

NORTHROP GRUMMAN CORP /DE/
Form DEF 14A
April 21, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ "

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | Rule 14a-6(e)(2)) |
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Northrop Grumman Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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April 21, 2008

Dear Fellow Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend Northrop Grumman Corporation's 2008 Annual Meeting of Stockholders. This year's meeting will be held Wednesday, May 21, 2008 at the Company's Space Technology operating sector, located in Redondo Beach, California. Please note that we will begin the meeting at 8:00 a.m. Pacific Daylight Time. I look forward to personally greeting those of you who are able to attend the meeting. If you are unable to join us in person, the meeting will be Web-cast through the Northrop Grumman Web site at www.northropgrumman.com.

At this meeting, stockholders will vote on matters set forth in the accompanying notice of Annual Meeting and Proxy Statement. I will also provide a report on our Company and will entertain questions of general interest to the stockholders.

Your vote is important. Please review the instructions on the proxy or voting instruction card. Whether or not you plan to attend the annual meeting, I hope you will vote as soon as possible. You may vote over the Internet, by telephone, or by mailing a proxy or voting instruction card.

One of our Company's current directors, Philip A. Odeen, will not stand for re-election due to the Company's policy that directors retire at the Annual Meeting following his or her 72nd birthday. Phil joined the Board in 2003 following the TRW acquisition and has made many significant contributions to our Company. On behalf of the entire Board, I offer my sincere thanks for his years of dedicated service.

Thank you for your continued interest in Northrop Grumman Corporation.

Sincerely,

Ronald D. Sugar

Chairman and Chief Executive Officer

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[LOGO] NORTHROP GRUMMAN

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
AND PROXY STATEMENT**

NOTICE

The Annual Meeting of Stockholders of Northrop Grumman Corporation (the Company) will be held on Wednesday, May 21, 2008 at 8:00 a.m. Pacific Daylight Time at the Space Technology Presentation Center, One Space Park, Redondo Beach, California 90278.

Stockholders of record at the close of business on March 25, 2008 are entitled to vote at the Annual Meeting. The following items are on the agenda:

- (1) Election of eleven directors, each for a one-year term expiring in 2009;
- (2) Proposal to ratify the appointment of Deloitte & Touche LLP as the Company's independent auditors for fiscal year ending December 31, 2008;
- (3) Proposal to approve performance criteria for the Northrop Grumman 2001 Long-Term Incentive Stock Plan;
- (4) Three stockholder proposals included and discussed in the accompanying Proxy Statement;
- (5) Other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

By order of the Board of Directors,

Stephen D. Yslas

Corporate Vice President, Secretary and Deputy

General Counsel

1840 Century Park East

Los Angeles, California 90067

April 21, 2008

IMPORTANT

To assure your representation at the Annual Meeting, please sign, date and return the enclosed proxy card for which a return envelope is provided. No postage is required if mailed in the United States.

You may also submit a proxy by telephone or over the Internet. For instructions on submitting an electronic proxy please see page 2 of this Proxy Statement or the proxy card.

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PROXY STATEMENT

GENERAL INFORMATION

This proxy statement is issued in connection with solicitation of the enclosed proxy by the Board of Directors (the **Board**) of Northrop Grumman Corporation (the **Company** or **Northrop Grumman**) for use at the Company's 2008 Annual Meeting of Stockholders (the **Annual Meeting**). The Company's principal office is located at 1840 Century Park East, Los Angeles, California, 90067. This proxy material will be sent to stockholders beginning approximately April 21, 2008.

Outstanding Voting Securities

On March 25, 2008 there were 342,657,004 shares of the Company's common stock, par value \$1.00 per share (**Common Stock**), outstanding. Holders of record at the close of business on that date are entitled to vote at the Annual Meeting. Each share is entitled to one vote.

Voting at the Meeting or by Proxy

Shares represented by a properly executed proxy in the accompanying form will be voted at the meeting in accordance with the stockholder's instructions. If no instructions are given, the shares will be voted according to the Board of Directors' recommendations. Therefore, if no instructions are given, the persons named on the card will vote **FOR** Proposal One to elect the eleven director nominees listed under **Election of Directors**, **FOR** Proposal Two to ratify the appointment of Deloitte & Touche LLP as auditors of the Company for the year ending December 31, 2008, **FOR** Proposal Three to approve the performance criteria for the Northrop Grumman 2001 Long-Term Incentive Stock Plan, **AGAINST** Proposal Four, the stockholder proposal concerning foreign military sales, **AGAINST** Proposal Five, the stockholder proposal regarding a vote on executive compensation, and **AGAINST** Proposal Six, the stockholder proposal regarding tax gross-up payments. If shares are held on an individual's behalf under any of the Company Savings Plans, the proxy serves to provide confidential instructions to the plan Trustee or Voting Manager who then votes the shares. In addition, the instructions given by plan participants who return their proxies will serve as instructions to the Trustee or Voting Manager with respect to shares held on behalf of those participants from whom no proxies are received. Under these instructions, the applicable Trustee or Voting Manager will vote the respective plan shares in the same proportion as shares held under the plan for which voting directions have been received, unless contrary to ERISA. Participants are treated as named fiduciaries under ERISA when directing the Trustee or Voting Manager on the voting of shares.

A stockholder who executes a proxy/voting instruction may revoke it at any time before its exercise by delivering a written notice of revocation to the Corporate Secretary or by signing and delivering another proxy that is dated later. A stockholder attending the meeting in person may revoke the proxy/voting instruction by giving notice of revocation to an inspector of election at the meeting or voting at the meeting. If any other matters are properly brought before the meeting, the enclosed proxy/voting instruction card gives discretionary authority to the persons named on the card to vote the shares in their best judgment.

With respect to the election of directors, stockholders may vote for, against, or abstain in regards to each nominee. With respect to each other proposal, stockholders may vote in favor of the proposal or against the proposal, or abstain from voting.

For the election of directors, a nominee shall be elected if the votes cast for his or her election exceed the votes cast against his or her election. For each other proposal submitted for stockholder action at the meeting, a proposal will be adopted by the stockholders only if the votes cast for the proposal exceed the votes cast against the proposal. Abstentions will not have any effect on the outcome of a nominee's election as director or on the outcome of any other proposal submitted for stockholder approval at the meeting.

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Brokers who hold shares of Common Stock for the accounts of their clients may vote such shares either as directed by their clients or in their own discretion if permitted by the stock exchange or other organization of which they are members. Members of the New York Stock Exchange (NYSE) are permitted to vote their clients' proxies in their own discretion as to the election of directors if the clients have not furnished voting instructions within ten days of the meeting. Certain proposals other than the election of directors are non-discretionary and brokers who have received no instructions from their clients do not have discretion to vote on those items. When a broker votes a client's shares on some but not all of the proposals at a meeting, the missing votes are referred to as broker non-votes. There are no broker non-votes on the election of directors (Proposal One). Broker non-votes will not have an effect on the ratification of auditors (Proposal Two), the approval of performance criteria for the 2001 Long-Term Incentive Stock Plan (Proposal Three) or any of the stockholder proposals (Proposals Four, Five and Six).

The presence in person or by proxy of stockholders entitled to cast at least a majority of the votes that all stockholders are entitled to cast shall constitute a quorum at the Annual Meeting. Both abstentions and broker non-votes will be counted as present for purposes of determining the presence of a quorum.

Voting by Telephone or on the Internet

Registered stockholders and participants in the Company Savings Plans may grant a proxy for their shares over the telephone or on the Internet. The law of Delaware, under which the Company is incorporated, specifically permits electronically transmitted proxies, provided that each such proxy contains or is submitted with information from which the inspectors of election can determine that such proxy was authorized by the stockholder. The procedures available to registered stockholders to permit them to grant proxies for voting at the Annual Meeting are designed to authenticate each stockholder, to allow stockholders to vote their shares, and to confirm that their instructions have been properly recorded.

Registered stockholders and plan participants may go to www.edocumentview.com/noc to view the Proxy Statement and Annual Report on the Internet. Registered stockholders and plan participants may vote on the Internet, as well as view the documents, by logging on to www.envisionreports.com/noc and following the instructions given. Any registered stockholder or plan participant using a touch-tone telephone may also grant a proxy by calling 800-652-VOTE (800-652-8683) (toll-free) and following the recorded instructions.

Most beneficial owners whose stock is held in street name receive voting instruction forms from their banks, brokers or other agents, rather than the Company's proxy/voting instruction card. Beneficial owners may also be able to grant a proxy by telephone or the Internet. They should follow the instructions on the form they receive from their bank, broker, or other agent. Beneficial owners may view the Proxy Statement and Annual Report on the Internet by logging on to <http://ww3.ics.adp.com/streetlink/noc>.

The method used to grant a proxy will not limit a stockholder's right to attend or vote at the Annual Meeting.

Table of Contents**VOTING SECURITIES****Stock Ownership of Certain Beneficial Owners**

On December 31, 2007, there were 337,846,174 shares of the Company's Common Stock outstanding. The following entities beneficially owned, to the Company's knowledge, more than five percent of the outstanding Common Stock as of December 31, 2007:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
State Street Bank and Trust Company	32,713,329 shares(a)	9.68%
One Lincoln Street, Boston, MA 02111		
Capital World Investors	30,499,940 shares(b)	9.03%
333 South Hope Street, Los Angeles, CA 90071		
AXA Financial Inc.	29,103,972 shares(c)	8.61%
1290 Avenue of the Americas, New York, NY 10104		
Barclay's Global Investors, NA	17,514,279 shares(d)	5.18%
45 Fremont Street, San Francisco, CA 94105		

- (a) This information was provided by State Street Bank and Trust Company (State Street) in a Schedule 13G filed with the Securities and Exchange Commission (SEC) on February 12, 2008. According to State Street, as of December 31, 2007, State Street had sole voting power over 10,764,525 shares, shared voting power over 21,948,804 shares and shared dispositive power over 32,713,329 shares. This total includes 21,948,804 shares held in the Defined Contributions Master Trust for the Northrop Grumman Savings Plan and the Northrop Grumman Financial Security and Savings Program for which State Street acts as a trustee.
- (b) This information was provided by Capital World Investors, a division of Capital Research and Management Company, in a Schedule 13G filed with the SEC on February 11, 2008. According to Capital World Investors, as of December 31, 2007, Capital World Investors had sole dispositive power over 30,499,940 shares and sole voting power over 1,216,700 shares.
- (c) This information was provided by AXA Financial Inc. (AXA) in a Schedule 13G filed with the SEC on February 14, 2008. According to AXA, as of December 31, 2007, AXA had sole voting power over 21,051,244 shares, shared voting power over 3,254,113 shares and sole dispositive power over 29,103,972 shares.
- (d) This information was provided by Barclays Global Investors, NA (Barclays) in a Schedule 13G filed with the SEC on February 6, 2008. According to Barclays, as of December 31, 2007, Barclays had sole voting power over 14,796,045 shares and sole dispositive power over 17,514,279 shares.

Table of Contents**Stock Ownership of Officers and Directors**

The following table shows beneficial ownership (as defined by applicable rules for proxy statement reporting purposes) of the Company's Common Stock as of March 25, 2008 by each director and nominee, by the Chief Executive Officer, the Chief Financial Officer, and the other four most highly compensated executive officers as of December 31, 2007 (collectively, the Named Executive Officers) and all directors and executive officers as a group. Together these individuals own less than 1% of the outstanding Common Stock. Unless otherwise indicated, each individual has sole investment power and sole voting power with respect to the shares owned by such person. No family relationship exists between any of the directors, nominees or executive officers of the Company.

	Shares of Common Stock Beneficially Owned	Share Equivalents(1)	Options Exercisable Within 60 Days
Non-Employee Directors and Director Nominee			
Lewis W. Coleman	7,572	9,465	15,000
Thomas B. Fargo(2)	0	0	0
Victor H. Fazio	1,919	12,915	6,000
Donald E. Felsing	0	1,402	0
Stephen E. Frank	1,000	3,535	0
Phillip Frost	53,352(3)	7,240	24,000
Charles R. Larson	3,919(4)	4,560	9,000
Richard B. Myers	0	2,765	0
Philip A. Odeen	31,926(5)	4,177	9,000
Aulana L. Peters	12,929	5,932	18,000
Kevin W. Sharer	2,995	9,493	6,000
Named Executive Officers			
Ronald D. Sugar(6)	353,996(7)	0	873,500
Wesley G. Bush	99,523(8)	4,381	199,964
James F. Palmer	0	0	10,000
Scott J. Seymour	64,209	1,169	157,599
James R. O'Neill	32,773	0	93,000
Jerry B. Agee	27,490	5,491	86,252
Directors and Executive Officers as a Group (31 persons)	980,775(9)	91,676	2,301,602

- (1) Share equivalents for directors represent non-voting deferred stock units acquired under the 1993 Stock Plan for Non-Employee Directors (1993 Directors Plan) some of which are paid out in shares of Common Stock at the conclusion of a director-specified deferral period, and others are paid out upon termination of the director's service on the Board of Directors. The Named Executive Officers hold share equivalents with pass-through voting rights in the Northrop Grumman Savings Plan.
- (2) Admiral Fargo is standing for election for the first time.
- (3) 41,922 shares are held in the Frost Gamma Investments Trust of which Dr. Frost is trustee.
- (4) 1,236 shares are held by Admiral Larson's spouse in The Sarah E. Larson Revocable Trust of which Mrs. Larson is a trustee.
- (5) 4,286 shares are held in the Odeen Charitable Retirement Unitary Trust of which Mr. Odeen is trustee.

- (6) Dr. Sugar is also Chairman of the Board.
- (7) 190,288 shares are held in the The Sugar Family Trust of which Dr. Sugar is trustee.
- (8) The shares are held in the W.G. and N.F. Bush Family Trust of which Mr. Bush and his wife are trustees.
- (9) Includes 1,090 shares held by an executive officer in a living trust.

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PROPOSAL ONE: ELECTION OF DIRECTORS

At the 2008 Annual Meeting of Stockholders all directors will be elected for a term expiring at the next annual meeting held after their election to that term.

Unless instructed otherwise, the persons named in the accompanying proxy will vote the shares represented by such proxy for the election of the eleven director nominees listed in the table below. Each of the eleven director nominees has consented to serve, and the Board does not know of any reason why any of them would be unable to serve. If a nominee becomes unavailable or unable to serve before the Annual Meeting (for example, due to serious illness), the Board can either reduce its size or designate a substitute nominee. If any nominee becomes unavailable for election to the Board of Directors, an event which is not anticipated, the persons named as proxies have full discretion and authority to vote or refrain from voting for any other nominee in accordance with their judgment.

The following information, furnished with respect to each of the eleven nominees for election, is obtained from the Company's records or from information furnished directly by the individual to the Company. All the nominees with the exception of Admiral Fargo are presently serving on the Board of Directors and all nominees will be elected for a one year term. Pursuant to the Company's mandatory retirement policy for directors, Mr. Odeen will retire at the 2008 Annual Meeting.

The Nominating and Corporate Governance Committee engaged an independent search firm to assist the Committee in identifying and evaluating additional candidates for the Board. The search firm regularly evaluates a number of possible candidates and presents them to the Nominating and Corporate Governance Committee. Admiral Fargo, who is standing for election by the stockholders for the first time, was initially brought to the attention of the Committee by several non-management members of the Board. Based on the Nominating and Corporate Governance Committee's evaluation of the candidate and its recommendation to the Board, the Board recommended that Admiral Fargo be nominated to stand for election at the 2008 Annual Meeting of Stockholders.

Nominees for Director

LEWIS W. COLEMAN, 66.

[PHOTO]

President and Chief Financial Officer, DreamWorks Animation SKG, a film animation studio.

Director since 2001

Mr. Lewis W. Coleman has been the President of DreamWorks Animation since December 2005 and Chief Financial Officer since March 2007. Previously he was the President of the Gordon and Betty Moore Foundation from its founding in November 2000 to December 2004. Prior to that, Mr. Coleman was employed by Banc of America Securities, formerly known as Montgomery Securities where he was a Senior Managing Director from 1995 to 1998 and Chairman from 1998 to 2000. Before he joined Montgomery Securities, Mr. Coleman spent ten years at the Bank of America and Bank of America Corporation where he was successively the Senior Credit Officer in The World Banking Group, Head of Global Capital Markets, Head of the World Banking Group, and Vice Chairman of the Board and Chief Financial Officer. He spent the previous thirteen years at Wells Fargo Bank where his positions included Head of International Banking, Chief Personnel Officer and Chairman of the Credit Policy Committee. Mr. Coleman currently serves as a director of DreamWorks Animation. He also serves on several private company and civic boards.

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VICTOR H. FAZIO, 65.

LOGO

Senior Advisor, Akin Gump Strauss Hauer & Feld LLP, a law firm.

Director since 2000

Mr. Victor H. Fazio was named Senior Advisor at Akin Gump Strauss Hauer & Feld LLP in May 2005 after serving as senior partner at Clark & Weinstock since 1999. Prior to that Mr. Fazio was a Member of Congress for 20 years representing California's third congressional district. During that time he served as a member of the Armed Services, Budget and Ethics Committees and was a member of the House Appropriations Committee where he served as Subcommittee Chair or ranking member for 18 years. Mr. Fazio was a member of the elected Leadership in the House from 1989-1998 including four years as Chair of his Party's Caucus, the third ranking position. From 1975 to 1978, Mr. Fazio served in the California Assembly and was a member of the staff of the California Assembly Speaker from 1971 to 1975. He is a member of the board of directors of various private companies and non-profit organizations including the American Political Science Association, the Energy Future Coalition, the Campaign Finance Institute, the Center for Responsible Federal Budget and California Institute, and the U.S. Capitol Historical Society. Mr. Fazio serves as a member of the Board of Governors of the American Stock Exchange.

THOMAS B. FARGO, 59.

Admiral, United States Navy (Ret.). President, Trex Enterprises Corporation, a technology company.

Nominee for director

Admiral Thomas B. Fargo, USN (Ret.), has served as President of Trex Enterprises Corporation since March 2005. He also serves as Chairman and Chief Executive Officer of Loea Corporation, a high-bandwidth wireless communications company, and as Chairman of Sago Systems, Inc, a defense and homeland security company, which are both subsidiaries of Trex Enterprises. Admiral Fargo served as Commander of the U.S. Pacific Command leading the largest unified command while directing the joint operations of the Army, Navy, Marine Corps and Air Force from May 2002 until his retirement from the United States Navy in March 2005. His 35 years of service included six tours in Washington, D.C. in addition to five commands in the Pacific, Indian Ocean, and Middle East, which included Commander-in-Chief of the U.S. Pacific Fifth Fleet and Naval Forces of the Central Command. Admiral Fargo serves on the Boards of Directors for Hawaiian Electric Industries, Hawaiian Airlines and USAA. He also serves on the Board of Directors of the Japan-America Society of Hawaii, the Iolani School Board of Governors, and the Hawaii Pacific University Board of Trustees, and he is the National Vice Chairman of the Pearl Harbor Memorial Fund.

DONALD E. FELSINGER, 60.

Chairman and Chief Executive Officer, Sempra Energy, an energy services holding company.

Director since 2007

Mr. Donald E. Felsinger is Chairman of the Board of Directors and Chief Executive Officer of Sempra Energy, a position he has held since February 1, 2006. Beginning in January 2005, Mr. Felsinger was President and Chief Operating Officer of Sempra Energy and a member of the board of directors, and from 1998 through 2004, he was Group President and Chief Executive Officer of Sempra Global. Prior to the merger that formed Sempra Energy he served as President and Chief Operating Officer of Enova Corporation, the parent company of

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San Diego Gas & Electric (SDG&E). Prior positions included President and Chief Executive Officer of SDG&E, Executive Vice President of Enova Corporation, and Executive Vice President of SDG&E. Mr. Felsing is a member of The Conference Board and the California Business Roundtable.

STEPHEN E. FRANK, 66.

LOGO

Former Chairman, President and Chief Executive Officer, Southern California Edison, an electric utility company.

Director since 2005

Mr. Stephen E. Frank served as Chairman, President and Chief Executive Officer of Southern California Edison from 1995 until his retirement in January 2002. During this time he served on the boards of directors of that company and its parent, Edison International. Prior to joining Southern California Edison in 1995, Mr. Frank was President and Chief Operating Officer of Florida Power and Light Company as well as a director of FPL Group, the parent company. He also has served as Executive Vice President and Chief Financial Officer of TRW Inc., as well as Vice President, Controller, and Treasurer of GTE Corporation. His earlier career included financial and sales management positions with U.S. Steel Corporation. He earned a bachelor's degree from Dartmouth College and an MBA in finance from the University of Michigan. He also completed the Advanced Management Program at Harvard Business School. Mr. Frank serves on the board of directors of Washington Mutual, Inc., Puget Energy, Inc., and AEGIS Insurance Services Limited. He also serves as a board member of the Los Angeles Philharmonic Association and the Reno Philharmonic Association.

PHILLIP FROST, 71.

Vice Chairman of the Board and Chief Executive Officer, Opko Health, Inc., a specialty pharmaceutical company.

Director since 1996

Dr. Phillip Frost presently serves as Chairman of the Board and Chief Executive Officer of Opko Health, Inc., a specialty pharmaceutical company. He has served as Vice Chairman of the Board of Directors of Teva Pharmaceutical Industries, Ltd. (Teva) since January 2006 when Teva acquired IVAX Corporation. He had served as the Chairman of the Board of Directors and Chief Executive Officer of IVAX Corporation from 1987 to 2006. Dr. Frost is also Chairman of the Board of Ladenburg Thalmann & Co. and a director of Continucare Corporation and Modigene Inc. He also served as a director of Castle Brands and Cellular Technical Services and Protalix Bio Therapeutics, Inc. until 2007. Dr. Frost served as Chairman of the Department of Dermatology at Mt. Sinai Medical Center of Greater Miami, Miami Beach, Florida from 1972 to 1990 and was Chairman of the Board of Key Pharmaceuticals, Inc. from 1972 to 1986. He is a Trustee of the University of Miami, Trustee of the Scripps Research Institute, a Regent of the Smithsonian Institute, and is Vice Chairman of the Board of Governors of the American Stock Exchange.

CHARLES R. LARSON, 71.

Admiral, United States Navy (Ret.).

Director since 2002

Admiral Charles R. Larson has served as a consultant on defense, foreign policy and education issues to government and industry since retiring from the United States Navy in 1998. He served as commander in the Pacific from 1991 to 1994, where he was responsible for 350,000 personnel and the readiness of all U.S. forces in

the theater. He was the first naval officer selected to be a White House Fellow and also served as Naval Aide to

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the President of the United States. He was Superintendent of the U.S. Naval Academy, first from 1983 to 1986, and again from 1994 to 1998. During his naval career as a qualified nuclear engineer, he had several years experience in naval and commercial shipyards, including submarine construction and reactor defueling. His decorations include the Defense Distinguished Service Medal and seven Navy Distinguished Service Medals. Admiral Larson is a director of Esterline Technologies Corporation and Edge Technologies, Inc. He is also Chairman of the Board of the U.S. Naval Academy Foundation, Chairman of Via Global LLC, and a trustee of the Anne Arundel Health Systems, Inc.

RICHARD B. MYERS, 66.

LOGO

General, United States Air Force (Ret.). Former Chairman of the Joint Chiefs of Staff.

Director since 2006

General Richard B. Myers retired from his position as the fifteenth Chairman of the Joint Chiefs of Staff on September 30, 2005 after serving in that position for four years. In this capacity, he served as the principal military advisor to the President, the Secretary of Defense, and the National Security Council. Prior to becoming Chairman, he served as Vice Chairman of the Joint Chiefs of Staff from March 2000 to September 2001. As the Vice Chairman, General Myers served as the Chairman of the Joint Requirements Oversight Council, Vice Chairman of the Defense Acquisition Board, and as a member of the National Security Council Deputies Committee and the Nuclear Weapons Council. During his military career, General Myers commands included Commander in Chief, North American Aerospace Defense Command and U.S. Space Command; Commander, Air Force Space Command; Commander Pacific Air Forces; and Commander of U.S. Forces Japan and 5th Air Force at Yokota Air Base, Japan. General Myers is a director of Deere & Company, United Technologies, and Aon Corp. He is Foundation Professor of Military History and Leadership at Kansas State University and occupies the Colin L. Powell Chair of Ethics, Leadership and Character at National Defense University.

AULANA L. PETERS, 66.

Retired Partner, Gibson, Dunn & Crutcher, a law firm.

Director since 1992

Ms. Aulana L. Peters is a retired partner of the law firm of Gibson, Dunn & Crutcher where she was a partner from 1980 to 1984 and 1988 to December 2000. From 1984 to 1988, she served as a Commissioner of the Securities and Exchange Commission. From January 2001 to April 2002, Ms. Peters served as a member of the Public Oversight Board of the American Institute of Certified Public Accountants. Ms. Peters has also served as a member of the Financial Accounting Standards Board Steering Committee for its Financial Reporting Project and as a member of the Public Oversight Board's Panel on Audit Effectiveness. Currently Ms. Peters serves on the U.S. Comptroller General's Accountability Advisory Council, the International Public Interest Oversight Board, and the Board of Trustees, Mayo Clinic. Ms. Peters is a director of 3M Company, Merrill Lynch & Co., Inc. and Deere & Company.

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KEVIN W. SHARER, 60.

LOGO

Chairman, Chief Executive Officer and President, Amgen Inc., a biotechnology company.

Director since 2003

Mr. Kevin W. Sharer has served as Chairman of the Board of Amgen since December 2000 and as Chief Executive Officer since May 2000. Mr. Sharer joined Amgen in 1992 as President, Chief Operating Officer and member of the board of directors. Before joining Amgen, Mr. Sharer was Executive Vice President and President of the Business Markets Division at MCI Communications. Prior to MCI, he served in a variety of executive capacities at General Electric and was a consultant for McKinsey & Company. He is chairman of the board of trustees of the Los Angeles County Museum of Natural History, and is a member of The Business Council. Mr. Sharer also serves on the board of directors of Chevron Corporation.

RONALD D. SUGAR, 59.

Chairman of the Board and Chief Executive Officer, Northrop Grumman Corporation.

Director since 2001

Dr. Ronald D. Sugar was elected Chairman of the Board of Northrop Grumman effective October 2003. He was named the Chief Executive Officer in April 2003, after having served as President and Chief Operating Officer since September 2001. He joined Northrop Grumman in 2001 having previously served as President, Chief Operating Officer and director of Litton Industries, Inc., and earlier as an executive of TRW Inc. He is a member of the National Academy of Engineering, a Governor of the Aerospace Industries Association, and is a trustee of the Los Angeles Philharmonic Association, the University of Southern California, and the Boys and Girls Clubs of America. He serves as a director of Chevron Corporation.

Vote Required

To be elected, a nominee must receive more votes cast for than votes cast against his or her election. Even if a nominee is not re-elected, he or she will remain in office until a successor is elected or until his or her earlier resignation or removal. Each of the current director nominees has signed a letter of resignation that will be effective (i) if the nominee is not re-elected at this Annual Meeting and (ii) if the Board accepts his or her resignation following this Annual Meeting. If a nominee is not re-elected, the Board will decide whether to accept the director's resignation in accordance with the procedures listed in the Board's Principles of Corporate Governance, which procedures are contained in this proxy statement. If Admiral Fargo does not receive more votes cast for than votes cast against, he will not be elected to the Board of Directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELEVEN NOMINEES FOR DIRECTOR LISTED ABOVE.

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Non-Executive Chairman of the Board, AES Corporation, an international power company.

Director since 2003

Mr. Philip A. Odeen has served as Lead Independent Director and Chairman of AES Corporation since January 2008 and as Non-Executive Chairman of Convergys Corporation since December 2007. . He served as Chairman of AVAYA from October 2006 to October 2007. He was Chairman and Acting Chief Executive Officer of the Reynolds and Reynolds Company from July 2004 to February 2005 at which time he became non-executive Chairman serving in that role until October 2006. He was also named Chief Executive Officer of QinetiQ North America in October 2005 serving until June 2006. Previously, he had served as non-employee Chairman and a director of TRW Inc. from February 2002 until December 2002. From 1998 to 2002 he held various leadership positions at TRW. Mr. Odeen joined TRW in 1997 when it acquired BDM International, Inc. where he had served as President, Chief Executive Officer and director since 1992. Previously, Mr. Odeen was Vice Chairman, Management Consulting Services at Coopers & Lybrand after serving 13 years as managing partner of the firm's public sector practice. He has served in senior positions with the Office of the Secretary of Defense and the National Security Council staff and was principal Deputy Assistant Secretary of Defense (Systems Analysis). Mr. Odeen has chaired the National Defense Panel and was a member and former vice chairman of the Defense Science Board. He is a member of the Chief of Naval Operations Executive Panel, chairs the Henry M. Jackson Foundation, and is a Fellow of the National Academy of Public Administration. He is a director of QinetiQ North America.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has Audit, Compensation and Management Development, Nominating and Corporate Governance, Finance and Compliance, Public Issues and Policy Committees. The membership of these committees is usually determined at the organizational meeting of the Board held in conjunction with the Annual Meeting. Each of the Audit, Compensation and Management Development, Nominating and Corporate Governance and Compliance, Public Issues and Policy Committees is composed entirely of independent directors under Securities and Exchange Commission (SEC) and New York Stock Exchange (NYSE) rules, as applicable. The membership of each committee is as follows, with the chairperson listed first:

Audit	Compensation and Management Development	Nominating and Corporate Governance	Finance	Compliance, Public Issues and Policy
Stephen E. Frank	Lewis W. Coleman*	Victor H. Fazio	Kevin W. Sharer	Aulana L. Peters
Lewis W. Coleman	Donald E. Felsing	Phillip Frost	Lewis W. Coleman	Victor H. Fazio
Victor H. Fazio	Stephen E. Frank	Richard B. Myers	Phillip Frost	Phillip Frost
Donald E. Felsing	Phillip Frost	Aulana L. Peters	Charles R. Larson	Charles R. Larson
Richard B. Myers	Richard B. Myers		Philip A. Odeen	Philip A. Odeen
Aulana L. Peters				

* Mr. Coleman also serves as the Lead Independent Director.

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Audit Committee

The Audit Committee meets periodically with management and with both the Company's independent auditors and the Company's internal auditor to review audit results and the adequacy of and compliance with the Company's system of internal controls. In addition, the Audit Committee appoints or discharges the Company's independent auditors, and reviews and approves auditing services and non-prohibited non-audit services to be provided by the independent auditors to evaluate the impact of undertaking such added services on the independence of the auditors. The responsibilities of the Audit Committee are more fully described in the Audit Committee Report on page 23 and the Audit Committee Charter, which can be found on the Company's website (www.northropgrumman.com) and is available in print to any stockholder who requests it. The Board of Directors has determined that all members of the Audit Committee are independent and financially literate. Further, the Board has determined that Mr. Coleman, Mr. Felsing, Mr. Frank, and Ms. Peters possess accounting or related financial management expertise within the meaning of the NYSE listing standards and that each qualifies as an audit committee financial expert as defined under applicable SEC rules. The Audit Committee held ten meetings in 2007.

Compensation and Management Development Committee

The Compensation and Management Development Committee of the Board of Directors (the Compensation Committee) administers the Company's executive compensation and benefit programs and oversees the management development and succession process. The Compensation Committee oversees all compensation and benefit programs and actions that affect the Named Executive Officers as well as all other elected officers of the Company. The Compensation Committee also provides strategic direction for the Company's total rewards compensation and benefits structure and reviews CEO and senior executive succession plans.

The Compensation Committee recognizes the importance of a continuous review of the programs, policies and procedures to capitalize on industry best practices. Every year the Committee performs a self-evaluation to identify methodologies for improving future programs and processes.

Actions the Compensation Committee has taken over the past 12 months include:

Continued its practice of holding executive sessions (without Company management present) at every Committee meeting

Continued to utilize the services of its independent compensation consultant, Frederic W. Cook & Co., Inc., to advise the Committee directly on executive compensation and benefits issues

Utilized annual reviews of detailed compensation and benefit tally sheets for all Elected Officers

Continued with the CEO annual incentive structure to further enhance a direct link between shareholder value and the CEO's annual incentive based on the Company's financial performance compared to its peers

Utilized goal criteria in both the annual and long-term incentive programs that reinforce the link between incentives and shareholder value

Conducted annual review of stock ownership guidelines for elected officers

Continued oversight of the management development succession planning process

The Compensation Committee's Charter reflects the responsibilities of the Committee and its oversight of the various executive compensation programs. This charter allows the Committee to delegate its authority to a subcommittee, and the Committee may also delegate authority to the CEO to grant equity awards to Company employees who are not elected officers. The Compensation Committee and the Board review this

Charter on an annual basis and modify it as needed. The Charter can be found on the Company's website

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(www.northropgrumman.com) and is available in print to any stockholder who requests it. The Compensation Committee's regularly scheduled meetings typically last several hours, and all members actively engage in the review of matters presented. The Compensation Committee held nine meetings in 2007.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee employs a third party search firm to assist it in identifying and evaluating candidates for director. The search firm regularly evaluates and presents possible candidates to the Nominating and Corporate Governance Committee. The Committee also receives suggestions for director candidates from Board members. The Committee then reviews candidates to serve as directors, consistent with criteria approved by the Board, and recommends to the Board of Directors nominees for election. The activities and associations of candidates are reviewed for any legal impediment, conflict of interest or other consideration that might prevent service on the Board of Directors. Each candidate must be willing to submit to the background check necessary for obtaining a top secret clearance, which is a requirement for continued Board membership. In evaluating candidates, the Committee also considers the integrity and reputation of the individual as well as the particular skills and experience most beneficial to the Board at that time. In making its selection, the Committee bears in mind that the foremost responsibility of a Northrop Grumman director is to represent the interests of the stockholders as a whole.

The Committee will consider nominees recommended by stockholders if such nominations have been submitted in writing, accompanied both by a description of the proposed nominee's qualifications and an indication of the consent of the proposed nominee and relevant biographical information. The recommendation should be addressed to the Nominating and Corporate Governance Committee in care of the Secretary of the Company. The Company will evaluate candidates recommended by stockholders in the same manner as candidates identified by the Committee. The Company has not had any director candidates put forward by a stockholder or group of stockholders who beneficially owned more than five percent of the Company's stock for at least one year.

The Committee reviews and recommends to the Board the compensation of directors. During 2007, Hewitt Associates, an outside compensation consultant, assisted the Company by providing market data on director pay at other companies.

The Committee also reviews and recommends action to the Board of Directors on matters concerning transactions with related persons and matters involving corporate governance in general, oversees the evaluation of the Board and makes recommendations to the Board of Directors for action. The responsibilities of the Nominating and Corporate Governance Committee are more fully described in the Committee Charter which can be found on the Company's website (www.northropgrumman.com) and is available in print to any stockholder who requests it. The Nominating and Corporate Governance Committee held five meetings in 2007.

Finance Committee

The Finance Committee considers and makes recommendations for final action by the Board on capital structure and capital allocation, including acquisitions, mergers or divestitures of an unusual or material nature. As part of its capital structure responsibilities, the Finance Committee reviews and makes recommendations concerning proposed dividend actions and issuance or redemption of debt or equity securities. In addition, the Finance Committee reviews the investment performance of the employee benefit plans, capital asset requirements and the Company's insurance risk management program. The Finance Committee held five meetings in 2007.

Compliance, Public Issues and Policy Committee

The Committee reviews and monitors the Company's policies and programs for ethics and business conduct, equal opportunity and diversity plans and programs, and environmental, health and safety policies and

