

Northrop Grumman Financial Security & Savings Program

Performance Update

As of December 31, 2007

Performance Comparison - Net of Fees

| Fund and Benchmark | Fourth Quarter | 1 Year | 3 Years | 5 Years | 10 Years |
|---|----------------|--------------|--------------|--------------|------------|
| Stable Value Fund | 1.2% | 4.8% | 4.5% | 4.6% | N/A |
| <i>Merrill Lynch 1-3 Year Treasury Index</i> | 2.4% | 7.3% | 4.3% | 3.1% | 4.8% |
| U.S. Fixed Income Fund | 3.3% | 7.4% | 4.5% | 4.3% | N/A |
| <i>Citigroup Broad Investment Grade Bond Index</i> | 3.1% | 7.2% | 4.7% | 4.6% | 6.0% |
| Balanced Fund | -1.9% | 5.6% | 8.3% | 10.7% | N/A |
| <i>Balanced Benchmark</i> | -0.8% | 7.1% | 9.0% | 11.5% | 7.3% |
| Retirement Path Retirement Fund | -0.2% | 4.8% | N/A | N/A | N/A |
| <i>RetirementPath Benchmark</i> | 0.8% | 7.1% | N/A | N/A | N/A |
| Retirement Path 2010 Fund | -0.7% | 4.7% | N/A | N/A | N/A |
| <i>RetirementPath 2010 Benchmark</i> | 0.4% | 7.0% | N/A | N/A | N/A |
| Retirement Path 2020 Fund | -2.2% | 3.8% | N/A | N/A | N/A |
| <i>RetirementPath 2020 Benchmark</i> | -1.0% | 6.6% | N/A | N/A | N/A |
| Retirement Path 2030 Fund | -3.3% | 3.2% | N/A | N/A | N/A |
| <i>RetirementPath 2030 Benchmark</i> | -2.1% | 6.3% | N/A | N/A | N/A |
| Retirement Path 2040 Fund | -4.3% | 2.5% | N/A | N/A | N/A |
| <i>RetirementPath 2040 Benchmark</i> | -2.9% | 6.0% | N/A | N/A | N/A |
| U.S. Equity Fund | -4.0% | 4.1% | 8.1% | 13.0% | N/A |
| <i>Standard & Poor's 500 Stock Index (S&P 500)</i> | -3.3% | 5.5% | 8.6% | 12.8% | 5.9% |
| International Equity Fund | -3.3% | 9.1% | 14.6% | 18.8% | N/A |
| <i>Morgan Stanley Capital International EAFE[®] Index (MSCI EAFE)</i> | -1.8% | 11.2% | 16.8% | 21.6% | 8.7% |
| Small Cap Fund | -5.2% | 1.1% | 7.4% | 14.4% | N/A |
| <i>Russell 2000[®] Index (Russell 2000)</i> | -4.6% | -1.6% | 6.8% | 16.3% | 7.1% |
| Emerging Markets Equity Fund | 3.2% | 40.9% | 36.1% | 35.7% | N/A |
| <i>Morgan Stanley Capital International Emerging Markets Free Index[®]</i> | 3.7% | 39.8% | 35.6% | 37.5% | 14.5% |
| Northrop Grumman Fund | 0.8% | 15.9% | 12.7% | 9.9% | N/A |
| <i>Standard & Poor's 500 Stock Index (S&P 500)</i> | -3.3% | 5.5% | 8.6% | 12.8% | 5.9% |

Stable Value Fund

As of December 31, 2007

Investment Objective:

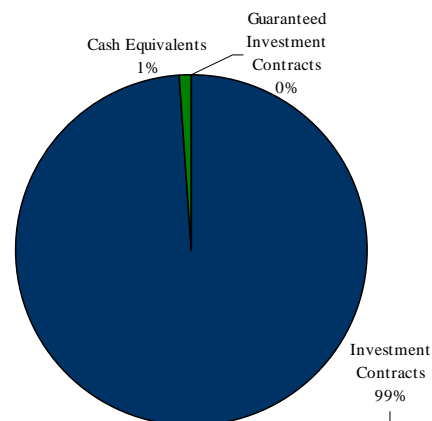
The Stable Value Fund is the most conservative core investment fund offered. It comprises a wide range of fixed-income securities that mature, on average, in three to four years. The fund's portfolio is diversified among U.S. government and federal agency securities, short-term bonds, and cash equivalents, and includes investment contracts issued by insurance companies and banks. Historically, there is less risk associated with short-term investments such as the Stable Value Fund. However, because the fund's objective is to protect your principal, there is also less opportunity for long-term growth. You may find this fund attractive if you are a conservative investor, you have a short-term horizon and are looking for security of principal, or you have a long-term horizon and would like to diversify a higher-risk portfolio. The performance of the Stable Value Fund is compared to the Merrill Lynch 1 – 3 Year Treasury Index.

Portfolio Statistics

Portfolio Components

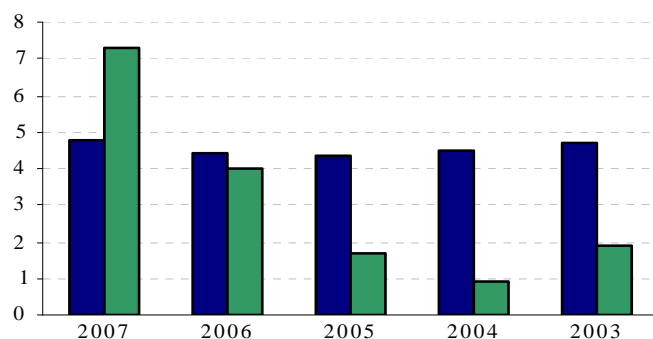
| | % of Portfolio |
|-----------------------------------|----------------|
| Investment Contracts (Synthetics) | 99 |
| Cash Equivalents | 1 |
| Guaranteed Investment Contracts | 0 |

Sector Weights

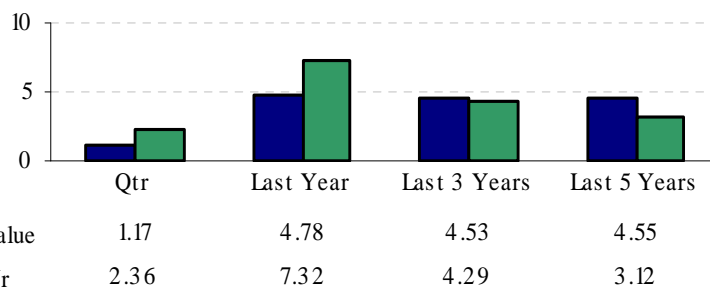


Performance Comparison - Net of Fees

Annual Returns



Cumulative Returns



Cumulative returns one year and greater are annualized

Managers

| | Inception |
|----------------|-----------|
| Jennison | 1Q2003 |
| JPMorgan | 3Q1999 |
| Payden & Rygel | 4Q1995 |
| PIMCO | 3Q1995 |
| Wellington | 3Q1999 |
| PRIMCO BT Del. | 1Q2001 |

Risk Statistics

| | Five Years |
|-------------------|------------|
| Std. Dev. (Fund) | 0.10 |
| Std. Dev. (Index) | 1.74 |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.23% |
| Administration and Other Expense | 0.21% |
| Total | 0.44% |

U.S. Fixed Income Fund

As of December 31, 2007

Investment Objective:

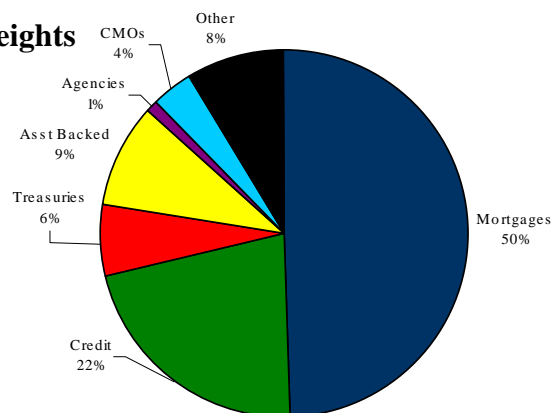
By primarily investing in high-quality bonds, the U.S. Fixed Income Fund is designed to provide a consistently higher level of income and potential for investment return than is available in the short-term market. The U.S. Fixed Income Fund comprises a wide range of fixed-income securities that mature, on average, in eight to ten years. The U.S. Fixed Income Fund invests primarily in domestic fixed-income securities that have one of the three highest investment grade ratings-A or better-assigned by Moody's Investor Services or Standard & Poor's corporation. Holdings also include U.S. government and federal agency securities, corporate bonds, mortgage-backed securities, and cash-equivalent instruments. The performance of the U.S. Fixed Income Fund is compared to that of the Citigroup Broad Investment Grade Bond Index ("Citigroup BIG").

Portfolio Statistics

Portfolio Characteristics

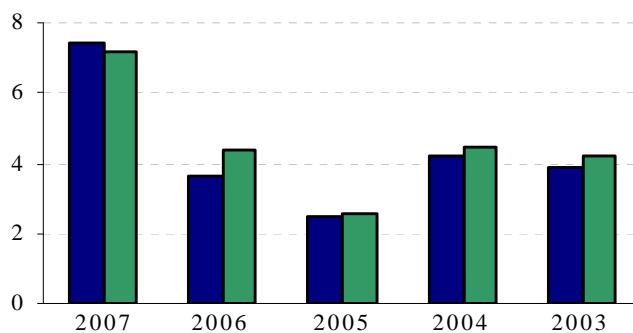
| | U.S. Fixed Income Fund | Citigroup BIG Index |
|--------------------|------------------------|---------------------|
| Duration | 4.41 | 4.89 |
| Average Quality | AA+ | AA+ |
| Effective Maturity | 6.79 | 4.81 |

Sector Weights



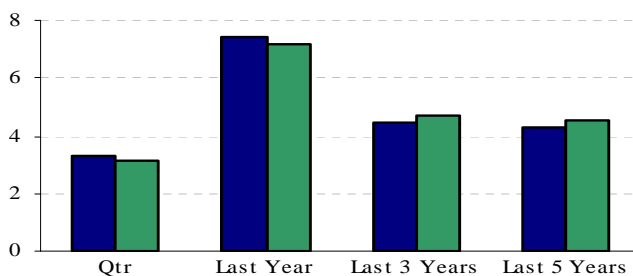
Performance Comparison - Net of Fees

Annual Returns



| | 2007 | 2006 | 2005 | 2004 | 2003 |
|-----------------------|------|------|------|------|------|
| ■ U.S. Fixed Inc Fund | 7.41 | 3.62 | 2.49 | 4.24 | 3.86 |
| ■ Citigroup BIG | 7.21 | 4.33 | 2.57 | 4.48 | 4.20 |

Cumulative Returns



| | Qtr | Last Year | Last 3 Years | Last 5 Years |
|-----------------------|------|-----------|--------------|--------------|
| ■ U.S. Fixed Inc Fund | 3.31 | 7.41 | 4.49 | 4.31 |
| ■ Citigroup BIG | 3.14 | 7.21 | 4.69 | 4.55 |

Cumulative returns one year and greater are annualized

Managers

| Manager | Inception |
|-----------------|-----------|
| BlackRock | 1Q2001 |
| Jennison | 3Q1975 |
| PIMCO | 4Q2004 |
| Wellington | 3Q2002 |
| SSGA Bond Index | 4Q1999 |

Risk Statistics

| | Five Years |
|-------------------|------------|
| Std. Dev. (Fund) | 3.36 |
| Std. Dev. (Index) | 3.47 |
| Beta | 0.96 |
| R-Squared | 0.98 |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.18% |
| Administration and Other Expense | 0.21% |
| Total | 0.39% |

Balanced Fund

As of December 31, 2007

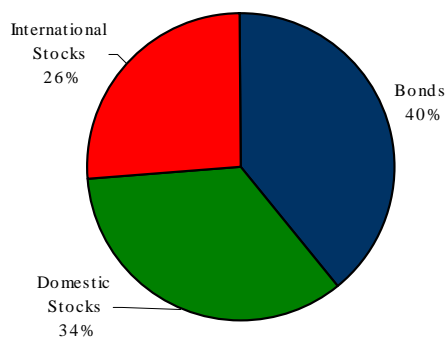
Investment Objective:

The Balanced Fund is designed to provide investors with a diversified portfolio with a target asset allocation of 45% domestic stocks, 20% international stocks, and 35% fixed income. The goal of the Balanced Fund is to earn a higher rate of return than the bond market, but with less risk than investing only in stocks. The fund's risk and return potential will reflect a weighted average of the risk and return of the component allocations. At any time, the actual allocation percentages may differ from the targeted proportions; however, the fund is monitored to ensure that the allocation does not deviate beyond acceptable levels from the targeted allocation. The performance of the Balanced Fund is compared to a custom benchmark comprised of 45% Russell 3000®, 20% Morgan Stanley Capital International EAFE®, and 35% Lehman Brothers Aggregate Bond Index.

Portfolio Statistics

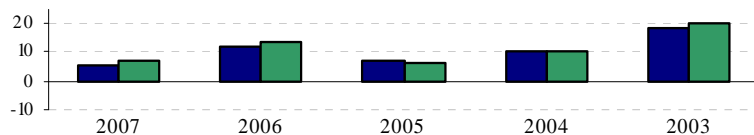
Allocations

| Portfolio Components | % of Fund |
|------------------------|-----------|
| Fixed-Income | 40% |
| Domestic Stocks | 34% |
| International Equities | 26% |



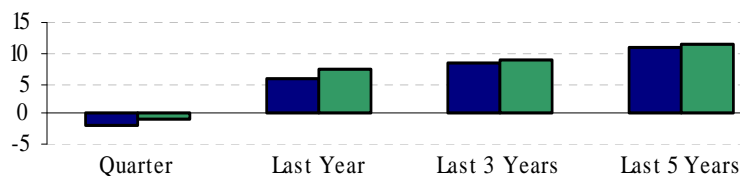
Performance Comparison - Net of Fees

Annual Returns



| | | | | | |
|--------------------------|------|-------|------|-------|-------|
| ■ Balanced Fund | 5.64 | 12.01 | 7.19 | 10.73 | 18.44 |
| ■ Balanced Custom Index* | 7.06 | 13.72 | 6.34 | 10.75 | 19.91 |

Cumulative Returns



| | | | | |
|--------------------------|-------|------|------|-------|
| ■ Balanced Fund | -1.85 | 5.64 | 8.25 | 10.71 |
| ■ Balanced Custom Index* | -0.80 | 7.06 | 8.99 | 11.45 |

*The custom benchmark is comprised of the following: 45% Russell 3000®, 20% Morgan Stanley Capital International EAFE®, and 35% Lehman Brothers Aggregate Bond Index. Returns one year and greater are annualized.

Cumulative returns one year and greater are annualized

Managers

| Manager | Inception |
|------------------|-----------|
| Capital Guardian | 4Q2004 |
| GMO | 4Q2004 |
| SSgA | 4Q2004 |

Risk Statistics

| | Five Years |
|-------------------|------------|
| Std. Dev. (Fund) | 6.36 |
| Std. Dev. (Index) | 6.58 |
| Beta | 0.96 |
| R-Squared | 0.99 |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.36% |
| Administration and Other Expense | 0.21% |
| Total | 0.57% |

U.S. Equity Fund

As of December 31, 2007

Investment Objective:

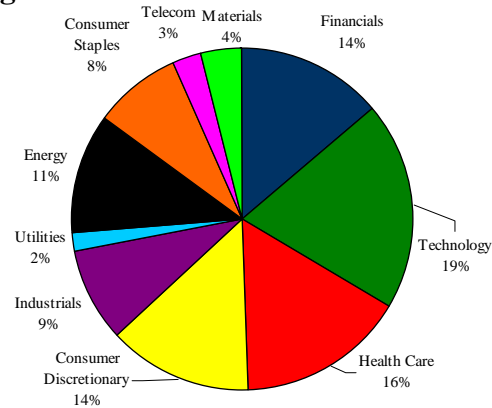
By primarily investing in stocks of large and medium-size U.S. companies, the U.S. Equity Fund is designed to achieve a high total return through long-term growth of capital and the reinvestment of current income. This fund uses an active investment strategy. The performance of the U.S. Equity Fund is compared to that of the Standard & Poor's 500 Stock Index (S&P 500).

Portfolio Statistics

Top 10 Holdings

| Top 10 Holdings | % of Fund |
|---------------------|-----------|
| Exxon Mobil Corp | 2.6% |
| General Electric Co | 2.1% |
| Hewlett-Packard | 1.8% |
| Microsoft Corp | 1.8% |
| Google | 1.7% |
| Apple Inc. | 1.6% |
| Procter & Gamble Co | 1.4% |
| Schlumberger | 1.4% |
| Cisco Systems | 1.2% |
| Chevron Corp | 1.2% |

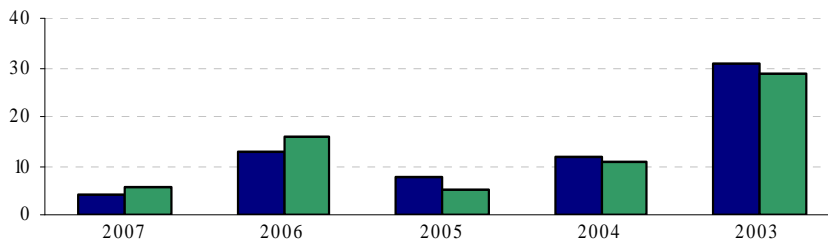
Sector Weights



| Portfolio Characteristics | U.S. Equity Fund | S&P 500 |
|----------------------------|------------------|------------|
| Weighted Median Market Cap | \$46.46 bn | \$54.83 bn |
| P/E Ratio | 18.06 | 16.60 |
| Dividend Yield | 1.59 | 1.97 |
| Number of Securities | 605 | 500 |

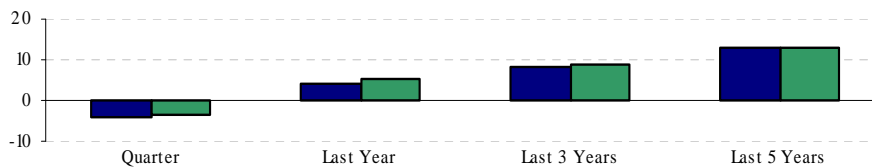
Performance Comparison - Net of Fees

Annual Returns



| | 2007 | 2006 | 2005 | 2004 | 2003 |
|------------------|------|-------|------|-------|-------|
| U.S. Equity Fund | 4.07 | 12.80 | 7.55 | 11.93 | 30.52 |
| S&P 500 | 5.49 | 15.79 | 4.91 | 10.88 | 28.68 |

Cumulative Returns



| | Quarter | Last Year | Last 3 Years | Last 5 Years |
|------------------|---------|-----------|--------------|--------------|
| U.S. Equity Fund | -3.95 | 4.07 | 8.08 | 13.02 |
| S&P 500 | -3.33 | 5.49 | 8.62 | 12.83 |

Managers

| Manager | Inception |
|---------------------|-----------|
| Capital Guardian | 3Q1975 |
| Delta Asset | 3Q1995 |
| Dodge & Cox | 4Q2000 |
| INTECH | 4Q2003 |
| Jennison | 1Q1979 |
| JP Morgan | 4Q1995 |
| RCM | 3Q1975 |
| Southeastern | 4Q2002 |
| State Street Global | 4Q2004 |

Risk Statistics

| | Five Years |
|-------------------|------------|
| Std. Dev. (Fund) | 9.90 |
| Std. Dev. (Index) | 9.95 |
| Beta | 0.99 |
| R-Squared | 0.98 |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.24% |
| Administration and Other Expense | 0.21% |
| Total | 0.45% |

Cumulative returns one year and greater are annualized

International Equity Fund

As of December 31, 2007

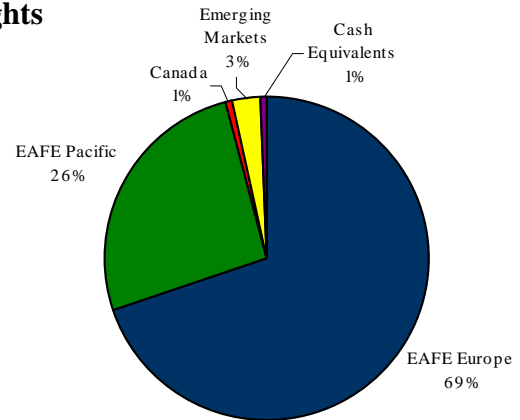
Investment Objective:

The International Equity Fund is designed to achieve high total return through long-term capital appreciation and the reinvestment of income. The fund invests in the stocks of a diversified group of companies primarily in developed countries outside the United States. The performance of the International Equity Fund is compared to that of the Morgan Stanley Capital International EAFE® Index (MSCI EAFE®).

Portfolio Statistics (as of November 30, 2007)

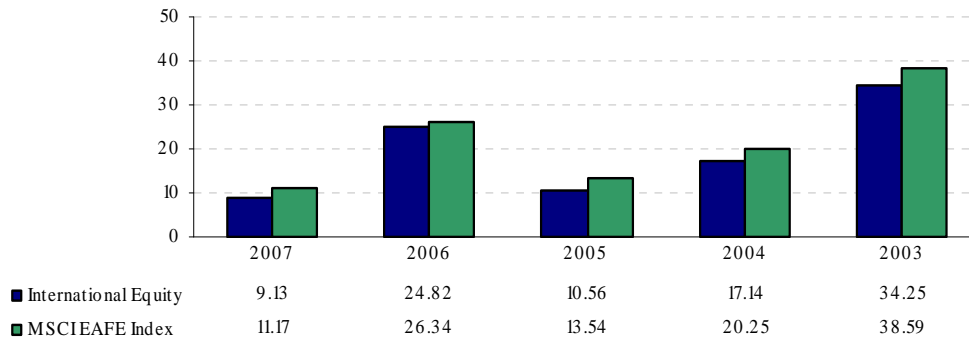
Regional Weights

| <u>Top 10 Holdings</u> | <u>% of Fund</u> |
|------------------------------|------------------|
| Nokia Corp | 2.0% |
| Vodafone Group | 2.0% |
| Total S.A. | 1.8% |
| Royal Dutch Shell PLC | 1.7% |
| Nestle SA | 1.7% |
| Banco Santander S.A. | 1.2% |
| British American Tobacco PLC | 1.2% |
| ABB Ltd | 1.1% |
| France Telecom | 1.0% |
| RWE AG | 1.0% |

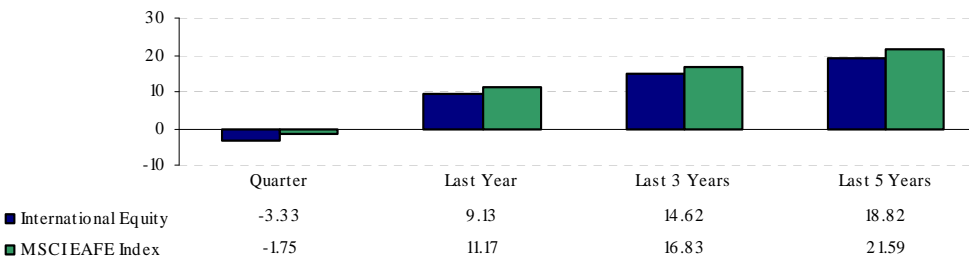


Performance Comparison - Net of Fees

Annual Returns



Cumulative Returns



Managers

| | <u>Inception</u> |
|-------------------|------------------|
| AllianceBernstein | 3Q2005 |
| Morgan Stanley | 2Q2003 |
| SSgA | 4Q2004 |

Risk Statistics

| | <u>Five Years</u> |
|-------------------|-------------------|
| Std. Dev. (Fund) | 13.87 |
| Std. Dev. (Index) | 13.82 |
| Beta | 1.00 |
| R-Squared | 0.99 |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.44% |
| Administration and Other Expense | 0.21% |
| Total | 0.65% |

Cumulative returns one year and greater are annualized

Small Cap Equity Fund

As of December 31, 2007

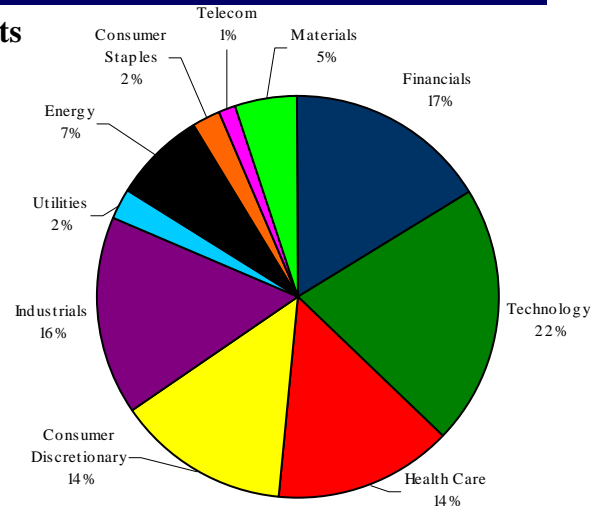
Investment Objective:

The Small Cap Fund is designed to achieve high total return by investing primarily in a diversified group of U.S. companies with lower market capitalization and higher revenue growth than the large, well-established companies that make up the S&P 500 Index. Like other stock funds, the objective is to grow your investment over the long term, rather than provide current income. However, this is especially true for small cap stocks because their market values tend to fluctuate more widely than do those of the stocks of larger companies. The performance of the Small Cap Fund is compared to that of the Russell 2000® Index (Russell 2000).

Portfolio Statistics

| Top 10 Holdings | % of Fund |
|--------------------|-----------|
| Dycom Industries | 0.5% |
| Hologic Inc. | 0.4% |
| Vistaprint | 0.4% |
| LKQ Corp | 0.4% |
| Belden Inc | 0.4% |
| Bucyrus Intl. Inc. | 0.4% |
| Penn VA Corp | 0.4% |
| Strayer Ed Inc. | 0.4% |
| Hexcel Corp | 0.4% |
| Thq | 0.4% |

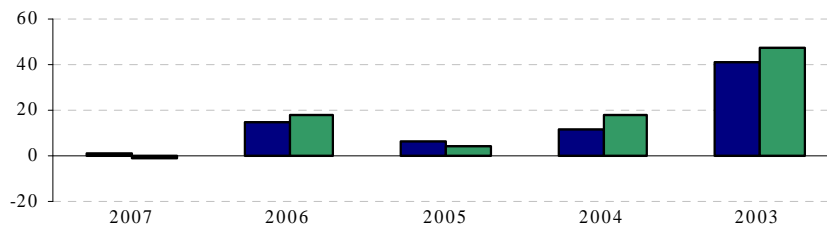
Sector Weights



| Portfolio Characteristics | Small Cap | Rus. 2000 |
|----------------------------|-----------|-----------|
| Weighted Median Market Cap | \$1.25 bn | \$1.18 bn |
| P/E Ratio | 26.02 | 27.57 |
| Dividend Yield | 1.09 | 1.30 |
| Number of Securities | 1,993 | 1,931 |

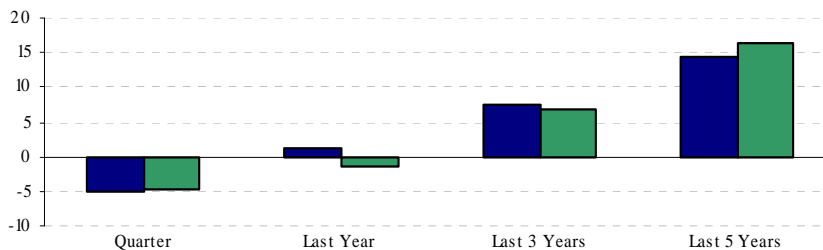
Performance Comparison - Net of Fees

Annual Returns



| | 2007 | 2006 | 2005 | 2004 | 2003 |
|----------------------|-------|-------|------|-------|-------|
| ■ Small Cap Equity | 1.12 | 14.63 | 6.80 | 12.08 | 41.03 |
| ■ Russell 2000 Index | -1.57 | 18.37 | 4.55 | 18.33 | 47.25 |

Cumulative Returns



| | Quarter | Last Year | Last 3 Years | Last 5 Years |
|----------------------|---------|-----------|--------------|--------------|
| ■ Small Cap Equity | -5.16 | 1.12 | 7.38 | 14.37 |
| ■ Russell 2000 Index | -4.58 | -1.57 | 6.80 | 16.25 |

Cumulative returns one year and greater are annualized

Managers

| | Inception |
|-------------------|-----------|
| Ark Asset Mgmt | 4Q2003 |
| AllianceBernstein | 1Q2004 |
| ICM | 4Q2003 |
| SSgA | 3Q1999 |

Risk Statistics

| | Five Years |
|-------------------|------------|
| Std. Dev. (Fund) | 14.96 |
| Std. Dev. (Index) | 15.85 |
| Beta | 0.93 |
| R-Squared | 0.98 |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.59% |
| Administration and Other Expense | 0.21% |
| Total | 0.80% |

Emerging Markets Equity Fund

As of December 31, 2007

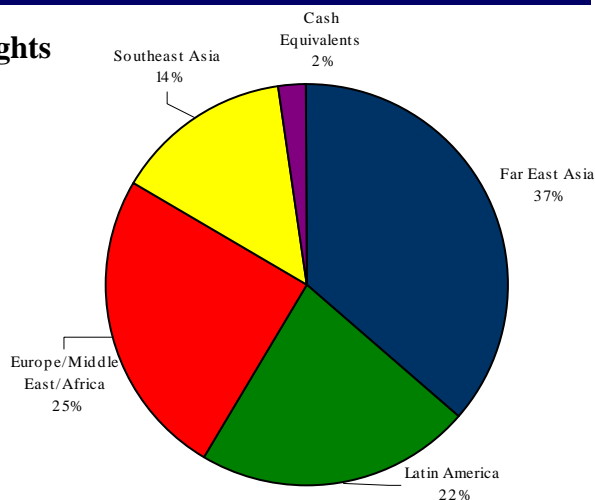
Investment Objective:

The Emerging Markets Equity Fund is designed to achieve a high total return over the long term by investing primarily in a diversified portfolio of stocks issued by companies based in developing countries. Like other stock funds, its objective is to attain capital appreciation over the long term. However, emerging markets stocks can experience added volatility due to political and monetary risk. The performance of the Emerging Markets Equity Fund is compared to that of the Morgan Stanley Capital International Emerging Markets Free Index® (MSCI EMF).

Portfolio Statistics (as of November 30, 2007)

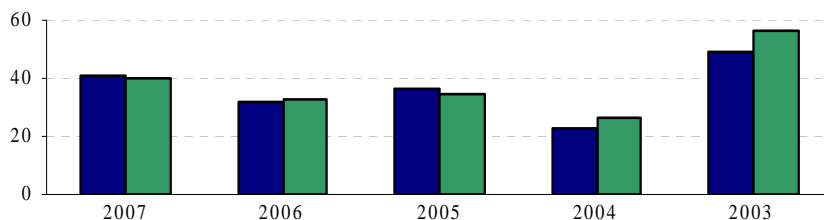
Regional Weights

| Top 10 Holdings | % of Fund |
|--------------------------------|-----------|
| Patroleo Brasileiro S/A | 3.5% |
| Gazprom | 3.1% |
| Cia Vale Rio Doce | 2.6% |
| MSCI Brazil Free Deutsche Bank | 2.3% |
| China Mobile Ltd. | 2.2% |
| American Movil | 1.8% |
| Samsung Electronics | 1.3% |
| Hon Hai Precision Industry | 1.2% |
| Evrax Group SA | 0.9% |
| MTN Group LTD | 0.8% |



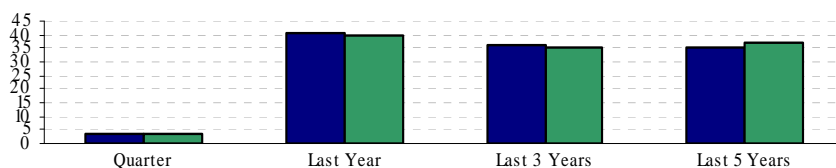
Performance Comparison - Net of Fees

Annual Returns



| | | | | | |
|----------------------|-------|-------|-------|-------|-------|
| ■ Emerging Markets | 40.87 | 31.55 | 36.10 | 22.74 | 48.72 |
| ■ MSCI Emer Mkts Idx | 39.78 | 32.59 | 34.54 | 25.95 | 56.28 |

Cumulative Returns



| | | | | |
|----------------------|------|-------|-------|-------|
| ■ Emerging Markets | 3.24 | 40.87 | 36.12 | 35.71 |
| ■ MSCI Emer Mkts Idx | 3.66 | 39.78 | 35.6 | 37.46 |

Cumulative returns one year and greater are annualized

Managers

| Manager | Inception |
|------------------|-----------|
| Capital Guardian | 1Q2000 |
| GMO | 2Q2004 |
| SSgA | 3Q2006 |
| Wellington | 2Q2005 |

Risk Statistics

| | Five Years |
|-------------------|------------|
| Std. Dev. (Fund) | 17.70 |
| Std. Dev. (Index) | 17.89 |
| Beta | 0.98 |
| R-Squared | 0.99 |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.76% |
| Administration and Other Expense | 0.21% |
| Total | 0.97% |

Northrop Grumman Stock Fund

As of December 31, 2007

Investment Objective:

This fund provides employees an opportunity to participate in Northrop Grumman's growth through the purchase of Northrop Grumman common stock. This makes you a part owner of Northrop Grumman and gives you full voting rights for any shares of stock that are attributable to your account. Like any fund invested in a single stock, the fund has potential for losses as well as gains and is subject to risk with respect to Northrop Grumman's profitability and investors' perceptions of Northrop Grumman's financial future, the industry, and the stock market in general. The performance of the Northrop Grumman Fund is compared to that of the Standard & Poor's 500 Stock Index (S&P 500).

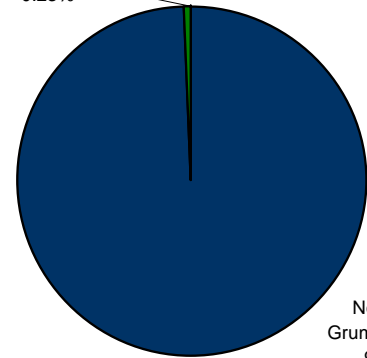
Portfolio Statistics

Fund Components

The fund held 219,482 shares, or .1%, of Northrop Grumman's outstanding common stock, valued at \$78.64 per share on December 31, 2007.

Holdings

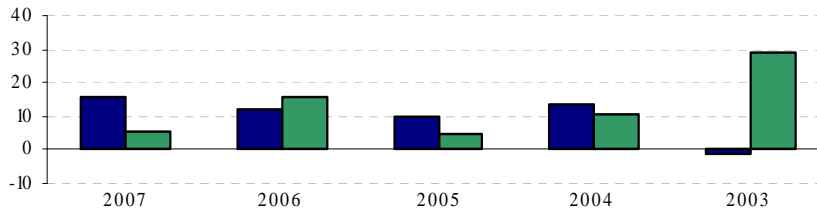
Dividends/Short-Term Investments
0.23%



Northrop Grumman Stock
99.77%

Performance Comparison - Net of Fees

Annual Returns

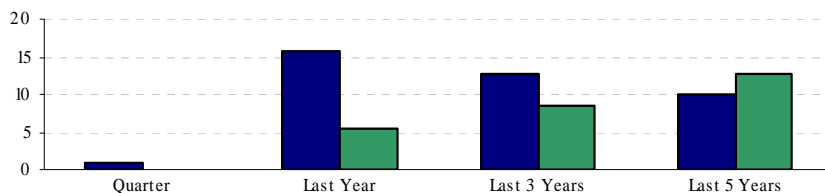


| | | | | | |
|-----------------------|-------|-------|-------|-------|-------|
| ■ Northrop Stock Fund | 15.89 | 12.06 | 10.08 | 13.39 | -1.08 |
| ■ S&P 500 | 5.49 | 15.79 | 4.91 | 10.88 | 28.68 |

Risk Statistics

| | Five Years |
|-------------------|------------|
| Std. Dev. (Fund) | 12.05 |
| Std. Dev. (Index) | 9.95 |
| Beta | 0.42 |

Cumulative Returns



| | | | | |
|-----------------------|-------|-------|-------|-------|
| ■ Northrop Stock Fund | 0.77 | 15.89 | 12.65 | 9.91 |
| ■ S&P 500 | -3.33 | 5.49 | 8.62 | 12.83 |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.04% |
| Administration and Other Expense | 0.21% |
| Total | 0.25% |

Cumulative returns one year and greater are annualized

Understanding the Numbers

Benchmarks:

The performance of each Savings Plan investment option is compared with that of a broad-based index. Each index provides a point of reference -- a "benchmark" -- that allows you to compare a Savings Plan fund's performance with the performance of a group of similar investments.

| Benchmark | Description | Savings Plan Fund |
|---|---|--|
| Merrill Lynch 1-3 Year Treasury Index | This index measures the performance of short-term government bonds. The index consists of Treasury securities with maturities between one and three years, and a total value outstanding of at least \$1 billion. | Stable Value Fund |
| Citigroup Broad Investment Grade Bond Index | This index measures the value of the broad U.S. investment-grade bond market, including over 3,500 U.S. Treasury, government agency, corporate, and mortgage-backed securities. All bonds in this index must be investment grade (rated Baa3/BBB), have a maturity of at least one year, and a total value outstanding of at least \$1 billion. | U.S. Fixed Income Fund |
| Standard & Poor's 500 Index | This index is a widely-used measure of the performance of the U.S. stock market. The S&P 500 Index is a market value-weighted index of 500 companies, representing a broad range of industry segments within the U.S. economy. Stocks are chosen based on a number of factors, including market size, industry group representation, and ease of trading. | U.S. Equity Fund Northrop Grumman Fund |
| Russell 2000 Index | This index is used to measure U.S. small company stock performance. The index measures the performance of the 2,000 smallest companies within the Russell 3000® Index, a larger index measuring the performance of the 3,000 largest (by total market value) companies in the U.S. | Small Cap Fund |
| Morgan Stanley Capital International EAFE Index (MSCI EAFE) | The MSCI EAFE measures the performance of stocks in developed markets outside of North America in U.S. dollar terms. The MSCI EAFE is a market value-weighted index of more than 1,000 companies in 21 countries. Companies are included in the index based on a number of factors, including their industry representation and ease of trading. | International Equity Fund Balanced Fund |
| Morgan Stanley Capital International Emerging Markets Free Index (MSCI EMF) | This index measures the performance of emerging stock markets around the world. It includes the equity securities of companies in developing countries. | Emerging Markets Equity Fund |
| Lehman Brothers Aggregate Bond Index | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. | Balanced Fund |
| Russell 3000 Index | This index is used to measure broad U.S. equity stock performance. This index measures the performance of the 3,000 largest companies in the U.S., representing approximately 98% of the U.S. market. | Balanced Fund |
| Treasury Inflation Protected Securities "TIPS" | TIPS are bonds that are inflation indexed and issued by the US Treasury. The principal is adjusted to the Consumer Price Index, which is a commonly used measure for inflation. | Retirement Path Funds |

Investment Terms Defined

| Investment Term | Definition |
|----------------------------|--|
| Annual Returns | The annual return for a portfolio is the cumulative return over a full calendar year. |
| Average Quality | A quality rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligation, or a specific financial program. The ratings for each security, are compiled into a composite rating for the whole portfolio. Quality symbols range from AAA to D. The ratings from AAA to CCC can be modified by the addition of a plus or minus sign to show relative standing within the major rating categories. |
| Beta | Beta measures the sensitivity of rates of portfolio returns to movements in the market index. A portfolio's beta measures the expected change in return per 1% change in the return of the market. If a beta of a portfolio is 1.5, a 1% increase in the return on the market will result, on average, in a 1.5% increase in the return of the portfolio. The converse would also be true. |
| Cumulative Return | The cumulative return for a portfolio or an asset is the cumulative compound return over the full length of a specified time period. The percentage measure of this return is annualized for periods one year or greater and as such represents the actual total return of the portfolio or asset over the period. An annualized percentage figure is the average annual return of the portfolio or asset over the period. |
| Dividend Yield | The total amount of dividends paid out for a stock over the preceding twelve months divided by the closing price of a share of the common stock. |
| Effective Maturity | This is a measure of the market-value-weighted-average of the years to expected maturity across all of the securities in the portfolio. Expected years to maturity takes into account any put or call options embedded in the security, any expected sinking-fund paydowns or any expected mortgage principal prepayments. |
| Number of Securities | The total number of securities that are held in the portfolio. |
| Duration | Duration is one measure of the portfolio's exposure to interest rate risk. Generally, the higher a portfolio's duration, the more that its value will change in response to interest rate changes. The option adjusted (OA) duration for each security in the portfolio is calculated using models developed by Lehman Brothers and Salomon Brothers which determine the expected stream of cash-flows for the security based on various interest rate scenarios. Expected cash-flows take into account any put or call options embedded in the security, any expected sinking-fund paydowns or any expected mortgage principal prepayments. |
| Price to Earnings Ratio | The Price to Earnings Ratio (P/E) is a measure of value for a company. It is equal to the price of a share of common stock divided by the earnings per share for a trailing twelve-month period. |
| R-Squared | R-Squared is a statistical measure that indicates the extent to which the variability of a security or portfolio's returns is explained by the variability of the market. The value will be between 0 and 1. The higher the number, the greater the extent to which portfolio returns are related to the market return. |
| Sector Weights | Percentage of the portfolio allocated to each sector as defined by Global Industry Classification Standards (GICS). |
| Standard Deviation | Standard Deviation is a statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically is. The wider the range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. |
| Top Ten Holdings | The ten holdings in the fund with the largest market values. |
| Weighted Median Market Cap | The weighted median market cap is the point at which half of the market value of the portfolio is invested in stocks with a greater market cap, and consequently the other half is invested in stocks with a lower market cap.. |

Target Retirement Path

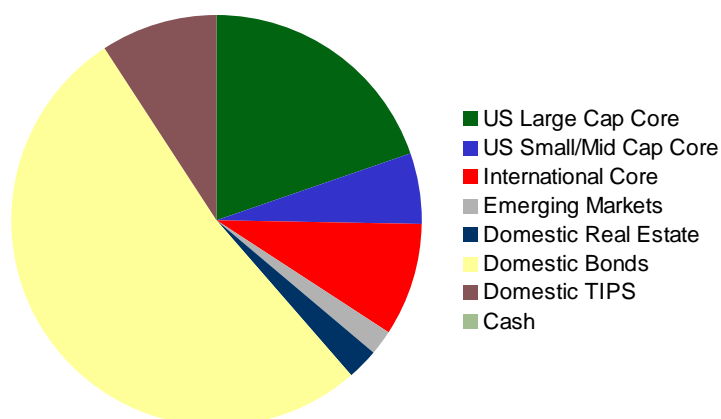
As of December 31, 2007

INVESTMENT OBJECTIVE

Each Retirement Path strategy is a broadly diversified portfolio, tailored to the investment time horizon of the investor. The name of each strategy (e.g., Target Retirement Path) represents the year when the investor will most likely begin to draw interest and/or principal out of his or her investment portfolio. The Retirement Path strategy is designed for investors already in retirement.

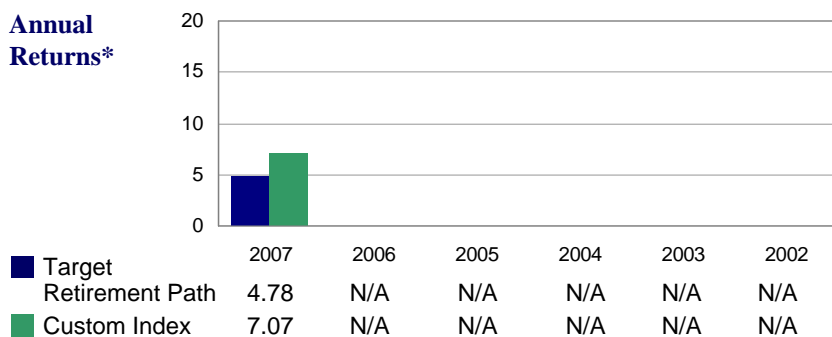
Portfolio Statistics

| <u>Portfolio Components</u> | <u>% of Fund</u> |
|-----------------------------|------------------|
| US Large Cap Core | 19.83 |
| US Small/Mid Cap Core | 5.36 |
| International Core | 9.09 |
| Emerging Markets | 1.81 |
| Domestic Real Estate | 2.45 |
| Domestic Bonds | 52.21 |
| Domestic TIPS | 9.21 |
| Cash | 0.03 |

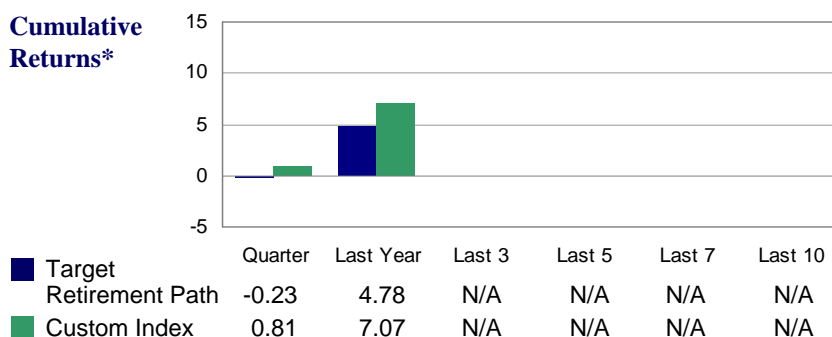


Performance Comparison – Net of Fees

Annual Returns*



Cumulative Returns*



Managers

Barclays Global Investors
Inception: 1Q2007

Risk Statistics

| | <u>Five Years</u> |
|-------------------|-------------------|
| Std. Dev. (Fund) | N/A [†] |
| Std. Dev. (Index) | N/A [†] |
| Beta | N/A [†] |
| R-Squared | N/A [†] |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.35% |
| Administration and Other Expense | 0.21% |
| Total | 0.56% |

* Fund inception January 3, 2007

2010 Retirement Path

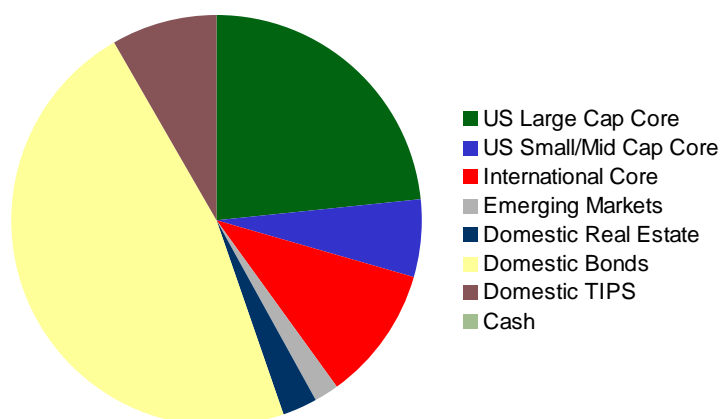
As of December 31, 2007

INVESTMENT OBJECTIVE

Each Retirement Path strategy is a broadly diversified portfolio, tailored to the investment time horizon of the investor. The name of each strategy (e.g., 2010 Retirement Path) represents the year when the investor will most likely begin to draw interest and/or principal out of his or her investment portfolio. As the investor matures and his or her investment time horizon is reduced, the Retirement strategies systematically move to more conservative mixes.

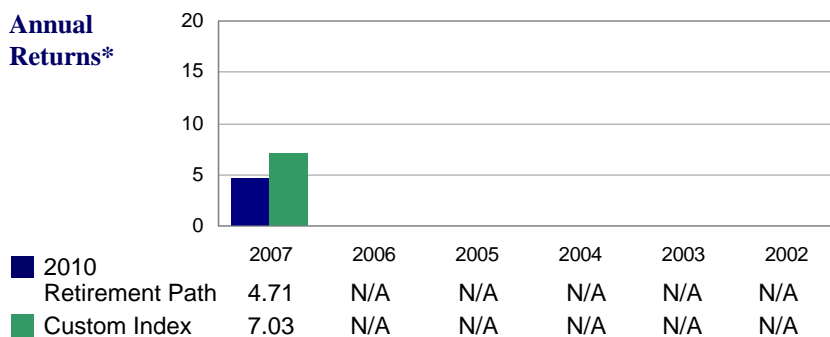
Portfolio Statistics

| <u>Portfolio Components</u> | <u>% of Fund</u> |
|-----------------------------|------------------|
| US Large Cap Core | 23.37 |
| US Small/Mid Cap Core | 6.04 |
| International Core | 10.51 |
| Emerging Markets | 1.98 |
| Domestic Real Estate | 2.92 |
| Domestic Bonds | 46.93 |
| Domestic TIPS | 8.22 |
| Cash | 0.03 |

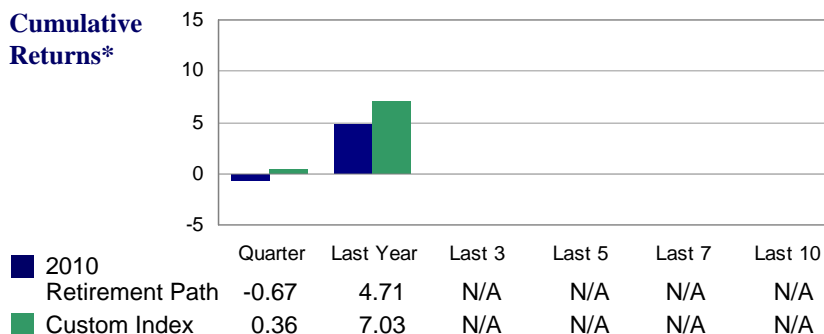


Performance Comparison – Net of Fees

Annual Returns*



Cumulative Returns*



Managers

Barclays Global Investors
Inception: 1Q2007

Risk Statistics

| | <u>Five Years</u> |
|-------------------|-------------------|
| Std. Dev. (Fund) | N/A [†] |
| Std. Dev. (Index) | N/A [†] |
| Beta | N/A [†] |
| R-Squared | N/A [†] |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.35% |
| Administration and Other Expense | 0.21% |
| Total | 0.56% |

* Fund inception January 3, 2007

2020 Retirement Path

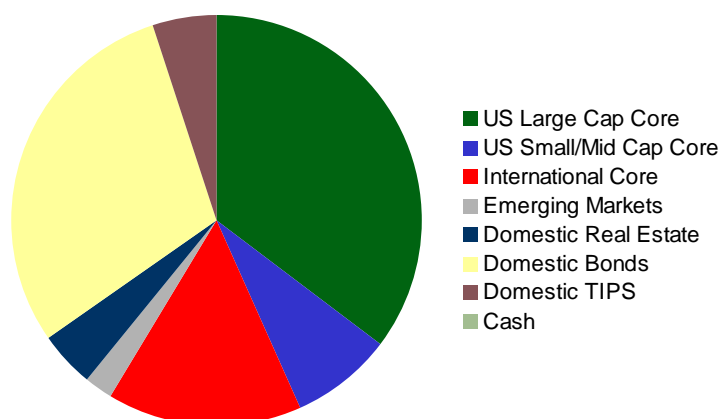
As of December 31, 2007

INVESTMENT OBJECTIVE

Each Retirement Path strategy is a broadly diversified portfolio, tailored to the investment time horizon of the investor. The name of each strategy (e.g., 2020 Retirement Path) represents the year when the investor will most likely begin to draw interest and/or principal out of his or her investment portfolio. As the investor matures and his or her investment time horizon is reduced, the Retirement strategies systematically move to more conservative mixes.

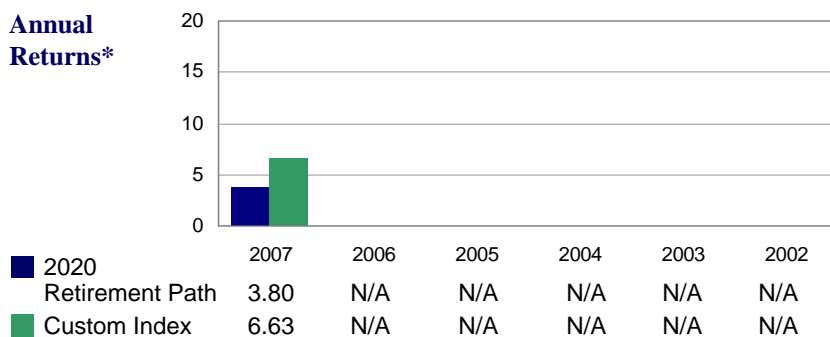
Portfolio Statistics

| <u>Portfolio Components</u> | <u>% of Fund</u> |
|-----------------------------|------------------|
| US Large Cap Core | 35.25 |
| US Small/Mid Cap Core | 8.11 |
| International Core | 15.12 |
| Emerging Markets | 2.33 |
| Domestic Real Estate | 4.38 |
| Domestic Bonds | 29.82 |
| Domestic TIPS | 4.96 |
| Cash | 0.03 |

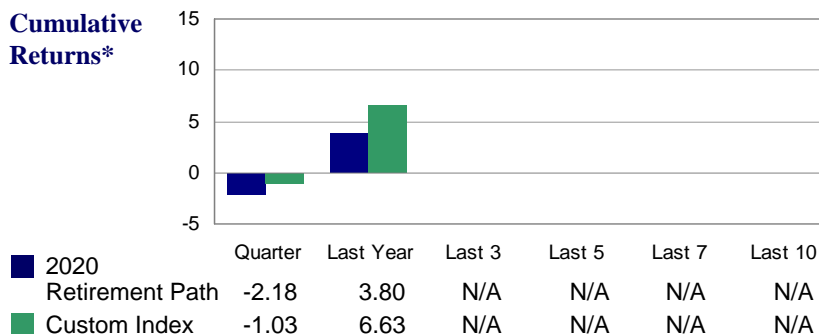


Performance Comparison – Net of Fees

Annual Returns*



Cumulative Returns*



Managers

Barclays Global Investors
Inception: 1Q2007

Risk Statistics

| | <u>Five Years</u> |
|-------------------|-------------------|
| Std. Dev. (Fund) | N/A [†] |
| Std. Dev. (Index) | N/A [†] |
| Beta | N/A [†] |
| R-Squared | N/A [†] |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.35% |
| Administration and Other Expense | 0.21% |
| Total | 0.56% |

* Fund inception January 3, 2007

2030 Retirement Path

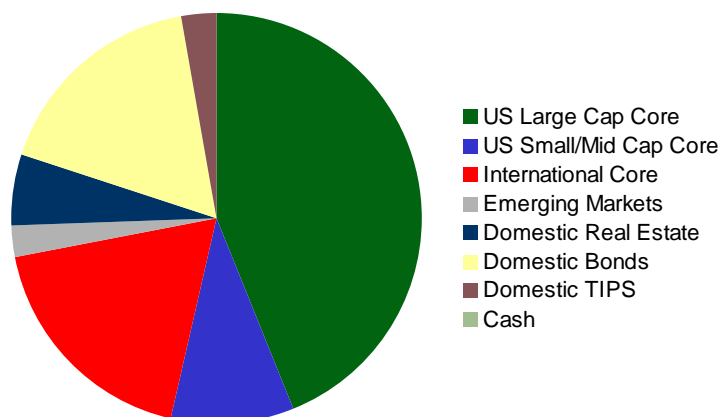
As of December 31, 2007

INVESTMENT OBJECTIVE

Each Retirement Path strategy is a broadly diversified portfolio, tailored to the investment time horizon of the investor. The name of each strategy (e.g., 2030 Retirement Path) represents the year when the investor will most likely begin to draw interest and/or principal out of his or her investment portfolio. As the investor matures and his or her investment time horizon is reduced, the Retirement strategies systematically move to more conservative mixes.

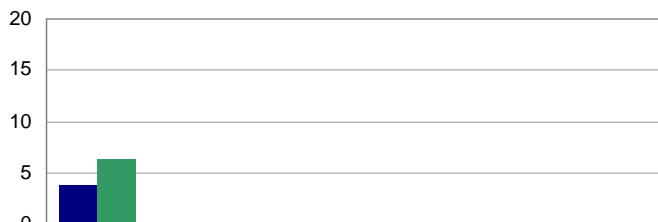
Portfolio Statistics

| <u>Portfolio Components</u> | <u>% of Fund</u> |
|-----------------------------|------------------|
| US Large Cap Core | 43.94 |
| US Small/Mid Cap Core | 9.61 |
| International Core | 18.40 |
| Emerging Markets | 2.55 |
| Domestic Real Estate | 5.43 |
| Domestic Bonds | 17.34 |
| Domestic TIPS | 2.69 |
| Cash | 0.03 |



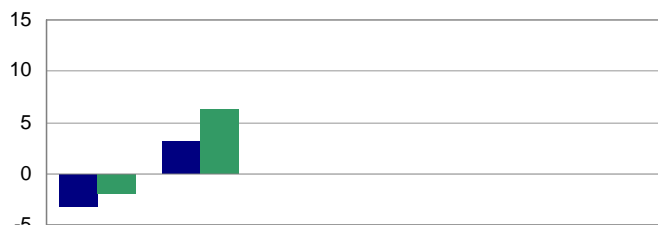
Performance Comparison – Net of Fees

Annual Returns*



| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------|------|------|------|------|------|------|
| ■ 2030 Retirement Path | 3.19 | N/A | N/A | N/A | N/A | N/A |
| ■ Custom Index | 6.31 | N/A | N/A | N/A | N/A | N/A |

Cumulative Returns*



| | Quarter | Last Year | Last 3 | Last 5 | Last 7 | Last 10 |
|------------------------|---------|-----------|--------|--------|--------|---------|
| ■ 2030 Retirement Path | -3.30 | 3.19 | N/A | N/A | N/A | N/A |
| ■ Custom Index | -2.06 | 6.31 | N/A | N/A | N/A | N/A |

Managers

Barclays Global Investors
Inception: 1Q2007

Risk Statistics

| | <u>Five Years</u> |
|-------------------|-------------------|
| Std. Dev. (Fund) | N/A [†] |
| Std. Dev. (Index) | N/A [†] |
| Beta | N/A [†] |
| R-Squared | N/A [†] |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.35% |
| Administration and Other Expense | 0.21% |
| Total | 0.56% |

* Fund inception January 3, 2007

2040 Retirement Path

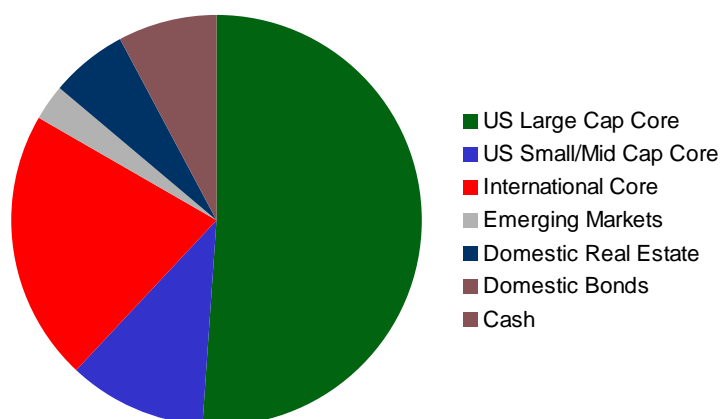
As of December 31, 2007

INVESTMENT OBJECTIVE

Each Retirement Path strategy is a broadly diversified portfolio, tailored to the investment time horizon of the investor. The name of each strategy (e.g., 2040 Retirement Path) represents the year when the investor will most likely begin to draw interest and/or principal out of his or her investment portfolio. As the investor matures and his or her investment time horizon is reduced, the Retirement strategies systematically move to more conservative mixes.

Portfolio Statistics

| <u>Portfolio Components</u> | <u>% of Fund</u> |
|-----------------------------|------------------|
| US Large Cap Core | 51.00 |
| US Small/Mid Cap Core | 10.94 |
| International Core | 21.46 |
| Emerging Markets | 2.64 |
| Domestic Real Estate | 6.07 |
| Domestic Bonds | 7.85 |
| Cash | 0.04 |



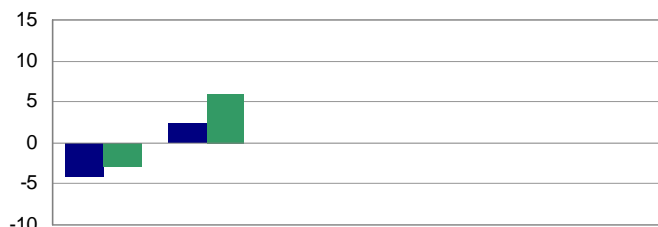
Performance Comparison – Net of Fees

Annual Returns*



| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------|------|------|------|------|------|------|
| ■ 2040 Retirement Path | 2.50 | N/A | N/A | N/A | N/A | N/A |
| ■ Custom Index | 5.99 | N/A | N/A | N/A | N/A | N/A |

Cumulative Returns*



| | Quarter | Last Year | Last 3 | Last 5 | Last 7 | Last 10 |
|------------------------|---------|-----------|--------|--------|--------|---------|
| ■ 2040 Retirement Path | -4.31 | 2.50 | N/A | N/A | N/A | N/A |
| ■ Custom Index | -2.93 | 5.99 | N/A | N/A | N/A | N/A |

Managers

Barclays Global Investors
Inception: 1Q2007

Risk Statistics

| | <u>Five Years</u> |
|-------------------|-------------------|
| Std. Dev. (Fund) | N/A [†] |
| Std. Dev. (Index) | N/A [†] |
| Beta | N/A [†] |
| R-Squared | N/A [†] |

Expense Ratio

| | |
|----------------------------------|--------------|
| Investment-Related Expenses | 0.35% |
| Administration and Other Expense | 0.21% |
| Total | 0.56% |

* Fund inception January 3, 2007