

NORTHROP GRUMMAN

A thin, curved line that starts under the 'N' and ends under the 'M', following the contour of the company name.

**Northrop Grumman
Electronic Systems Sector
Employee Security & Protection Plan**

October 1, 2008

Northrop Grumman Electronic Systems Sector Employee Security & Protection Plan For Certain Non-Represented Employees

The Northrop Grumman Electronic Systems Sector Employee Security and Protection Plan (“ES&PP” or “Plan”) provides benefits in certain cases if your employment ends due to lack of work or for business-related reasons through no fault of your own.

To qualify for benefits, you must have two or more years of employment with Northrop Grumman and meet certain other conditions. In addition, you must sign a company-approved Separation and Release Agreement in order to receive any benefits under the ES&PP.

Depending on the circumstances of your layoff or permanent job separation, you may receive:

- One week’s pay for each year of your employment
- Permanent job separation (PJS) benefits
- Employment continuation program
- Educational and retraining assistance
- Job placement assistance
- Transfer or displacement to another job
- Continuation of certain benefits

Under certain circumstances, if you are offered a position with the company during a layoff, permanent job separation, or recall, you may decline the job offer and receive ES&PP benefits instead.

However, in all circumstances, you must sign a company-approved Separation and Release Agreement in order to receive any benefits under the ES&PP.

ELIGIBILITY

You are an eligible employee if you meet all of the following conditions:

- You work in the United States at one of the following ES locations: BWI, Annapolis, Sykesville (including FE&S employees and FE&S offsite offices and facilities), Troy Hill (not including California Microwave employees), Sunnyvale, or Kings Bay.
- You are regularly scheduled to work at least 20 hours per week.
- You have two or more years of employment with Northrop Grumman.
- You are not on disability or on a leave of absence.
- You are not classified as a casual or contract-specific employee.
- You have been laid off or permanently separated through no fault of your own due to lack of work or other business-related reasons.

In addition, effective August 1, 2005, you must meet the following additional condition to be eligible:

You must receive a cover memo signed by a Vice President, Human Resources (or designee) individually addressed to you and designating you as eligible for benefits.

CONDITIONS FOR RECEIVING BENEFITS

In order to receive the benefits of this Plan, you must meet all of the following conditions:

- You must remain employed in your current position until you are laid off by your management. You must actually be laid off by the Company. If, before your layoff date, you voluntarily quit, retire, are terminated for cause, or transfer to another position with the Company, you will not receive benefits under this Plan.
- You must sign a Confidential Separation Agreement and General Release that will include, among other things, a release of any and all claims that you may have against the Company.

The following conditions also apply if your job moves, or your business unit is sold:

- If your current job moves more than 50 miles from your current work location, and you elect to terminate your employment instead of relocating, your termination will be treated as a Permanent Job Separation (PJS).
- If your business unit is sold and you are not offered similar employment with the buyer at the time of the closing of the sale, you may terminate employment as a PJS within 30 days of the closing date. For purposes of this Plan, "similar employment" means any job that pays a base salary of at least 85% of your pre-sale base salary; it does not include overtime or bonus opportunities, fringe benefits, or other aspects of employment.

HOW THE PLAN WORKS

Depending on the circumstances of your layoff or permanent job separation you may become eligible for certain benefits under the ES&PP. ES&PP benefits fall into two categories: layoff benefits and PJS benefits. Layoff benefits provide income if you are laid off through no fault of your own but Northrop Grumman expects you may return to work within one year. PJS benefits provide income and resources for retraining and job placement if you are permanently separated and the company has no reasonable expectation you will return to work.

If you are eligible for benefits, you will automatically receive information and the necessary paperwork. These materials will include a company-approved Separation and Release Agreement, which you must sign in order to receive any ES&PP benefits, including layoff or PJS, benefits.

Your benefits are paid to you in various ways described later in this section. In the event of your death, all payments cease.

VOLUNTARY REDUCTION-IN-FORCE

In an effort to minimize involuntary reductions-in-force, the Company may offer a Voluntary Reduction-In-Force Program to certain employees. If a Voluntary Reduction-In-Force Program is announced, the Company will designate employees eligible for the Program based on department or other organizational unit, job category, critical skills, current staffing requirements, or business needs. Not all employees will be eligible for the Voluntary Reduction-In-Force Program. Some job categories, departments, and/or employees will not be eligible to participate because business needs dictate that certain skills be retained to ensure that the business meets its financial goals. Employees

volunteering for a Program will need to separate no more than 12 months after the announcement of the Program.

To meet business needs, the Company reserves the right to approve or reject any request by an employee to participate in the Voluntary Reduction-In-Force Program, to determine each employee's separation date, and/or to limit the number of employees participating in the Voluntary Reduction-In-Force Program.

All employees determined at the sole discretion of the Company to be eligible to participate in the Voluntary Reduction-In-Force Program, and who also meet eligibility criteria for participation in the Employee Security & Protection Plan, will be eligible to receive all benefits of the Employee Security & Protection Plan as specified by the terms and conditions of the Plan.

WHEN COVERAGE BEGINS

You become eligible for benefits when you fulfill the eligibility criteria listed above, including at least two full years of total employment.

LAYOFF BENEFIT

Your layoff benefit is determined by your years of total employment. Your total employment includes all of your service with Northrop Grumman.

For every full year of total employment, you will receive a week's pay as a layoff benefit. You will receive a minimum of four weeks' pay. Prior layoffs and rehires may affect your benefit (see "Lump Sum," below).

If your layoff is expected to last less than six months, you will receive your benefits in weekly payments.

If your layoff is expected to last six months or more, you can receive your benefit in weekly payments or a lump sum.

In any event, all of your benefits will be paid no later than March 15th of the year following the year you are laid off.

Weekly Payments

When you receive your layoff benefit in weekly payments, this benefit when added to your unemployment compensation benefits each week equals 60% of your weekly pay. You must prove that you receive unemployment compensation benefits or that you are unemployed each week.

After your unemployment compensation benefits run out, your weekly layoff benefit continues to replace 60% of your weekly pay. You keep receiving the benefit until the date your total layoff benefit amount runs out or 12 months from your layoff date, whichever is sooner. However, any remaining benefits will be paid in a lump sum no later than March 15th of the year following the year you are laid off.

Remember, your total layoff benefit amount is based on your years of total employment.

You cannot receive a weekly layoff benefit while you receive:

- Weekly Accident and Sickness (A&S) benefit
- State or federal workers' compensation, occupational disease, temporary disability, or similar benefits; or
- State or federal retraining allowances.

If you receive your layoff benefit in weekly payments, you do not have to repay the layoff benefit if you are rehired, but your ES&PP payments cease if you are rehired or find other employment.

Lump Sum

If your layoff is expected to last more than six months, you may receive your benefit as a lump sum within 60 days after your layoff and all your paperwork is complete. If you choose the lump sum option, you permanently end your relationship with Northrop Grumman. This means you will not be eligible for any other benefits under ES&PP. This option also will affect your eligibility for certain post-employment benefits.

If you choose a lump sum and later are rehired, you will be treated as a new employee for all Northrop Grumman benefits, except certain Northrop Grumman plans such as the Pension Plan and the Savings Plan. However, if you repay your lump sum layoff benefit in full, you will not be treated as a new hire for purposes of the ES&PP.

You must arrange to repay the lump sum within 60 days of your rehire. After you have been laid off for 12 months, you are eligible for permanent job separation (PJS) benefits.

PERMANENT JOB SEPARATION (PJS) BENEFITS

Permanent job separation means your employment ends due to lack of work or for business-related reasons through no fault of your own, and Northrop Grumman has no reasonable expectation of re-employing you. If you are offered PJS benefits when your employment ends, you are not eligible for a layoff benefit. PJS benefits are in place of, and not in addition to, layoff benefits.

You are not considered permanently separated if you are offered employment with:

- Northrop Grumman
- A Northrop Grumman subsidiary
- A successor employer, or
- Any employer at least 50%-owned by Northrop Grumman.

To receive PJS benefits, you must be actively working until the day you are separated, unless you were absent because you were allowed to stop work early, were ill, were on layoff or were on a leave of absence.

If you are on disability, you cannot receive PJS benefits unless you are available to return to work within two years of your last day of employment.

Your PJS benefits include payment of your permanent separation amount (PSA), educational and retraining support, and help with job placement.

Permanent Separation Amount (PSA)

Your PSA is based on your years of total employment with the company. Your total employment includes all of your service with Northrop Grumman.

How your PSA is calculated:

| Total Employment | Your Benefit is |
|-------------------------|--|
| Two to five years | One week's pay for each full year of total employment up to five years. You will receive a minimum of four weeks' pay if you have at least two years of total employment |
| More than five years | Plus 1.5 times your weekly pay for each full year of total employment over five years. The maximum PSA you may receive is 50 weeks' pay. |

In addition to your PSA, you will be paid for any vacation, sick, or personal days you have left at the time of separation. If you receive layoff benefits during the 12 months before becoming permanently separated, your layoff benefits are subtracted from your PSA.

Your PSA Payment Options

You receive your PSA in monthly or weekly payments depending upon your current pay status. Each PSA payment is 50% of your most recent gross pay. For the purpose of this calculation, your gross pay means your salary or hourly wages not reduced by taxes or payments you normally make for benefits.

You begin receiving payments at the end of your first full month of permanent separation. Each month thereafter, you receive your monthly payment until your PSA benefit is completely paid to you. PSA benefits cannot be paid in a lump sum, except that any remaining benefits will be paid in a lump sum no later than March 15th of the year following the year of your separation.

If You Are Rehired

If Northrop Grumman (or any company at least 50%-owned by Northrop Grumman) rehires you, your PJS benefits (including your PSA payments) will end. You may keep any portion of the PSA benefits paid to you during your permanent separation. Your eligibility for PJS benefits resumes under the plan then in effect (if available) either:

- Right away, if you received only part of your PSA by the time you were rehired, or
- After one year, if you received your entire PSA benefit by the time you were rehired.

Employment Continuation Program

You may use the Employment Continuation Program if you are eligible for PJS benefits and you are an hourly or nonexempt salaried employee. Through this program you can:

- Choose up to three locations in the company where you would like to work; these must be ES sites that participate in this Plan (see above under Eligibility)
- Receive preference over new hires in these locations (provided you are qualified for the job opening)
- Use your total eligibility service for benefits eligibility and your location seniority for job movement
- Receive payment for verified relocation expenses of up to \$1,000 for you or \$2,000 for you and your dependents, and
- Receive payment for documented travel expenses of up to \$100 incurred on a job interview that leads to employment.

Your hiring preference, should you request it, will end one year after you join the program. You may ask to continue your hiring preference for another year if you make this request within 30 days of the original end date.

If you decline a valid job offer from one of your chosen locations, you may no longer continue to use this program

Educational and Retraining Assistance

Your PJS benefits can cover up to \$5,000 in pre-approved educational and retraining course expenses incurred within five years of your permanent separation. You must begin taking courses within one year of separation. Approved courses normally are offered at regionally or state-accredited schools, and may include:

- Occupational or vocational skill development
- Basic reading or numerical skill improvement
- High school diploma or equivalency courses, and
- College-level and career-related courses.

For courses not accredited by a recognized regional or state-accredited agency, reimbursement will be based on the cost of similar, locally accredited courses as determined by your human resources representative.

The ES&PP pays pre-approved expenses, including tuition, registration, and other mandatory fees, and costs of necessary books and other required supplies. You must pass a course for the ES&PP to cover it.

The ES&PP does not pay for supplies such as computer hardware or software, or pay expenses covered by government benefits, other employers, or scholarships. If you find a job with another employer and are paid 75% or more of your hourly rate, you will not receive further education and retraining benefits as of the date of your new employment.

Job Placement Assistance

Your PJS benefits also provide reasonable counseling services and information on available jobs for up to 24 months following your separation. Counselors help you with:

- Occupational or vocational skill development
- Basic reading or numerical skill improvement
- High school diploma or equivalency courses, and
- College-level and career-related courses.

BENEFITS CONTINUATION

Medical, Dental and Vision Coverage

If you have three or more years of eligibility service and you are laid off or permanently separated, you may continue your medical, dental and vision coverage under the same option and the same cost-sharing that you had before your layoff or permanent job separation until the earliest of:

- One year from your last day worked,
- The date you are employed by another employer, or
- If you elect to receive a lump sum layoff payment, the date such payment is made

To continue coverage, you must pay the required monthly contributions in advance. In place of Northrop Grumman Health Plan continuation coverage, you may choose COBRA continuation coverage. For more information on COBRA, refer to the Northrop Grumman Health Plan Summary Plan Description (SPD).

If you have 25 years of service and if at the end of the coverage period described above you are laid off and are permanently separated, you may continue your medical and vision coverage as described below:

- You may continue medical and vision coverage under the Northrop Grumman Health Plan by paying in advance a contribution that equals half of Northrop Grumman's cost of providing coverage.
- You may continue coverage for yourself and your spouse until each of you is eligible for Medicare. Coverage for dependent children may be continued while they remain eligible under the plan.
- If your coverage under another employer's plan ends, you must enroll for Northrop Grumman Health Plan coverage within 60 days of the date you lose the other coverage. If you wait more than 60 days to enroll, or if you wish to re-enroll for any other reason, you will need to provide evidence of good health for yourself and any eligible dependents.
- If you continue Northrop Grumman Health Plan coverage, your benefits from the plan are reduced by your health care benefits from any other employer's plan.

If you die, your surviving eligible dependents can continue coverage by continuing to pay the required contributions. Your surviving eligible dependents can re-enroll for coverage within 60 days of your death without providing evidence of good health.

Basic Life Insurance

If you have less than three years of eligibility service at the time of layoff or permanent job separation coverage stops on your termination date. You have 31 days to choose to convert basic coverage to an individual whole life policy.

If you have three or more years of eligibility service at the time of layoff or permanent job separation, a basic life benefit of one times your annual base pay (maximum of \$50,000) is provided until the earliest of:

- One year from your last day worked
- The date you are employed by another employer, or
- If you elect to receive a lump sum layoff payment, the date such payment is made.

If your annual base pay is greater than \$50,000, you may convert the difference between your annual base pay and the \$50,000 cap within 31 days of your separation date.

If you have 25 years of service and if at the end of the coverage period described in the paragraph above you are permanently separated, a basic life insurance benefit equal to one times your annual base pay (maximum of \$50,000) is provided until you reach 62, at 75% of the amount in force on the day of your permanent job separation. This continued amount is not more than \$37,500 if you are a salaried employee or \$32,250 if you are an hourly employee. At age 62, your basic life insurance benefit immediately reduces to \$3,750 if you are a salaried employee or \$3,225 if you are an hourly employee. This coverage continues for the rest of your life.

Optional Dependent Life Insurance

If you have less than three years of eligibility service at the time of layoff or permanent job separation, coverage stops on your termination date. You have 31 days to choose to convert coverage to an individual policy

If you have three or more years of service at the time of layoff or permanent job separation, you may dependent life coverage until the earliest of:

- One year from your last day worked
- The date you are employed by another employer, or
- If you elect to receive a lump sum layoff payment, the date such payment is made.

If you have 25 or more years of eligibility service at the time of layoff or permanent job separation, you may continue dependent life coverage until your death.

Basic Accidental Death & Dismemberment

Coverage stops on your termination date.

Optional Accidental Death & Dismemberment

Coverage stops on your termination date. You have 31 days to convert to an individual policy.

Retirement Health Care Security Fund (RHCSF)

Coverage ends at your termination date.

ELECTING BENEFITS IN LIEU OF JOB OFFERS

If you are an hourly paid or nonexempt salaried employee at the time of a layoff or permanent job separation event and are placed in a pay grade with a maximum rate more than 15% lower than the maximum pay grade you were in six months before the planned placement, you may elect the layoff or permanent job separation (as the case may be) instead of the job placement without affecting your eligibility for benefits for which you otherwise qualify.

Likewise, if you are an hourly paid or nonexempt salaried employee and are recalled in a pay grade with a maximum more than 15% lower than the maximum of the pay grade to which you were assigned on the day six months prior to your layoff or permanent job separation, you may refuse recall without affecting your eligibility for benefits for which you otherwise qualify. If you refuse recall on a job with a maximum rate within the 15% range, you will not be eligible for benefits under the ES&PP.

If you are an exempt employee at the time of a layoff or permanent job separation event and you are offered another position at compensation that is:

- Less than 75% of your present salary at a location not requiring relocation of your household, or
- Less than 100% of your present salary at a location requiring relocation of your household more than 50 miles,

you may elect the layoff or permanent job separation (as the case may be) instead of the job offer without affecting your eligibility for benefits for which you otherwise qualify.

Likewise, if you are an exempt employee and are offered re-employment in a position at compensation that is:

- Less than 75% of your salary on the day of your layoff or permanent job separation at a location not requiring relocation of your household, or
- Less than 100% of your salary on the day of your layoff or permanent job separation at a location requiring relocation of your household more than 50 miles,

you may refuse the offer without affecting your eligibility for benefits for which you otherwise qualify. If you refuse employment in a position at compensation that is 75% or more, or 100% of your salary, as applicable, you will not be eligible for benefits under the ES&PP.

SEPARATION AND RELEASE AGREEMENT REQUIRED

You must sign a company-approved Separation and Release Agreement in order to receive any benefits under the ES&PP. If you do not sign the Separation and Release Agreement, you will not be eligible for any benefits under the ES&PP.

YOUR ERISA RIGHTS

As a plan participant under ERISA, you have the right to:

- Examine all plan documents without charge at the plan administrator's office or at other specified locations. Copies of all documents filed on behalf of the plan with the U.S. Department of Labor, such as the annual report, are also available for you to review at the plan administrator's office.
- Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including copies of the latest annual report and updated summary plan description. The plan administrator may charge a reasonable fee for the copies.

In addition to creating rights for plan participants, ERISA imposes duties on the plan fiduciaries - the people responsible for operating the plan. At Northrop Grumman, plan fiduciaries may include employees who make certain discretionary decisions about the management or administration of the plan.

Fiduciaries have a duty to operate the plan prudently and in the interest of you and other plan participants and beneficiaries. Fiduciaries that violate ERISA may be removed and/or required to make good on losses that they caused the plan.

No one, including Northrop Grumman or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Under ERISA, there are several steps you can take to enforce your rights. For instance, if you request plan materials and you do not receive them within 30 days, you may file suit in federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials unless the materials were not sent for a reason beyond the control of the plan administrator or the plan administrator otherwise had a reasonable basis for not providing them.

If you have a claim for benefits that is denied or ignored in whole or in part and you have been through all of the plan's appeals procedures, then you may file suit in a state or federal court. If a fiduciary misuses the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in federal court.

In addition to deciding what damages, if any, should be awarded, the court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you sued to pay them. If you lose, the court may order you to pay these costs and fees (for example, if it finds your claim to be frivolous).

If you have any questions about your rights under ERISA or about this statement outlining your rights, you should contact the nearest regional office of the Employee

Benefits Security Administration (formerly known as the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in your telephone directory. You also may contact the Division of Technical Assistance and Inquiries, Employee Benefits Security Administrator (formerly known as the Pension and Welfare Benefits Administration), U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.

CLAIMS AND APPEALS PROCEDURES

Claims Procedure. If you believe that you are entitled to benefits under this Plan and have not received them, you or your authorized representative may file a claim for benefits by writing to the Plan Administrator. Your letter must state the reason why you believe that you are entitled to benefits, and your letter must be received no later than 90 days after your termination of employment, or 90 days after a payment was due, whichever comes first.

If your claim is denied, in whole or in part, you will receive a written response within 90 days. This response will include (i) the reason(s) for the denial, (ii) reference(s) to the specific plan provisions on which denial is based, (iii) a description of any additional information necessary to perfect the claim, and (iv) a description of the Plan's claims and appeals procedures. In some cases more than 90 days may be needed to make a decision, in which case you will be notified prior to the expiration of the 90 days that more time is needed to review the claim and the date by which the Plan expects to render the decision. In no event will the extension be for more than an additional 90 days.

Appeal of Denied Claim. You or your authorized representative may appeal a denied claim by filing an appeal with the Corporate Severance Plan Review Committee ("Committee") within 60 days after your claim is denied. Your appeal should be sent to the Committee c/o the Plan Administrator. As part of the appeal process you will be given the opportunity to submit written comments and information and be provided, upon request and free of charge, with copies of documents and other information relevant to your claim. The review on appeal will take into account all information submitted on appeal, whether or not it was provided for in the initial benefit determination. A decision will be made on your appeal within 60 days, unless additional time is needed. If more time is needed, you will be notified prior to the expiration of the 60 days that up to an additional 60 days is needed and the date by which the Plan expects to render the decision. If your claim is denied, in whole or in part, on appeal you will receive a written response which will include (i) the reason(s) for the denial, (ii) references to the specific plan provisions on which the denial is based, (iii) a statement that you are entitled to receive, upon request and free of charge, copies of all documents and other information relevant to your claim on appeal, and (iv) a description of these claims and appeals procedures.

If your claim is denied on appeal, you have a right to bring an action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended. You must pursue all claims and appeals procedures described in the Plan document before you seek any other legal recourse with respect to Plan benefits. In addition, any lawsuit must be filed within six months from the date of your denied appeal, or two years from your termination date, whichever occurs first.

The Plan Administrator, the administrator, and Corporate Severance Plan Review Committee shall have sole absolute discretion over claims and appeals issues and determinations regardless of the timing of such determination or exercise of such discretion.

PLAN ADMINISTRATION

Plan Sponsor. Northrop Grumman Corporation (the "Corporation") is the principal employer that maintains the Plan. The Plan Sponsor's Employer Identification Number is 95-3027197. The address of the Plan Sponsor is: 1840 Century Park East, Los Angeles, CA 90067.

Plan Administrator. The Plan Sponsor administers the Plan and is the Plan Administrator. The Plan Administrator has designated the Chief Human Resources and Administrative Officer of Northrop Grumman Corporation as the administrator. The administrator is vested with all power and authority necessary or appropriate to administer the Plan on behalf of the Plan Administrator, and he has full discretionary authority in this capacity. The address and telephone number of the Plan Administrator is:

Northrop Grumman Corporation
Attn: Chief Human Resources and Administrative Officer
1840 Century Park East
Los Angeles, California 90067-2199
(310)201-3043

The Plan Administrator or its designated administrator may delegate any of its administrative or fiduciary authority, including the authority to hear claims and appeals, to other Company officers or employees. Authority to hear appeals has been delegated to the Corporate Severance Plan Review Committee.

Plan Identifying Information. The Plan is a welfare benefit plan that provides severance benefits. The Plan year is the calendar year. The ERISA plan number is 601.

Funding of Benefits. The entire cost of the Plan is paid from Company assets. There is no trust fund associated with the Plan.

Service of Process, Limitation Period. Legal service of process can be made upon the Secretary of the Corporation by directing service to that officer c/o Northrop Grumman Corporation, 1840 Century Park East, Los Angeles, California 90067-2199. Service may also be made on the Plan Administrator. You must pursue all claims procedures described in this document before you seek any other legal recourse with respect to Plan benefits. In addition, any lawsuit must be filed within six months from the date of your denied appeal, or one year from your termination date, whichever occurs first.

Plan Document, Amendment and Termination. This document serves both as the official Plan document and the summary plan description. Northrop Grumman Corporation reserves the right to amend or terminate the Plan, in its sole discretion, at any time.

Non-duplication of Benefits. Benefits paid under this Plan are in lieu of, and not in addition to, any other severance or similar type of benefit payable under any Company plan, policy or arrangement. If, despite any release signed in connection with this Plan,

an employee is later awarded and receives benefits under any other severance plan, benefits paid under this Plan will offset any other benefits payable.

Amounts paid under this Plan beyond the payment required pursuant to the WARN Act (or similar state law), or where such law does not apply, are not pension or savings-plan eligible, regardless of whether paid as salary continuation or in a lump sum.

No Contract of Employment. Nothing in this Plan creates a vested right to benefits in any employee or any right to be retained in the employ of the Company.

Governing Law. This Plan shall be interpreted according to the laws of the State of Delaware, without reference to its choice of laws provisions, to the extent not preempted by federal law.

Effective Date. This Plan is effective September 1, 2003 except as otherwise indicated.