Benefits. If a Participant dies before benefits commence, preretirement surviving spouse benefits are payable under this Program on behalf of the Participant if his or her surviving spouse is eligible for a qualified preretirement survivor annuity (as required under section 401(a)(11) of the Code) from a Qualified Plan.

- (a) Amount and Form of Preretirement Death Benefit. A preretirement death benefit paid to a surviving spouse is the survivor benefit paid to a surviving spouse is the survivor benefit portion of a 100% joint and survivor annuity calculated using the survivor annuity factors under the Northrop Grumman Pension Plan in an amount determined as follows:
 - (1) First, the Participant's gross benefit under Section G.04(a) will be calculated and reduced, as necessary, for early retirement using the factors in Section G.04(c);
 - (2) Second, the target preretirement death benefit under this Program will be calculated by applying the appropriate 100% joint-and-survivor annuity factor (as provided in the Northrop Grumman Pension Plan) to the amount determined in (1); and
 - (3) Third, the target preretirement death benefit determined in (2) will be reduced by the preretirement death benefits, if any, payable under all defined benefit retirement plans, programs, and arrangements maintained by the Affiliated Companies, whether qualified or nonqualified, that are otherwise included in the offsets described under Section G.05(b) such that the sum of the preretirement death benefit payments made to the surviving spouse under all plans, including this Program, will equal, at all times, the level of payments determined to be the target preretirement death benefit (subject to the benefit limit described in Section G.05(a)).
- (b) Timing of Preretirement Death Benefit.
 - (1) Benefits commence as of the first day of the month following the death of the Participant, subject to adjustment for early commencement using the applicable factors under G.04(c).
 - (2) If there is a dispute as to whom payment is due, the Company may delay payment until the dispute is settled.

- (c) No benefit is payable under this Program with respect to a spouse after the spouse dies.

The distribution rules under this Section only apply to Grandfathered Amounts. See Appendix 1 and Appendix 2 for distribution rules that apply to other Plan benefits.

G.08 Individual Arrangements. This Section applies to a Participant who has an individually-negotiated arrangement with the Company for supplemental retirement pension benefits. Notwithstanding any other provision to the contrary, this Section does not apply to any individually-negotiated arrangements between a Participant and the Company concerning severance payments.

- (a) This Section is intended to coordinate the benefits under this Program with those of any individually-negotiated arrangement. Participants with such arrangements will be paid the better of the benefits under the arrangement or under Sections G.04 or G.07 (as limited by G.05).
- (b) In no case will duplicate benefits be paid under this Program and such an individual arrangement. Any payments under this Program will be counted toward the Company's obligations under an individual arrangement, and vice-versa.
- (c) If the benefit under an individually-negotiated arrangement exceeds the one payable under this Program, then the individual benefit will be substituted as the benefit payable under this Program (even if it exceeds the limit under G.05).
- (d) To determine which benefit is greater, all benefits will be compared, subject to adjustment for early retirement using the applicable factors and methodologies under Sections G.04(c) and G.05(c)(3).
- (e) For purposes of (d), the individually-negotiated benefit will be determined in accordance with all of its terms and conditions. Nothing in this Section is meant to alter any of those terms and conditions.
- (f) This Section does not apply to the Special Agreements.

G.09 Actuarial Assumptions. The following defined terms and actuarial assumptions will be used to the extent necessary under Sections G.05 and G.08 to convert benefits to straight life annuity form commencing upon the Participant reaching age 65:

Interest: Five percent (5%)

Mortality: The applicable mortality table which would be used to calculate a lump sum value for the benefit under the Qualified Plans.

Increase in Code Section 415 Limit: 2.8% per year.

Variable Unit Values Variable Unit Values are presumed not to increase for future periods after commencement of benefit.

- G.10 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 that is not a Grandfathered Amount 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 G.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 G.10.
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(e) Notice and Claims Procedure.

- (1) The Company will provide timely notice to any Participant who incurs a forfeiture pursuant to this Section G.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 G.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 G.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 G.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.

G.11 Grumman SRP Participants. The following special rules shall apply to Participants who are entitled to benefits under the Northrop Grumman Corporation Supplemental Retirement Plan (the “SRP”). Any additional accrued benefits resulting from these special rules shall be subject to Code Section 409A.

- (a) The offset provided for in Section G.05(b) related to an SRP benefit shall be based on the amount payable under the 15-year certain payment form in the SRP, not the actuarially equivalent single life annuity amount.
- (b) The offset for the SRP amount shall be applied after the benefit under this Program has been converted into any optional form of payment elected.
- (c) When payments cease under the SRP after 15 years, the annual benefit under this Program shall increase by the amount of the annual benefit that was being paid under the SRP.

G.12 TASC Participants. Participants who are actively employed in a TASC Entity: 254 or 255 on the date the entities are transferred to an unrelated buyer (“TASC Closing Date”) will be 100% vested in their benefit under the Program on the TASC Closing Date. No pay or service after the TASC Closing Date will count for purposes of determining the amount of such a Participant’s benefit under the Program. The offsets that apply to a Participant’s benefit under Section G.05(b) shall be determined on the date the Participant’s benefits payments commence under the Program. All benefits that become vested under this Section G.12 shall be subject to section 409A of the Code.

G.13 Transfer of Liabilities to HII. Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. (“HII”) to its shareholders on March 31, 2011 (the “HII Distribution Date”). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Program and the liabilities for these participants’ benefits under the Program were transferred to HII. On and after the HII Distribution Date, the Company and the Program, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Program.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 27th day of June, 2011.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas
Debora L. Catsavas
Vice President, Compensation,
Benefits & International

APPENDIX I
TO THE NORTHROP GRUMMAN SUPPLEMENTAL PLAN 2

Officers Supplemental Executive Retirement Program II

(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.

I.13 Transfer of Liabilities to HII. Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. ("HII") to its shareholders on March 31, 2011 (the "HII Distribution Date"). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Program and the liabilities for these participants' benefits under the Program were transferred to HII. On and after the HII Distribution Date, the Company and the Program, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Program.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 27th day of June, 2011.

NORTHROP GRUMMAN CORPORATION

By: /s/ Debora L. Catsavas

Debora L. Catsavas

Vice President, Compensation,

Benefits & International

Northrop Grumman Legacy Officers Plan* Matrix — Plan Year July 1, 2010 — June 30, 2011

Plan Features	Benefit
Eligibility	Employee + Spouse & Children and or Adult Children up to age 26 (Effective 1-1-11)
Medical Plan	Premium PPO Plan administered by Anthem Blue Cross
Coverage	100% coverage, for all eligible plan expenses
Annual Deductible	No annual deductible
Co-payment/Co-Insurance	No co-payment/co-Insurance
Preventive Care Coverage	No limits as long as procedures fall under Anthem's Guidelines
Prescription Drug Coverage	Covered under Medical Plan
Annual Deductible	No annual deductible
Coverage — retail 30 — day supply	100% coverage, when network pharmacy utilized
Coverage — mail order 90 —day supply	100% coverage, when network pharmacy utilized
Vision Coverage	\$500 maximum reimbursement per person, per plan year, for exams, glasses, and contact lenses
Hearing Coverage	Up to \$500 per ear, per person, per plan year
Acupuncture and Acupressure	20 visits (combined) — per person, per plan year
Chiropractic Care	40 visits per person, plan year (in and out of network)
Physical Therapy	50 visits per person, per plan year (in and out of network)
Speech Therapy	50 visits per person, per plan year (in and out of network)
Occupational Therapy	50 visits per person, per plan year (in and out of network)
Mental Health Coverage	Mental health is 100% covered (in and out of network); Office visits — unlimited Inpatient treatment based on mental health, substance abuse or detox treatment will allow a combined total of 30 days coverage with pre-authorization or utilization review and includes out-of-network providers (Effective 2-1-11).
Health Plan Lifetime Maximums	\$2,000,000 (Medical, Prescription Drug and Mental Health combined)
Dental Plan	Premium PPO Plan administered by Delta Dental
Annual Maximum	\$4,000 per person — per plan year
Coverage	100% coverage, for all eligible plan expenses up to annual maximum
Annual Deductible	No annual deductible
Co-payment/Co-Insurance	No co-payment/co-Insurance
Eligibility	Employee only
Life Insurance Coverage	Company-paid basic life insurance 3x annual base salary up to a maximum of \$2 Million
Accidental Death & Dismemberment Coverage	Company-paid basic accidental death & dismemberment insurance — 6 x Annual base salary up to a maximum of \$1 million
Long-Term Disability (LTD)	Company-paid basic LTD benefit of 75% of monthly base salary, up to a maximum monthly benefit \$25,000

* Executive Health Plan was frozen to new participants on July 1, 2009 and renamed Legacy Officers Plan effective July 1, 2010

NORTHROP GRUMMAN CORPORATION
TERMS AND CONDITIONS APPLICABLE TO
2011 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 [] in 2011. If you were granted an RSR award by the Company in 2011, the date of grant of your RSR award (the “Grant Date”) and the number of RSRs applicable to your award are set forth in the letter from the Company announcing your RSR award (your “Grant Letter”) and 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 2011 RSR award. If you were granted an RSR award, 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, one hundred percent (100%) of the number of RSRs subject to your award (subject to adjustment as provided in Section 5.1) shall vest upon the fourth anniversary of the Grant Date.

Except as otherwise provided below, the Company shall pay a vested RSR within 90 days following the vesting of the RSR on the fourth anniversary of the Grant Date. 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 Sections 2.6 and 2.7, 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, the Grantee does not otherwise continue to be employed by the Company after such event, and the divested entity or business (or its successor or a parent company) does not assume the award in connection with such transaction. In the event of such a termination of employment, the

termination shall be deemed to be an Early Retirement unless the Grantee was otherwise eligible at the time of termination for Normal Retirement (in which case, the termination shall be considered a Normal Retirement) treated as provided for in Section 2.7 (subject to Section 5).

2.5 Continuation of Employment Required. Except as expressly provided in Section 2.6, Section 2.7 and in Section 5, the vesting of the RSRs subject to the award requires continued employment through the fourth anniversary of the Grant Date as a condition to the vesting of any 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 while employed by the Company or a subsidiary and such death or Disability occurs more than six months after the Grant Date, the outstanding and previously unvested RSRs subject to the award shall vest as of the date of the Grantee's death or Disability, as applicable. Any remaining unvested RSRs, after giving effect to the foregoing sentence, shall terminate immediately upon the Grantee's death or Disability. RSRs vesting under this Section 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. 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.

2.7 Termination of Employment Due to Retirement. If the Grantee ceases to be employed by the Company or one of its subsidiaries due to the Grantee's Early Retirement and such Early Retirement occurs more than six months after the Grant Date, the RSRs subject to the award shall vest on a prorated basis. Such prorating of RSRs shall be determined based on the number of days the Grantee was employed by the Company or a subsidiary in the period commencing with the Grant Date through and including the date on which the Grantee is last employed by the Company or a subsidiary, over the number of calendar days in the period commencing with the Grant Date through and including the fourth anniversary of the Grant Date. Any remaining unvested RSRs, after giving effect to the foregoing acceleration of vesting, shall terminate immediately upon the Grantee's Early Retirement. If the Grantee ceases to be employed by the Company or one of its subsidiaries due to the Grantee's Normal Retirement and such Normal Retirement occurs more than six months after the Grant Date, the RSRs subject to the award shall vest in full.

Subject to the following provisions of this paragraph, RSRs vesting under this Section shall be paid in the calendar year containing the 75th day (and generally will be paid on or about such 75th day) following the Grantee's Separation from Service. However, in the case of a Governmental Service Retirement by the Grantee, payment of the vested RSRs will be made within 10 days after the Grantee's Early or Normal Retirement. If the Grantee is a "specified employee" within the meaning of United States Treasury Regulation Section 1.409A-1(i) as of the date of the Grantee's Separation from Service, the Grantee shall not be entitled to payment of his vested RSRs pursuant to this Section until the earlier of (and payment shall be made upon or promptly after, and in all events within thirty (30) days after, the first to occur of) (a) the date which is six (6) months and one day after the Grantee's Separation from Service, or (b) the date of the Grantee's death. The provisions of the preceding sentence shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A of the Code.

In determining the Grantee's eligibility for Early or Normal Retirement, service is measured by dividing (a) the number of days the Grantee was employed by the Company or a subsidiary in the period commencing with his or her last date of hire by the Company or a subsidiary through and including the date on which the Grantee is last employed by the Company or a subsidiary, by (b) 365. If the Grantee ceased to be employed by the Company or a subsidiary and was later rehired by the Company or a subsidiary, the Grantee's service prior to the break in service shall be disregarded in determining service for such purposes; provided that, if the Grantee's employment with the Company or a subsidiary had terminated due to the Grantee's Early Retirement, Normal Retirement, or by the Company as part of a reduction in force (in each case, other than a termination by the Company or a subsidiary for cause) and, within the two-year period following such termination of employment (the "break in service") the Grantee was subsequently rehired by the Company or a subsidiary, then the Grantee's period of service with the Company or a subsidiary prior to and ending with the break in service will be included in determining service for such purposes. In the event the Grantee is employed by a business that is acquired by the Company or a subsidiary, the Company shall have discretion to

determine whether the Grantee's service prior to the acquisition will be included in determining service for such purposes.

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 transfers to the Company. 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, as well as any recoupment or similar provisions of applicable law, and the Grantee shall promptly make any reimbursement requested by the Board or Committee pursuant to such policy or applicable law 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 or applicable law 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; 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 on Change in Control. 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.

Notwithstanding anything else contained herein to the contrary, the termination of the Grantee's employment (or other events giving rise to Good Reason) shall not entitle the Grantee to any accelerated vesting pursuant to clause (b) above if there is objective evidence that, as of the commencement of the Protected Period, the Grantee had specifically been identified by the Company as an employee whose employment would be terminated as part of a corporate restructuring or downsizing program that commenced prior to the Protected Period and such termination of employment was expected at that time to occur within six (6) months. The applicable Change in Control Severance Arrangement shall govern the matters addressed in this paragraph as to clause (a) above.

Payment of any RSRs that vest under this Section will be made at the time provided for in Section 2.7 as

though the termination of the Grantee's employment was due to a Normal Retirement.

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 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.

Payment of any RSRs that vest under this Section 5.3 will be made within 90 days of the fourth anniversary of the Grant Date unless: (i) the Grantee dies or has a Disability, in which case such payment will be made in the calendar year containing the 75th day following the date of the Grantee's death or Disability, as the case may be (and generally will be paid on or about such 75th day), or (ii) the Grantee has a Separation from Service, in which case such payment will be made at the time provided for in Section 2.7 as though the termination of the Grantee's employment was due to a Normal Retirement.

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 Grant Letter, 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 Grant Letter, 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 Grant Letter and/or 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:

“**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).

“**Early Retirement**” means that the Grantee's employment terminates in any of the following circumstances, and other than a termination of employment that constitutes a Normal Retirement or occurs in connection with a termination by the Company or a subsidiary for cause:

- (i) a termination of employment after the Grantee has attained age 55 with at least 10 years of service.
- (ii) a termination of employment by the Company or a subsidiary as part of a reduction in force and, at the time of such termination, the Grantee has attained age 53 with at least 10 years of service.
- (iii) a termination of employment by the Company or a subsidiary as part of a reduction in force and, at the time of such termination, the sum of the Grantee's age and years of service is at least 75.

“**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.

“**Governmental Service Retirement**” means an Early or Normal Retirement by the Grantee where the Grantee accepts a position in the federal government or a state or local government and an accelerated distribution under the award is permitted under Code Section 409A based on such government employment and related ethics rules.

“**Normal Retirement**” means that the Grantee terminates employment after attaining age 65 with at least 10 years of service (other than in connection with a termination by the Company or a subsidiary for cause). In the case of a Grantee who is an officer of the Company subject to the Company’s mandatory retirement at age 65 policy and who, at the applicable time, is not otherwise eligible for Normal Retirement as defined in the preceding sentence, “Normal Retirement” as to that Grantee means that the Grantee’s employment is terminated pursuant to such mandatory retirement policy (regardless of the Grantee’s years of service and other than in connection with a termination by the Company or a subsidiary for cause).

“**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.

“**Separation from Service**” means when the Grantee dies, retires, or otherwise has a termination of employment with the Company and its subsidiaries that constitutes a “separation from service” within the meaning of United States Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

“**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.

Group Personal Excess Liability Policy



Coverage Summary

**Chubb Group of Insurance Companies
15 Mountain View Road
Warren, NJ 07060**

Name and address of Insured

VICE PRESIDENTS, NON OFFICERS & RETIREES
OF NORTHROP GRUMMAN CORPORATION
1840 CENTURY PARK EAST, 152/CC
LOS ANGELES, CALIFORNIA
90067

Policy Number: (11) 7993-14-03 PLS

*Issued by the stock insurance company
indicated below, herein called the company.*

FEDERAL INSURANCE COMPANY

Incorporated under the laws of INDIANA

Producer No.: 0006185

Sponsoring Organization and Address

NORTHROP GRUMMAN CORPORATION
1840 CENTURY PARK EAST, 152/CC
LOS ANGELES, CA90067

Policy Period

From: NOVEMBER 01, 2010 To: NOVEMBER 01, 2011
12:01 A.M. Standard Time at the Named Insured's mailing address.

Premium

Amount
\$148,500.00

Limit Of Liability

SEE ENDT Each Occurrence
\$2,000,000 Excess Uninsured / Underinsured
 Motorists Protection Each Occurrence

Required Primary Underlying Insurance

Personal Liability (Homeowners) for personal injury and property damage in the minimum amount of \$100,000 each occurrence.
Registered vehicles in the minimum amount of \$250,000 / \$500,000 bodily injury and \$100,000 property damage; or \$300,000 single limit each occurrence.

Required Primary Underlying Insurance

(continued)

Unregistered vehicles in the minimum amount of \$100,000 bodily injury and property damage each occurrence.

Registered vehicles with less than four wheels and motorhomes in the minimum amount \$250,000 / \$500,000 bodily injury and \$100,000 property damage; or \$300,000 single limit each occurrence.

Watercraft less than 26 feet and 50 engine rated horsepower or less for bodily and property damage in the minimum amount of \$100,000 each occurrence.

Watercraft 26 feet or longer or more than 50 engine rated horsepower for bodily injury and property damage in the minimum amount of \$500,000 each occurrence.

Uninsured motorists/underinsured motorists protection in the minimum amount of \$250,000 / \$500,000 bodily injury and \$100,000 property damage; or \$300,000 single limit occurrence.

FAILURE TO COMPLY WITH THE REQUIRED PRIMARY UNDERLYING INSURANCE WILL RESULT IN A GAP IN COVERAGE.

Authorization

In Witness Whereof, the company issuing this policy has caused this policy to be signed by its authorized officers, but this policy shall not be valid unless also signed by a duly authorized representative of the company.

FEDERAL INSURANCE COMPANY



President



Secretary

Date
OCTOBER 27, 2010



Authorized Representative

Producer's Name & Address

AON PRIVATE RISK MANAGEMENT OF CA. INS. AGENCY INC
707 WILSHIRE BL. 27TH FL
LOS ANGELES, CA 90017-0000

*Group Personal Excess Liability Policy
Form 10-02-0690 (Rev. 8-07) Declarations*

*last page
Page 2*



Schedule of Forms

Policy Number: (11) 7993-14-03 PLS
Insured: VICE PRESIDENTS, NON OFFICERS & RETIREES OF NORTHROP GRUMMAN CORPORATION
Policy Period From: NOVEMBER 01, 2010 to NOVEMBER 01, 2011

The following is a schedule of forms issued with the policy at inception:

Form Name	Form Number
IMPORTANT NOTICE — OFAC	99-10-0796 (09/04)
AOD POLICYHOLDER NOTICE	99-10-0872 (06/07)
COVERAGE SUMMARY/DECLARATIONS	10-02-0690 (08/07)
GROUP PERSONAL EXCESS — CONTRACT/POLICY TERMS	10-02-0691 (08/07)
CALIFORNIA-CANCELLATION & COV TERMINATION	10-02-1849 (08/07)
ANNUAL PREMIUM ADJUSTMENT CLAUSE	10-02-0692 (08/96)
NAMED INSURED ENDORSEMENT	10-02-0692 (08/96)



**GROUP PERSONAL
EXCESS LIABILITY
POLICY**

Form 10-02-0691 (Rev. 8-07)

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INTRODUCTION

This is your Chubb Group Personal Excess Liability Policy. Together with your Coverage Summary, it explains your coverages and other conditions of your insurance in detail.

This policy is a contract between you and us. **READ YOUR POLICY CAREFULLY** and keep it in a safe place.

Agreement

We agree to provide the insurance described in this policy in return for the premium paid by you or the Sponsoring Organization and your compliance with the policy conditions.

Definitions

In this policy, we use words in their plain English meaning. Words with special meanings are defined in the part of the policy where they are used. The few defined terms used throughout the policy are defined here:

You means the individual who is a member of the Defined Group shown as the Insured named in the Coverage Summary.

We and us mean the insurance company named in the Coverage Summary.

Family member means your spouse or domestic partner or other relative who lives with you, or any other person under 25 in your care or your relative's care who lives with you.

Domestic partner means a person in a legal or personal relationship with you, who lives with you and shares a common domestic life with you, and meeting all of the benefits eligibility criteria as defined by the Sponsoring Organization.

Sponsoring Organization means the entity, corporation, partnership or sole proprietorship sponsoring and defining the criteria for qualification as an Insured.

Policy means your entire Group Personal Excess Liability Policy, including the Coverage Summary.

Coverage Summary means the most recent Coverage Summary we issued to you, including any endorsements.

Occurrence means an accident or offense to which this insurance applies and which begins within the policy period. Continuous or repeated exposure to substantially the same general conditions unless excluded is considered to be one occurrence.

Business means any employment, trade, occupation, profession, or farm operation including the raising or care of animals.

Defined Group means those individuals meeting the criteria for qualification as an Insured as defined by the Sponsoring Organization and accepted by us.

Follow form means we cover damages to the extent they are both covered under the Required Primary Underlying Insurance and, not excluded under this policy. Also, the amount of coverage, defense coverages, cancellation and "other insurance" provisions of this policy supersede and replace the similar provisions contained in such other policies. When this policy is called upon to pay losses in excess of required primary underlying policies exhausted by payment of claims, we do not provide broader coverage than provided by such policies. When no primary underlying coverage exists, the extent of coverage provided on a follow form basis will be determined as if the required primary underlying insurance had been purchased from us.

Covered person means:

- you or a family member;
- any person using a vehicle or watercraft covered under this policy with permission from you or a family member with respect to their legal responsibility arising out of its use;
- any other person who is a covered person under your Required Primary Underlying Insurance;
- any person or organization with respect to their legal responsibility for covered acts or omissions of you or a family member; or
- any combination of the above.

Damages mean the sum that is paid or is payable to satisfy a claim settled by us or resolved by judicial procedure or by a compromise we agree to in writing.

Personal injury means the following injuries, and resulting death:

- bodily injury;
- shock, mental anguish, or mental injury;

Definitions

(continued)

- false arrest, false imprisonment, or wrongful detention;
- wrongful entry or eviction;
- malicious prosecution or humiliation; and
- libel, slander, defamation of character, or invasion of privacy.

Bodily injury means physical bodily harm, including sickness or disease that results from it, and required care, loss of services and resulting death.

Property damage means physical injury to or destruction of tangible property and the resulting loss of its use. Tangible property includes the cost of recreating or replacing stocks, bonds, deeds, mortgages, bank deposits, and similar instruments, but does not include the value represented by such instruments. Tangible property does not include the cost of recreating or replacing any software, data or other information that is in electronic form.

Registered vehicle means any motorized land vehicle not described in "unregistered vehicle."

Unregistered vehicle means:

- any motorized land vehicle not designed for or required to be registered for use on public roads;
- any motorized land vehicle which is in dead storage at your residence;
- any motorized land vehicle used solely on and to service your residence premises;
- any motorized land vehicle used to assist the disabled that is not designed for or required to be registered for use on public roads; or
- golf carts.

GROUP PERSONAL EXCESS LIABILITY COVERAGE

This part of your Group Personal Excess Liability Policy provides you or a family member with liability coverage in excess of your underlying insurance anywhere in the world unless stated otherwise or an exclusion applies.

Payment for a Loss

Amount of coverage

The amount of coverage for liability is shown in the Coverage Summary. We will pay on your behalf up to that amount for covered damages from any one occurrence, regardless of how many claims, homes, vehicles, watercraft, or people are involved in the occurrence.

Any costs we pay for legal expenses (see **Defense coverages**) are in addition to the amount of coverage.

Underlying Insurance

We will pay only for covered damages in excess of *all* underlying insurance covering those damages, even if the underlying coverage is for more than the minimum amount.

"Underlying insurance" includes all liability coverage that applies to the covered damages, except for other insurance purchased in excess of this policy.

Required primary underlying insurance

Regardless of whatever other primary underlying insurance may be available in the event of a claim or loss, it is a condition of your policy that you and your family members must maintain in full effect primary underlying liability insurance of the types and in at least the amounts set forth below unless a different amount is shown in your Coverage Summary, covering your personal liability and to the extent you or a family member have such liability exposures, all vehicles and watercraft you or your family members own, or rent for longer than 60 days, or have furnished for longer than 60 days, as follows:

Personal liability (homeowners) for personal injury and property damage in the minimum amount of \$300,000 each occurrence.



Payment for a Loss

(continued)

Registered vehicles in the minimum amount of:

- \$250,000/\$500,000 bodily injury and \$100,000 property damage;
- \$300,000/\$300,000 bodily injury and \$100,000 property damage; or
- \$300,000 single limit each occurrence.

Unregistered vehicles in the minimum amount of \$300,000 bodily injury and property damage each occurrence.

Registered vehicles with less than four wheels and motorhomes in the minimum amount of:

- \$250,000/\$500,000 bodily injury and \$100,000 property damage;
- \$300,000/\$300,000 bodily injury and \$100,000 property damage; or
- \$300,000 single limit each occurrence.

Watercraft less than 26 feet and 50 engine rated horsepower or less for bodily injury and property damage in the minimum amount of \$300,000 each occurrence.

Watercraft 26 feet or longer or more than 50 engine rated horsepower for bodily injury and property damage in the minimum amount of \$500,000 each occurrence.

Uninsured motorists/underinsured motorist protection in the minimum amounts of:

- \$250,000/\$500,000 bodily injury and \$100,000 property damage;
- \$300,000/\$300,000 bodily injury and \$100,000 property damage; or
- \$300,000 single limit each occurrence.

With respect to you and your family members residing outside of the United States, the required primary underlying insurance limits of liability shall be the same limits of liability as shown above, unless you and your family members reside in a country where the minimum required primary underlying insurance limits of liability are not available. In these countries, you and your family members must maintain in full effect primary underlying liability insurance limits equal to the maximum limits of liability available in that country for all coverages up to the minimum required primary underlying limits shown in the Coverage Summary under Required Primary Underlying Insurance.

Failure by you or your family members to comply with this condition, or failure of any of your primary underlying insurers due to insolvency or bankruptcy, shall not invalidate this policy. In the event of any such failure, we shall only be liable in excess of the foregoing minimum amounts and to no greater extent with respect to coverages, amounts and defense costs than we would have been had this failure not occurred.

You must also give notice of losses and otherwise cooperate and comply with the terms and conditions of such primary underlying insurance.

Excess Liability Coverage

We cover damages a covered person is legally obligated to pay for personal injury or property damage, caused by an occurrence:

- in excess of damages covered by the underlying insurance; or
- from the first dollar of damage where no underlying insurance is required under this policy and no underlying insurance exists; or
- from the first dollar of damage where underlying insurance is required under this policy but no coverage is provided by the underlying insurance for a particular occurrence

unless stated otherwise or an exclusion applies.

Exclusions to this coverage are described in **Exclusions**.

Excess uninsured motorists/underinsured motorist protection

This coverage is in effect only if excess uninsured motorists/underinsured motorist protection is shown in the Coverage Summary.

Excess Liability Coverage

(continued)

We cover damages for bodily injury and property damage a covered person is legally entitled to receive from the owner or operator of an uninsured motorized/underinsured motorized land vehicle. We cover these damages in excess of the underlying insurance or the Required Primary Underlying Insurance, whichever is greater, if they are caused by an occurrence during the policy period, unless otherwise stated.

Amount of coverage. The maximum amount of excess uninsured motorists/underinsured motorists protection available for any one occurrence is the excess uninsured motorists/underinsured motorists protection amount shown in the Coverage Summary regardless of the number of vehicles covered by the Required Primary Underlying Insurance. We will not pay more than this amount in any one occurrence for covered damages regardless of how many claims, vehicles or people are involved in the occurrence.

This coverage will follow form.

Uninsured motorists/underinsured motorists protection arbitration

If we and a covered person disagree whether that person is legally entitled to recover damages from the owner or operator of an uninsured motor vehicle/underinsured motor vehicle, or do not agree as to the amount of damages, either party may make a written demand for arbitration. In this event, each party will select an arbitrator. The two arbitrators will select a third. If they cannot agree on a third arbitrator within 45 days, either may request that the arbitration be submitted to the American Arbitration Association. When the covered person's recovery exceeds the minimum limit specified in the applicable jurisdiction's financial responsibility law, each party will pay the expenses it incurs, and bear the expenses of the third arbitrator equally. Otherwise, we will bear all the expenses of the arbitration.

Unless both parties agree otherwise, arbitration will take place in the county and state in which the covered person lives. Local rules of law as to procedure and evidence will apply. A decision agreed to by two arbitrators will be binding unless the recovery amount for bodily injury exceeds the minimum limit specified by the applicable jurisdiction's financial responsibility law. If the amount exceeds that limit, either party may demand the right to a trial. This demand must be made within 60 days of the arbitrator's decision. If this demand is not made, the amount of damages agreed to by the arbitrators will be binding.

Defense coverages

We will defend a covered person against any suit seeking covered damages for personal injury or property damage that is either:

- not covered by any underlying insurance; or
- covered by an underlying policy. This will apply to each Defense Coverage as it has been exhausted by payment of claims.

We provide this defense at our expense, with counsel of our choice, even if the suit is groundless, false, or fraudulent. We may investigate, negotiate, and settle any such claim or suit at our discretion.

As part of our investigation, defense, negotiation, or settlement, we will pay:

- all premiums on appeal bonds required in any suit we defend;
- all premiums on bonds to release attachments for any amount up to the amount of coverage (but we are not obligated to apply for or furnish any bond);
- all expenses incurred by us;
- all costs taxed against a covered person;
- all interest accruing after a judgment is entered in a suit we defend on only that part of the judgment we are responsible for paying. We will not pay interest accruing after we have paid the judgment up to the amount of coverage;
- all prejudgment interest awarded against a covered person on that part of the judgment we pay or offer to pay. We will not pay any prejudgment interest based on that period of time after we make an offer to pay the amount of coverage;
- all earnings lost by each covered person at our request, up to \$25,000;
- other reasonable expenses incurred by a covered person at our request; and
- the cost of bail bonds required of a covered person because of a covered loss.

In jurisdictions where we may be prevented by local law from carrying out these Defense Coverages, we will pay only those defense expenses that we agree in writing to pay and that are incurred by you.



Extra Coverages

In addition to covering damages and defense costs, we also provide other related coverages. These coverages are in addition to the amount of coverage for damages and defense costs unless stated otherwise.

Shadow defense coverage

If we are defending you or a family member in a suit seeking covered damages, we will pay reasonable expenses you or a family member incur up to \$10,000 or the amount shown in the Coverage Summary for a law firm of your choice to review and monitor the defense. However any recommendation by your personal attorney is not binding on us. We will pay these costs provided that you obtain prior approval from us before incurring any fees or expenses.

Identity fraud

We will pay for your or a family member's identity fraud expenses, up to a maximum of \$25,000, for each identity fraud occurrence.

"Identity fraud" means the act of knowingly transferring or using, without lawful authority, your or a family member's means of identity which constitutes a violation of federal law or a crime under any applicable state or local law.

"Identity fraud occurrence" means any act or series of acts of identity fraud by a person or group commencing in the policy period.

"Identity fraud expenses" means:

- the costs for notarizing affidavits or similar documents for law enforcement agencies, financial institutions or similar credit grantors, and credit agencies;
- the costs for sending certified mail to law enforcement agencies, financial institutions or similar credit grantors, and credit agencies;
- the loan application fees for reapplying for loan(s) due to the rejection of the original application because the lender received incorrect credit information;
- the telephone expenses for calls to businesses, law enforcement agencies, financial institutions or similar credit grantors, and credit agencies;
- earnings lost by you or a family member as a result of time off from work to complete fraud affidavits, meet with law enforcement agencies, credit agencies, merchants, or legal counsel;
- the reasonable attorney fees incurred with prior notice to us for:
- the defense of you or a family member against any suit(s) by businesses or their collection agencies;
- the removal of any criminal or civil judgements wrongly entered against you or a family member;
- any challenge to the information in your or a family member's consumer credit report; and
- the reasonable fees incurred with prior notice to us by an identity fraud mitigation entity to:
- provide services for the activities described above;
- restore accounts or credit standing with financial institutions or similar credit grantors and credit agencies; and
- monitor for up to one year the effectiveness of the fraud mitigation and to detect additional identity fraud activity after the first identify fraud occurrence.

However, such monitoring must begin no later than one year after you or a family member first report an identity fraud occurrence to us.

However, "identity fraud expenses" does not include expenses incurred due to any fraudulent, dishonest or criminal act by a covered person or any person acting with a covered person, or by any authorized representative of a covered person, whether acting alone or in collusion with others.

"Identity fraud mitigation entity" means a company that principally provides professional, specialized services to counter identity fraud for individuals or groups of individuals, or a financial institution that provides similar services.

In addition to the duties described in Policy Terms, Liability Conditions, Your duties after a loss, you shall notify an applicable law enforcement agency.

Extra Coverages

(continued)

Kidnap expenses

We will pay up to a maximum of \$100,000 for kidnap expenses you or a family member incurs solely and directly as a result of a kidnap and ransom occurrence. In addition, we also will pay up to \$25,000 to any person for information not otherwise available leading to the arrest and conviction of any person(s) who kidnaps you, a family member or a covered relative. The following are not eligible to receive this reward payment:

- you or a family member; or
- a covered relative who witnessed the occurrence.

“Kidnap and ransom occurrence” means the actual or alleged wrongful taking of:

- you;
- one or more family members; or
- one or more covered relatives while visiting or legally traveling with you or a family member;

from anywhere in the world except those places listed on the United States State Department Bureau of Consular Affairs Travel Warnings list at the time of the occurrence. The occurrence must include a demand for ransom payment which would be paid by you or a family member in exchange for the release of the kidnapped person(s).

“Kidnap expenses” means the reasonable costs for:

- a professional negotiator;
- a professional security consultant;
- professional security guard services;
- a professional public relations consultant;
- travel, meals, lodging and phone expenses incurred by you or a family member;
- advertising, communications and recording equipment;
- related medical, cosmetic, psychiatric and dental expenses incurred by a kidnapped person within 12 months from that person’s release;
- attorneys fees;
- a professional forensic analyst;
- earnings lost by you or a family member, up to \$25,000.

However, “kidnap expenses” does not include expenses incurred due to any kidnap and ransom occurrence caused by:

- you or a family member;
- a covered relative;
- any guardian, or former guardian of you, a family member or covered relative;
- any estranged spouse or domestic partner, or former spouse or domestic partner of you or a family member;
- any person unrelated to you or a family member who lives with you or a family member or has ever lived with you or a family member for 6 or more months, other than a domestic employee, residential staff, or a person employed by you or a family member for farm work; or
- a civil authority,

or any person acting on behalf of any of the above, whether acting alone or in collusion with others.

“Covered relative” means the following relatives of you, or a spouse or domestic partner who lives with you, or any family member:

- children, their children or other descendants of theirs;
- parents, grandparents or other ancestors of theirs; or
- siblings, their children or other descendants of theirs;

who do not live with you, including spouses or domestic partners of all of the above. Parents, grandparents and other ancestors include adoptive parents, stepparents and stepgrandparents.

Reputational injury. If we are defending you or a family member in a suit seeking covered damages, we will pay reasonable and necessary fees or expenses that you or a family member incur for services provided by a reputation management firm to minimize potential injury to the reputation of you or a family member solely as a result of personal injury or property damage, caused by an occurrence if:

- the reputational injury is reported to us as soon as reasonably possible but not later than 30 days after the personal injury or property damage occurrence; and
- you obtain approval of the reputation management firm from us before incurring any fees or expenses, unless stated otherwise or an exclusion applies. There is no deductible for this coverage.

A Reputation management firm means a professional public relations consulting firm, a professional security consulting firm or a professional media management consulting firm.



Extra Coverages
(continued)

The maximum amount of coverage for Reputational injury available for any one occurrence is \$25,000 or the amount shown in the Coverage Summary. We will not pay more than this amount in any one occurrence for covered damages regardless of how many claims or people are involved in the occurrence.

The maximum annual amount of coverage for Reputational injury shown in the Coverage Summary is the most we will pay for the sum of all covered damages you or a family member incur during the policy period regardless of the number of claims, people, or occurrences.

This coverage does not apply to loss caused by a wrongful employment act covered by Employment Practices Liability Insurance.

Exclusions

These exclusions apply to your Group Personal Excess Liability Coverage, unless stated otherwise.

Aircraft We do not cover any damages arising out of the ownership, maintenance, use, loading, unloading, or towing of any aircraft, except aircraft chartered with crew by you. We do not cover any property damages to aircraft rented to, owned by, or in the care, custody or control of a covered person.

Hovercraft We do not cover any damages arising out of the ownership, maintenance, use, loading, unloading or towing of any hovercraft. We do not cover any property damages to hovercraft rented to, owned by, or in the care, custody or control of a covered person.

Motorized land vehicle racing or track usage. We do not cover any damages arising out of the ownership, maintenance or use of any motorized land vehicle:

- during any instruction, practice, preparation for, or participation in, any competitive, prearranged or organized racing, speed contest, rally, gymkhana, sports event, stunting activity, or timed event of any kind; or
- on a racetrack, test track or other course of any kind.

Watercraft and aircraft racing or track usage. We do not cover any damages arising out of the ownership, maintenance or use of any watercraft or aircraft during any instruction, practice, preparation for, or participation in, any competitive, prearranged or organized racing, speed contest, rally, sports event, stunting activity or timed event of any kind. This exclusion does not apply to you or a family member for sailboat racing even if the sailboat is equipped with an auxiliary motor.

Motorized land vehicle-related jobs. We do not cover any damages arising out of the ownership, maintenance, or use of a motorized land vehicle by any person who is employed or otherwise engaged in the business of selling, repairing, servicing, storing, parking, testing, or delivering motorized land vehicles. This exclusion does not apply to you, a family member, or your employee or an employee of a family member for damages arising out of the ownership, maintenance or use of a motorized land vehicle owned by, rented to, or furnished to you or a family member.

Watercraft-related jobs. We do not cover any damages arising out of the ownership, maintenance, or use of a watercraft by any person who is engaged by or employed by, or is operating a marina, boat repair yard, shipyard, yacht club, boat sales agency, boat service station, or other similar organization. This exclusion does not apply to damages arising out of the ownership, maintenance, or use of a watercraft by you, a family member, or your or a family member's captain or full time paid crew member maintaining or using this watercraft with permission from you or a family member.

Motorized land vehicle and watercraft loading. We do not cover any person or organization, other than you or a family member or your or a family member's employees, with respect to the loading or unloading of motorized land vehicles or watercraft.

Workers' compensation or disability. We do not cover any damages a covered person is legally:

- required to provide; or
- voluntarily provides

under any:

- workers' compensation;
- disability benefits;
- unemployment compensation; or
- other similar laws.

Exclusions

(continued)

But we do provide coverage in excess over any other insurance for damages you or a family member is legally required to pay for bodily injury to a domestic employee of a residence covered under the Required Primary Underlying Insurance which are not compensable under workers' compensation, unless another exclusion applies.

Director's liability. We do not cover any damages for any covered person's actions or failure to act as an officer or member of a board of directors of any corporation or organization. However, we do cover such damages if you are or a family member is an officer or member of a board of directors of a:

- homeowner, condominium or cooperative association; or
- not-for-profit corporation or organization for which he or she is not compensated;

unless another exclusion applies.

Damage to covered person's property. We do not cover any person for property damage to property owned by any covered person.

Damage to property in your care. We do not cover any person for property damage to property rented to, occupied by, used by, or in the care of any covered person, to the extent that the covered person is required by contract to provide insurance. But we do cover such damages for loss caused by fire, smoke, or explosion unless another exclusion applies.

Wrongful employment act. We do not cover any damages arising out of a wrongful employment act. A wrongful employment act means any employment discrimination, sexual harassment, or wrongful termination of any residential staff actually or allegedly committed or attempted by a covered person while acting in the capacity as an employer, that violates applicable employment law of any federal, state, or local statute, regulation, ordinance, or common law of the United States of America, its territories or possessions, or Puerto Rico.

"Employment discrimination" as it relates solely to a wrongful employment act means a violation of applicable employment discrimination law protecting any residential staff based on his or her race, color, religion, creed, age, sex, disability, national origin or other status according to any federal, state, or local statute, regulation, ordinance, or common law of the United States of America, its territories or possessions, or Puerto Rico.

"Sexual harassment" as it relates solely to a wrongful employment act means unwelcome sexual advances, requests for sexual favors, or other conduct of a sexual nature that;

- is made a condition of employment of any residential staff;
- is used as a basis for employment decisions;
- interferes with performance of any residential staff's duties; or
- creates an intimidating, hostile, or offensive working environment.

"Wrongful termination" as it relates solely to a wrongful employment act means

- the actual or constructive termination of employment of any residential staff by you or a family member in violation of applicable employment law; or
- breach of duty and care when you or a family member terminates an employment relationship with any residential staff.

"Residential staff" as it relates solely to a wrongful employment act means your or a family member's employee who is:

- employed by you or a family member, or through a firm under an agreement with you or a family member, to perform duties related only to a covered person's domestic, personal, or business pursuits covered under this part of your policy;
- compensated for labor or services directed by you or a family member; and
- employed regularly to work 15 or more hours per week.

Residential staff includes a temporary worker. Residential staff does not include an independent contractor or any covered person.

"Temporary worker" as it relates solely to a wrongful employment act means your or a family member's employee who is:

- employed by you or a family member, or through a firm under an agreement with you or a family member, to perform duties related only to a covered person's domestic, personal, or business pursuits covered under this part of your policy;
- compensated for labor or services directed by you or a family member; and
- employed to work 15 or more hours per week to substitute for any residential staff on leave or to meet seasonal or short-term workload demands for 30 consecutive days or longer during a 6 month period



Exclusions
(continued)

Temporary worker does not include an independent contractor or any covered person.

Discrimination. We do not cover any damages arising out of discrimination due to age, race, color, sex, creed, national origin, or any other discrimination.

Intentional acts. We do not cover any damages arising out of a willful, malicious, fraudulent or dishonest act or any act intended by any covered person to cause personal injury or property damage, even if the injury or damage is of a different degree or type than actually intended or expected. But we do cover such damages if the act was intended to protect people or property unless another exclusion applies. An intentional act is one whose consequences could have been foreseen by a reasonable person.

Molestation, misconduct or abuse. We do not cover any damages arising out of any actual, alleged or threatened:

- sexual molestation;
- sexual misconduct or harassment; or
- abuse.

Nonpermissive use. We do not cover any person who uses a motorized land vehicle or watercraft without permission from you or a family member.

Business pursuits. We do not cover any damages arising out of a covered person's business pursuits, investment or other for-profit activities, for the account of a covered person or others, or business property except on a follow form basis.

But we do cover damages arising out of volunteer work for an organized charitable, religious or community group, an incidental business away from home, incidental business at home, incidental business property, incidental farming, or residence premises conditional business liability unless another exclusion applies. We also cover damages arising out of your or a family member's ownership, maintenance, or use of a private passenger motor vehicle in business activities other than selling, repairing, servicing, storing, parking, testing, or delivering motorized land vehicles.

Unless stated otherwise in your Coverage Summary:

"Incidental business away from home" is a self-employed sales activity, or a self-employed business activity normally undertaken by person under the age of 18 such as newspaper delivery, babysitting, caddying, and lawn care. Either of these activities must:

- not yield gross revenues in excess of \$15,000 in any year;
- have no employees subject to worker's compensation or other similar disability laws;
- conform to local, state, and federal laws.

Exclusions

(continued)

“Incidental business at home” is a business activity, other than farming, conducted on your residence premises which must:

- not yield gross revenues in excess of \$15,000, in any year, except for the business activity of managing one’s own personal investments;
- have no employees subject to worker’s compensation or other similar disability laws;
- conform to local, state, and federal laws.

“Incidental business property” is limited to the rental or holding for rental, to be used as a residence, of a condominium or cooperative unit owned by you or a family member, an apartment unit rented to you or a family member, a one or two family dwelling owned by you or a family member, or a three or four family dwelling owned and occupied by you or a family member. We provide this coverage only for premises covered under the Required Primary Underlying Insurance unless the rental or holding for rental is for:

- a residence of yours or a family member’s that is occasionally rented and that is used exclusively as a residence; or
- part of a residence of yours or a family member’s by one or two roomers or boarders; or
- part of a residence of yours or a family member’s as an office, school, studio, or private garage.

“Incidental farming” is a farming activity which meets all of the following requirements:

- is incidental to your or a family member’s use of the premises as a residence;
- does not involve employment of others for more than 1,500 hours of farm work during the policy period;
- does not produce more than \$25,000 in gross annual revenue from agricultural operations;
- and with respect to the raising or care of animals:
 - does not produce more than \$50,000 in gross annual revenues;
 - does not involve more than 25 sales transactions during the policy period;
 - does not involve the sale of more than 50 animals during the policy period.

“Residence premises conditional business liability” is limited to business or professional activities when legally conducted by you or a family member at your residence. We provide coverage only for personal injury or property damage arising out of the physical condition of that residence if:

- you or a family member do not have any employees involved in your business or professional activities who are subject to workers’ compensation or other similar disability laws; or, if you or a family member are a doctor or dentist, you do not have more than two employees subject to such laws;
- you or a family member do not earn annual gross revenues in excess of \$5,000, if you or a family member are a home day care provider.

We do not cover damages or consequences resulting from business or professional care or services performed or not performed.

The following additional exclusion applies only to “incidental farming” as described under the exclusion, Business pursuits.

Contamination. We do not cover any actual or alleged damages arising out of the discharge, dispersal, seepage, migration or release or escape of pollutants. Nor do we cover any cost or expense arising out of any request, demand or order to:

- extract pollutants from land or water;
- remove, restore or replace polluted or contaminated land or water; or
- test for, monitor, clean up, remove, contain, treat, detoxify or neutralize pollutants, or in any way respond to or assess the effects of pollutants.

However, this exclusion does not apply if the discharge, dispersal, seepage, migration, release or escape is sudden and accidental. A “pollutant” is any solid, liquid, gaseous or thermal irritant or contaminant, including smoke (except smoke from a hostile fire), vapor, soot, fumes, acids, alkalis, chemicals and waste. A “contaminant” is an impurity resulting from the mixture of or contact of a substance with a foreign substance. “Waste” includes materials to be disposed of, recycled, reconditioned or reclaimed.



Exclusions
(continued)

Financial guarantees. We do not cover any damages for any covered person's financial guarantee of the financial performance of any covered person, other individual or organization.

Professional services. We do not cover any damages for any covered person's performing or failure to perform professional services, or for professional services for which any covered person is legally responsible or licensed.

Acts of war. We do not cover any damages caused directly or indirectly by war, undeclared war, civil war, insurrection, rebellion, revolution, warlike acts by military forces or personnel, the destruction or seizure of property for a military purpose, or the consequences of any of these actions.

Contractual liability. We do not cover any assessments charged against a covered person as a member of a homeowners, condominium or cooperative association. We also do not cover any damages arising from contracts or agreements made in connection with any covered person's business. Nor do we cover any liability for unwritten contracts, or contracts in which the liability of others is assumed after a covered loss.

Covered person's or dependent's personal injury. We do not cover any damages for personal injury for any covered person or their dependents where the ultimate beneficiary is the offending party or defendant. We also do not cover any damages for personal injury for which you can be held legally liable, in any way, to a family member, your spouse or domestic partner or for which a family member, your spouse or domestic partner can be held legally liable, in any way, to you.

However, we do cover damages for bodily injury arising out of the use of a motorized land vehicle for which you can be held legally liable to a family member, your spouse or domestic partner or for which a family member, your spouse or domestic partner can be held legally liable to you to the extent that coverage is provided under this policy. This coverage applies only to the extent such damages are covered by primary underlying insurance and exceed the limits of insurance required for that motorized land vehicle under the Required Primary Underlying Insurance provisions of this policy.

Liability for dependent care. We do not cover any damages for personal injury for which a covered person's only legal liability is by virtue of a contract or other responsibility for a dependent's care.

Illness. We do not cover personal injury or property damage resulting from any illness, sickness or disease transmitted intentionally or unintentionally by a covered person to anyone, or any consequence resulting from that illness, sickness or disease. We also do not cover any damages for personal injury resulting from the fear of contracting any illness, sickness or disease, or any consequence resulting from the fear of contracting any illness, sickness or disease.

Fungi and mold. We do not cover any actual or alleged damages or medical expenses arising out of mold, the fear of mold, or any consequences resulting from mold or the fear of mold. "Mold" means fungi, mold, mold spores, mycotoxins, and the scents and other byproducts of any of these.

Nuclear or radiation hazard. We do not cover any damages caused directly or indirectly by nuclear reaction, radiation, or radioactive contamination, regardless of how it was caused.

POLICY TERMS

This part of your Group Personal Excess Liability Policy explains the conditions that apply to your policy.

General Conditions

These conditions apply to your policy in general, and to each coverage provided in the policy.

Policy period

The effective dates of your policy are shown in the Coverage Summary. Those dates begin at 12:01 a.m. standard time at the mailing address shown.

All coverages on this policy apply only to occurrences that take place while this policy is in effect.

Transfer of rights

If we make a payment under this policy, we will assume any recovery rights a covered person has in connection with that loss, to the extent we have paid for the loss.

General Conditions

(continued)

All of your rights of recovery will become our rights to the extent of any payment we make under this policy. A covered person will do everything necessary to secure such rights; and do nothing after a loss to prejudice such rights. However, you may waive any rights of recovery from another person or organization for a covered loss in writing before the loss occurs.

Concealment or fraud

We do not provide coverage if you or any covered person has intentionally concealed or misrepresented any material fact relating to this policy before or after a loss.

Application of coverage

Coverage applies separately to each covered person. However, this provision does not increase the amount of coverage for any one occurrence.

Assignment

You cannot transfer your interest in this policy to anyone else unless we agree in writing to the transfer.

Policy changes

This policy can be changed only by a written amendment we issue.

Bankruptcy or insolvency

We will meet all our obligations under this policy regardless of whether you, your estate, or anyone else or their estate becomes bankrupt or insolvent.

In case of death

In the event of your death, coverage will be provided until the end of the policy period or policy anniversary date, whichever occurs first, for any surviving member of your household who is a covered person at the time of death. We will also cover your legal representative or any person having proper temporary custody of your property.

Liberalization

We may extend or broaden the coverage provided by this policy. If we do this during the policy period or within 60 days before it begins, without increasing the premium, then the extended or broadened coverage will apply to occurrences after the effective date of the extended or broadened coverage.

Conforming to state law

If any provision of this policy conflicts with any applicable laws of the state you live in, this policy is amended to conform to those laws.

Conforming to trade sanction laws

This policy does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit us from providing insurance.

Liability Conditions

These conditions apply to all liability coverages in this policy.

Other Insurance

This insurance is excess over any other insurance except for those policies that:

- are written specifically to cover excess over the amount of coverage that applies in this policy; and
- schedule this policy as underlying insurance.

Your duties after a loss

In case of an accident or occurrence, the covered person shall perform the following duties that apply:

Notification. You must notify us or your agent or broker as soon as possible.

Assistance. You must provide us with all available information. This includes any suit papers or other documents which help us in the event that we defend you.

Cooperation. You must cooperate with us fully in any legal defense. This may include any association by us with the covered person in defense of a claim reasonably likely to involve us.



Liability Conditions
(continued)

Examination. A person making a claim under this policy must submit as often as we reasonably require:

- to physical exams by physicians we select, which we will pay for; and
- to examination under oath and subscribe the same; and

authorize us to obtain:

- medical reports; and
- other pertinent records.

Appeals

If a covered person, or any primary insurer, does not appeal a judgment for covered damages, we may choose to do so. We will then become responsible for all expenses, taxable costs, and interest arising out of the appeal. However, the amount of coverage for damages will not be increased.

Special Conditions

In the event of conflict with any other conditions of your policy, these conditions supersede.

Legal action against us

You agree not to bring action against us unless you have first complied with all conditions of this policy.

You also agree not to bring any action against us until the amount of damages you are legally obligated to pay has been finally determined after an actual trial or appeal, if any, or by a written agreement between you, us and the claimant. No person or organization has any right under this policy to bring us into any action to determine the liability of a covered person.

Notice of cancellation and coverage termination conditions

The Sponsoring Organization may cancel this policy by returning it to us or notifying us in writing at any time subject to the following:

- the Sponsoring Organization must notify us in advance of the requested cancellation date; and
- the Sponsoring Organization must provide proof of notification to each member of the Defined Group covered under this policy.

We may cancel this policy or any part of it subject to the following conditions. Our right to cancel applies to each coverage or limit in this policy. In the event we cancel this policy, we are under no obligation to provide you with an opportunity to purchase equivalent coverage.

- **Within 60 days.** When this policy or any part of it has been in effect for less than 60 days, we may cancel with 30 days notice for any reason.
- **Non-payment of premium.** We may cancel this policy or any part of it with 10 days notice if the Sponsoring Organization or you fail to pay the premium by the due date, regardless of whether the premium is payable to us, to our agent, or under any financial credit.
- **Misrepresentation.** We may cancel this policy or any part of it with 30 days notice if the coverage was obtained through misrepresentation, fraudulent statements, or omissions or concealment of a fact that is relevant to the acceptance of the risk or to the hazard we assumed.
- **Increase in hazard.** We may cancel this policy or any part of it with 30 days notice if there has been a substantial change in the risk which increases the chance of loss after insurance coverage has been issued or renewed, including but not limited to an increase in exposure due to rules, legislation, or court decision.
- **Procedure.** To cancel this policy or any part of it, we must notify you in writing. This notice will be mailed to the Sponsoring Organization at the mailing address shown in the Coverage Summary and we will obtain a certificate of mailing. This notice will include the date the cancellation is to take effect.

Special Conditions

(continued)

Termination. Should an individual for any reason no longer qualify as a member of the Defined Group, coverage will cease sixty (60) days from the date that individual no longer qualifies as a member of the Defined Group, or the policy expiration or cancellation date, whichever comes first.

Refund. In the event of cancellation by the Sponsoring Organization or us, we will refund any unearned premium on the effective date of cancellation, or as soon as possible afterwards to the Sponsoring Organization. The unearned premium will be computed short rate for the unexpired term of the policy.



**GROUP PERSONAL EXCESS LIABILITY POLICY
STATE AMENDATORY ENDORSEMENT — CA**

Endorsement

Policy Period NOVEMBER 01, 2010 To NOVEMBER 01, 2011

Effective Date NOVEMBER 01, 2010

Policy Number (11) 7993-14-03 PLS

Insured VICE PRESIDENTS, NON OFFICERS & RETIREES
OF NORTHROP GRUMMAN CORPORATION

Name of Company FEDERAL INSURANCE COMPANY

Date Issued OCTOBER 27, 2010

The Special Condition is replaced with the following:

Notice of cancellation and coverage termination conditions

- **Within 60 days.** When this policy or any part of it has been in effect for less than 60 days, we may cancel with 10 days notice for any reason.

The following Special Condition is added:

Other cancellation reasons. We may cancel this policy for any reason allowed by law.

All Other Terms And Conditions Remain Unchanged.

Authorized Representative

Form 10-02-1849 (Ed.8-07)

*California Amendatory
Endorsement*

*last page
Page 1*



ENDORSEMENT

Policy Period	NOVEMBER 01, 2010 to NOVEMBER 01, 2011
Effective Date	NOVEMBER 01, 2010
Policy Number	(11) 7993-14-03 PLS
Insured	VICE PRESIDENTS, NON OFFICERS & RETIREES OF NORTHROP GRUMMAN CORPORATION
Name of Company	FEDERAL INSURANCE COMPANY
Date Issued	OCTOBER 27, 2010

ANNUAL PREMIUM ADJUSTMENT CLAUSE

It is agreed that this policy is written with a deposit premium to be adjusted on either each policy anniversary or at policy expiration. The premium will be adjusted on the basis of the difference between the total number of participants at inception and the actual number of participants at each policy anniversary. This difference is to be multiplied by fifty percent (50%) of the annual rate per participant, resulting in either an additional or return premium.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Authorized Representative

A handwritten signature in black ink, appearing to read "R. M. [unclear]".



ENDORSEMENT

Policy Period	NOVEMBER 01, 2010 to NOVEMBER 01, 2011
Effective Date	NOVEMBER 01, 2010
Policy Number	(11) 7993-14-03 PLS
Insured	VICE PRESIDENTS, NON OFFICERS & RETIREES OF NORTHROP GRUMMAN CORPORATION
Name of Company	FEDERAL INSURANCE COMPANY
Date Issued	OCTOBER 27, 2010

Vice Presidents, Non Officers and Retirees of
Northrop Grumman Corporation

\$10,000,000 LIMIT OF LIABILITY
\$2,000,000 UNINSURED/ UNDERINSURED MOTORIST PROTECTION

Bush, Wesley G

\$5,000,000 LIMIT OF LIABILITY
\$2,000,000 UNINSURED/ UNDERINSURED MOTORIST PROTECTION

Abbate, Samuel A
Allen, Daniel D
Alsgood, Samuel
Amis, Kevin B
Anderson, David T
Antkowiak, Patrick M
Apt, David R
Archer, Dale S
Arczynski, Daniel L
Armitage, James L
Ashworth, Margaret Sidney
Babb, Steven C
Bartschi, Rolf
Beavers, Jessie K
Belanger, David J
Belote III, Brandon R
Bergjans, Steven B
Bitar, Imad
Bittner, Kevin M
Boak, Richard J
Borzcik, Paul S
Boykin, Jennifer R
Brammer, Robert F
Brickner, Lynne M O
Brinkman, Charles J
Brooks, John W

Bryant, Stephen M
Buckley Jr, John J
Burch, Mary K
Burke, Robert V
Burton, Dale E
Bush, Edward J
Byloff, James R
Cameron, Dennis S
Campbell, Robert W
Carlton, Roy D
Carroll, Mark S
Carty, William E
Catsavas, Debora L
Cawley, Martin L
Chandhok, Rajender K
Chang, Daniel W
Chanik Jr, Evan M
Chappel, Brian E
Cheston, Sheila
Chino, John J
Clay, John L
Connolly, James P
Conroy, Thomas W
Cool, Christopher B
Costello, Joseph O
Cote, Susan L
Cuccias, Brian J
Culmo, James
Curiel, Cynthia W
Dacunha, Jose N
Daegele, John F
Davis, Michael L
Diakun, Peter C
DiCarlo, David M
Dickseski, Jerri F
Dohse, John F
Doshi, Nimish M
Dubeau, Robert W
Dufresne, Gerard A
Edelman, Larry W
Edenzon, Irwin F
Enewold, Steven L
Ensor, Joseph J
Ermatinger, William R
Ervin, Gary W
Evers Manly, Sandra J
Eyler, David
Fagan, Jon H
Fallon Jr, Thomas F
Farrell, Timothy M
Fecteau, Kenneth P
Flach, Gloria A
Flanagan, Karin A
Flores, Frank
Foley III, John B
Fontaine II, Douglass L
Fraser, Darryl M
Fraser, Eugene J
Frei, Timothy J
Fujii, Roger U
Furukawa, Bradley D
Gagen, Mark
Gallimore, William D



Gerding, Robert B
Glennan III, Thomas K
Godwin III, James B
Grant, Jeffrey D
Gray, Katherine A
Greaney, Joseph E
Gregory, Paul O
Gross, Michael D
Guerra, George
Gunter Jr, Robert L
Halibozek, Edward P
Hannigan, Timothy J
Hannon, William B
Hardesty, Michael A
Harper, Diane
Harvey, David S
Hashem, Claude J
Haver, Richard L
Haynes, George F
Haynesworth, Linnie R
Heintz, Kenneth N
Hernandez, Christopher M
Hinkey, Michael E
Hinson, Robert C
Hixson, Stephen J
Hogan, Stephen D
Holder, Samuel R
Hossepian, Gorik
Hughes, Edmond E
Hughes, James F
Hunley, Danny W
Hyland, Cynthia L
Iversen, Elizabeth D
Jack, Gary M
Jadik Jr, John
Janey, Cheryl L
Jarvis, Kevin L
Jelen, Robert A
Johnson, Carl
Johnson, John C
Johnston, Thomas H
Jones, Christopher T
Jones, Timothy C
Kalafos Jr, Paul B
Kale, Jill
Kastner, Christopher D
Kau, Clayton K
Kaufman, Alene G
Kenny, Mark
Kent Jr, Jesse G
King, Amy J
Klein, Robert W
Kohl, Lisa V
Krantz, Keith C
Kuenzel, Catherine G
Kula, Mark S
Lamb-heinz, Catherine C
Landis, William E
Landon, John R

Lanzillotta, Lawrence J
Lawton, Douglas A
Leaf, Daniel P
Leavitt, Jeffrey A
Lee, Harry Q
Lee, Scott A
Lennon, Michael
Leo, Richard M
Leonard, Mark H
Linsky, Stuart T
Livanos, Alexander C
Lofton, Arthur G
MacKenzie, Thomas L
Madigan, Jeremiah R
Mahler, William K
Marconi, Teri G
Matthews, Richard G
Mazur, David G
McClain, Daniel J
Mccoy, Steven H
McFarland, Judith A
McHugh, Donald E
McKenzie, Gary W
McKnight, Timothy S
McMahon, Patricia M
McNulty, Robert J
McVey, Bernard P
Meltsner, James R
Merchant, Robert L
Meyer, Paul K
Mills, Linda A
Mitchell, Kevin L
Moore, Corey S
Morra, Brian J
Movius, Stephen C
Moynes, John F
Mulherin, Matthew J
Myers, James M
Nagy, David A
Nastase, David W
Nelson, Margaret L
Newby, Patricia A
Newcotne, Richard A
Niland, Barbara A
Norton, Douglas J
Norwood, Todd A
Olesak, John F
Ostroff, Anne Y
Palmer, James F
Palombo, Jeffrey Q
Pami Ijans, Janis G
Pattishall, Robert A
Perkins, Glenn E
Perry, David T
Petters, Clement M
Phillips-Soloway, Constance A
Pittman, Carolyn K
Pitts, James F
Porter, Scott L
Quinn, James J
Rabinowitz, Mark A
Rand, Donna K
Reineke, Diane 0



Reith, David F
Rhine, Barry L
Ricker, Frederick L
Rideout, Jan G
Romesser, Thomas E
Rosener, David S.
Royer, Robert H
Ryan, David L
Salisbury, Gary L
Scarpella, Michelle A
Schaefer Jr, William J
Scharfen, Jonathan R
Schenk, Richard S
Schmaley, Richard F
Schmidt, Gregory A
Sculley, Kevin T
Shawcross, Michael G
Shedlick, Edward P
Shelman, Thomas W
Shiba, Jay A
Siegel, Neil G
Simmerman Jr, George M
Smith, Carl
Smith, Edgar A
Smith, Ronald
Song, Ike J
Spaulding, Rick S
Spehar, Anthony W
Springman, Michael
Stabler II, David S
Stafford, David F
Stewart, Gordon R
Stewart, Rebecca A
Stitzel Sr, Joel D
Stumpf, John
Sturais, Edward
Sullivan, Paul F
Sullivan, Stephen M
Swallow, Edward M
Swift, Malcolm S
Szemborski, Stanley R
Tapp Jr, James
Taylor, Hugh E
Taylor, Joe G
Tomlinson, Thomas W
Toner, Stephen J
Toth, Michele
Tucker, Mark A
Twyman, Michael R
Ussery, Louise
Vandervoet, David B
Vardoulakis, George
Vice, Thomas E
Volk, Charles H
Waldman, Mitchell B
Wands, Charles B
Warden, Kathy Jane
Waters, Robert A
Watson, Gabe A





CHUBB GROUP OF INSURANCE COMPANIES
15 Mountain View Road
Warren, NJ 07059

OCTOBER 27, 2010

VICE PRESIDENTS, NON OFFICERS & RETIREES
1840 CENTURY PARK EAST, 152/CC
LOS ANGELES, CALIFORNIA
90067

Re: Financial Strength

Dear VICE PRESIDENTS, NON OFFICERS & RETIREES

Chubb continues to deliver strong financial performance. Our financial strength, as reflected in our published reports and our ratings, should give you peace of mind that Chubb will be there for you when you need us most.

- Chubb's financial results during 2009 stand out in the industry.
- Chubb's balance sheet is backed with investments that we believe emphasize quality, safety, and liquidity, with total invested assets of \$42.0 billion as of September 30, 2009.
- With 127 years in the business, Chubb is here for the long term, which is why we vigorously guard our financial strength and take what we believe is a prudent approach to assuming risk — on both the asset and liability sides of our balance sheet.
- Chubb is one of the most highly rated property and casualty companies in the industry, which is a reflection of our overall quality, strong financial condition, and strong capital position.
 - Chubb's financial strength rating is "A++" from A.M. Best Company, "AA" from Fitch, "Aa2" from Moody's, and "AA" from Standard & Poor's — the leading independent evaluators of the insurance industry.
 - Chubb's senior unsecured corporate debt rating from Standard & Poor's was upgraded from "A" to "A+" on December 15, 2008. Standard & Poor's also reaffirmed all of Chubb's ratings with a "stable" outlook.
 - A.M. Best, Fitch, and Moody's recently affirmed all of Chubb's ratings with a "stable" outlook. (For reference, A.M. Best reaffirmed us on 12/23/08, Moody's on 2/4/09 and Fitch on 2/13/09.)
 - For more than 50 years, Chubb has remained part of an elite group of insurers that have maintained A.M. Best's highest ratings.
- Chubb was named to Standard & Poor's list of S&P 500 Dividend Aristocrats, one of 52 companies in the S&P 500 index that have increased dividends every year for at least 25 consecutive years.
- Chubb's investment portfolio has held up extremely well. Chubb takes what we believe is a conservative approach to selecting and managing our assets. Furthermore, Chubb does not have any direct exposure to the subprime mortgage-backed securities market, and we stopped doing new credit derivative business in 2003 and put existing business in runoff.

December 2009

(over)

Rarely has Chubb's business philosophy — to underwrite conservatively and invest judiciously — been more important than it is today. By adhering to this philosophy, we now have the capacity and flexibility to respond to opportunities, especially when you engage us in fully understanding your business risks.

We want you to know that Chubb is well-positioned to continue serving your needs with our underwriting expertise; broad underwriting appetite across all property, casualty, and specialty lines; and claim services. If you have any questions, feel free to call your agent or broker or your local Chubb underwriter. As always, we appreciate the trust you place in us as your insurance partner.

December 2009



IMPORTANT NOTICE TO POLICYHOLDERS

This Important Notice is not your policy. Please read your policy carefully to determine your rights, duties, and what is and what is not covered. Only the provisions of your policy determine the scope of your insurance protection.

THIS IMPORTANT NOTICE PROVIDES INFORMATION CONCERNING POSSIBLE IMPACT ON YOUR INSURANCE COVERAGE DUE TO COMPLIANCE WITH APPLICABLE TRADE SANCTION LAWS.

PLEASE READ THIS NOTICE CAREFULLY.

Various trade or economic sanctions and other laws or regulations prohibit us from providing insurance in certain circumstances. For example, the United States Treasury Department's Office of Foreign Asset Control (OFAC) administers and enforces economic and trade sanctions and places restrictions on transactions with foreign agents, front organizations, terrorists, terrorists organizations, and narcotic traffickers. OFAC acts pursuant to Executive Orders of the President of the United States and specific legislation, to impose controls on transactions and freeze foreign assets under United States jurisdiction. (To learn more about OFAC, please refer to the United States Treasury's web site at <http://www.treas.gov/ofac>.)

To the extent that you or any other insured, or any person or entity claiming the benefits of this insurance has violated any applicable sanction laws, this insurance will not apply.



POLICYHOLDER NOTICE

All of the members of the Chubb Group of Insurance companies doing business in the United States (hereinafter "Chubb") distribute their products through licensed insurance brokers and agents ("producers"). Detailed information regarding the types of compensation paid by Chubb to producers on US insurance transactions is available under the Producer Compensation link located at the bottom of the page at www.chubb.com, or by calling 1-866-588-9478. Additional information may be available from your producer.

Thank you for choosing Chubb.

Form 99-10-0872 (Ed. 6-07) Policyholder Notice

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Northrop Grumman Legacy Officers Plan* Matrix — Plan Year July 1, 2011 — June 30, 2012

Plan Features	Benefit
Eligibility	Employee + Spouse & Children and or Adult Children up to age 26
Medical Plan	Premium PPO Plan administered by Anthem Blue Cross
Coverage	100% coverage, for all eligible plan expenses
Annual Deductible	No annual deductible
Co-payment/Co-Insurance	No co-payment/co-Insurance
Preventive Care Coverage	No limits as long as procedures fall under Anthem's Guidelines
Prescription Drug Coverage	Covered under Medical Plan
Annual Deductible	No annual deductible
Coverage — retail 30 — day supply	100% coverage, when network pharmacy utilized
Coverage — mail order 90 —day supply	100% coverage, when network pharmacy utilized
Vision Coverage	\$500 maximum reimbursement per person, per plan year, for exams, glasses, contact lenses
Hearing Coverage	Up to two hearing aids per person, per plan year
Acupuncture and Acupressure	20 visits (combined) — per person, per plan year
Chiropractic Care	40 visits per person, per plan year (in and out of network)
Physical Therapy	50 visits per person, per plan year (in and out of network)
Speech Therapy	50 visits per person, per plan year (in and out of network)
Occupational Therapy	50 visits per person, per plan year (in and out of network)
Mental Health Coverage	Mental health is 100% covered (in and out of network); Office visits — unlimited. Inpatient treatment based on mental health, substance abuse or detox treatment will allow a combined total of 30 days coverage with pre-authorization or utilization review and includes out-of-network providers.
Health Plan Lifetime Maximums	No Lifetime Maximums for essential medical, prescription drug or mental health benefits
Dental Plan	Premium PPO Plan administered by Delta Dental
Annual Maximum	\$4,000 per person — per plan year
Coverage	100% coverage, for all eligible plan expenses up to annual maximum, including Orthodontics
Annual Deductible	No annual deductible
Co-payment/Co-Insurance	No co-payment/co-Insurance
Eligibility	Employee only
Life Insurance Coverage	Company-paid basic life insurance 3x annual base salary up to a maximum of 2 million
Accidental Death & Dismemberment Coverage	Company-paid basic accidental death & dismemberment insurance — 6 x Annual base salary up to a maximum of \$1 million
Long-Term Disability (LTD)	Company-paid basic LTD benefit of 75% of monthly base salary, up to a maximum monthly benefit \$25,000

*Executive Health Plan was frozen to new participants on July 1, 2009 and renamed Legacy Officers Plan effective July 1, 2010

NORTHROP GRUMMAN CORPORATION
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

<i>\$ in millions</i>	Six Months Ended June 30		Year Ended December 31				
	2011	2010 ⁽¹⁾	2010	2009	2008	2007	2006
Earnings:							
Earnings (loss) from continuing operations before income taxes	\$ 1,546	\$ 1,284	\$ 2,366	\$ 2,070	1,841	\$ 2,158	\$ 1,895
Fixed Charges:							
Interest expense, including amortization of debt premium	111	142	269	269	271	312	337
Portion of rental expenses on operating leases deemed to be representative of the interest factor	72	79	149	167	177	177	162
Earnings (loss) from continuing operations before income taxes and fixed charges	\$ 1,729	\$ 1,505	\$ 2,784	\$ 2,506	\$ 2,289	\$ 2,647	\$ 2,394
Fixed Charges:	183	221	418	436	448	489	499
Ratio of earnings to fixed charges	9.4	6.8	6.7	5.7	5.1	5.4	4.8

(1) Certain prior-period information has been reclassified to conform to the current year's presentation, including the effect of the spin-off of Shipbuilding.

LETTER FROM INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

July 26, 2011

Northrop Grumman Corporation
1840 Century Park East
Los Angeles, California

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Northrop Grumman Corporation and subsidiaries for the periods ended June 30, 2011 and 2010, as indicated in our report dated July 26, 2011; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, is incorporated by reference in Registration Statement Nos. 033-59815, 033-59853, 333-67266, 333-100179, 333-107734, 333-121104, 333-125120, 333-127317 and 333-175798 on Form S-8; Registration Statement No. 333-83672 on Form S-4; and Registration Statement No. 333-152596 on Form S-3.

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

/s/ Deloitte & Touche LLP
Los Angeles, California

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wesley G. Bush, certify that:

1. I have reviewed this report on Form 10-Q of Northrop Grumman Corporation (“company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the company’s most recent fiscal quarter (the company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: July 26, 2011

/s/ Wesley G. Bush

Wesley G. Bush
Chairman, Chief Executive Officer and President

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James F. Palmer, certify that:

1. I have reviewed this report on Form 10-Q of Northrop Grumman Corporation (“company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the company’s most recent fiscal quarter (the company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: July 26, 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 Quarterly Report of Northrop Grumman Corporation (the “company”) on Form 10-Q for the period ended June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Wesley G. Bush, Chairman, Chief Executive Officer and President of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: July 26, 2011

/s/ Wesley G. Bush

Wesley G. Bush
Chairman, Chief Executive Officer and President

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Northrop Grumman Corporation (the “company”) on Form 10-Q for the period ended June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James F. Palmer, Corporate Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: July 26, 2011

/s/ James F. Palmer

James F. Palmer
Corporate Vice President and Chief Financial Officer

