

EXPLANATION OF LEGAL PROCEEDINGS IN RESPONSE TO QUESTION 37

On February 27, 1990, Northrop Corporation, the predecessor to Northrop Grumman Corporation, pled guilty to thirty-four (34) counts of violations of 18 U.S.C. § 1001. The plea agreement was entered in the matter of United States of America v. Northrop Corporation, et al., Case No. CR89-303(A) PAR, before the United States District Court for the Central District of California. Northrop Corporation pled guilty to allegations that certain certificates of conformance were false because particular Flight Data Transmitters had either failed Performance Verification Testing (“PRVT”) or had been subjected to incomplete PRVT.

Subsidiaries of Northrop Grumman Corporation acquired in 2001, Litton Applied Technology Division and Litton Systems Canada, Ltd., were parties to United States v. Litton Applied Technology Division and Litton Systems Canada, Ltd., No. CR 99-373 U.S.D.C. for the Central District of California. On June 30, 1999, Litton Applied Technology Division pled guilty to making false statements and mail fraud related to sales commissions paid to a Taiwanese consultant. On the same date, Litton Systems Canada, Ltd. pled guilty to providing false and misleading information to the U.S. Government with respect to sales commissions paid to Greek and Taiwanese consultants. The entities paid fines totaling \$18.5 million.

On December 11, 2002, TRW Inc. (“TRW”) was merged into Northrop Grumman Corporation. Prior to the merger, TRW had undertaken internal investigations and made voluntary disclosures to the U.S. Government concerning cost-estimating, mischarging and other irregularities discovered in certain of its current or former government contracting businesses in the mid-1980s and cooperated in U.S. Government investigations regarding these matters. After completion of the investigations relating to one of these matters, a subsidiary of TRW, TRW Electronic Products Inc. (“EPI”), pled guilty on September 3, 1987, to 10 counts of false statements and agreed to pay criminal fines totaling \$100,000 to settle mischarging issues on certain government contracts. The settlement also involved payments and credits of \$4.1 million by EPI to settle certain civil and administrative claims.

In a separate statement on September 3, 1987, the Department of Defense agreed not to debar or suspend TRW from government contracting based on either the EPI guilty plea or information provided to the Department relating to the three other matters voluntarily disclosed by TRW in connection with unrelated businesses in San Diego, California, Cleveland, Ohio and Sunnyvale, California. As part of the settlement, TRW made a good-faith payment of \$17 million (including the payment by EPI) as restitution for estimated United States Government losses in the four matters. TRW also agreed to take certain corrective action internally and to continue to demonstrate its commitment to contractor integrity.

In connection with the government contract accounting irregularities at TRW’s former Compressor Components Division in Cleveland, Ohio, TRW pled guilty on August 25, 1988 to

three counts of conspiracy to defraud the United States Government and agreed to pay criminal fines and penalties of \$3 million. All issues relating to the payment of restitution were referred to a civil proceeding (see discussion below). TRW also made an additional payment of \$3 million as restitution for estimated United States Government losses with respect to the government contract accounting irregularities that occurred in Cleveland.

On January 18, 2001, TRW Vehicle Safety Systems Inc., then a wholly owned subsidiary of TRW, pled guilty to federal and state criminal charges in plea agreements with the United States Government and the State of Arizona. VSSI paid a \$6 million criminal penalty to the United States and a \$6 million criminal penalty to Arizona. The plea agreements also required VSSI to establish an environmental management system at two airbag factories in Arizona and one in Nevada.