As filed with the Securities and Exchange Commission on March 27, 2001
Registration No. 333-54800

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NNG, INC.
(Exact name of registrant as specified in its charter)

Delaware	3812	95-4840775
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employee Identification Number)

NNG, Inc.
1840 Century Park East
Los Angeles, California 90067
(310) 553-6262
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

W. Burks Terry
Corporate Vice President and General Counsel
NNG, Inc.
1840 Century Park East
Los Angeles, California 90067
(310) 553-6262
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies To:

Andrew E. Bogen
Gibson, Dunn & Crutcher LLP
333 South Grand Avenue
Los Angeles, California 90071-3197
(213) 229-7000

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and upon consummation of the offer to purchase or exchange described in the enclosed prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant

shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

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This Amendment No. 2 to this Registration Statement on Form S-4 contains amendments to and supplements certain information contained in the offer to purchase or exchange filed by NNG, Inc. on February 1, 2001 and amended on March 5, 2001, including the following:

- the section entitled "The Offer--Source and Amount of Funds" on page 32 has been amended to delete the reference to the 364-day term credit facility with an aggregate principal amount of $1,000,000,000 and supplemented by adding a new paragraph at the end of that section describing a recent debt offering by Northrop Grumman, the proceeds of which will be used to fund the acquisition of a portion of the shares of Litton preferred stock and Litton common stock in the offer;

- the section entitled "Additional Information" on page 83 has been amended to reflect additional filings made by Northrop Grumman and Litton with the Securities and Exchange Commission since February 1, 2001 and to delete references to certain filings that have been superseded by these later filings;

- the pro forma financial information included in this offer to purchase or exchange has been updated to reflect pro forma information through December 31, 2000, as opposed to through September 30, 2000 for Northrop Grumman and through October 31, 2000 for Litton, as previously presented in the offer to purchase or exchange filed by NNG, Inc. on February 1, 2001 and amended March 5, 2001;

- market price information for Northrop Grumman common stock, Litton common stock and Litton preferred stock has been updated to March 26, 2001; and

- information as to the expiration date of the offer has been updated.

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+The information contained in this offer to purchase or exchange may change. +
+NNG may not sell these securities until the registration statement filed with +
+the Securities and Exchange Commission is effective. This offer to purchase +
+or exchange is not an offer to sell these securities and NNG is not +
+soliciting an offer to buy these securities in any state where the offer or +
+sale is not permitted. +
+++

Offer to Purchase or Exchange
Each Outstanding Share of Common Stock
(together with associated rights)
of
LITTON INDUSTRIES, INC.
for
any of the following, at the election of tendering holders of common stock
$80.00 net per share, in cash, not subject to proration
or
$80.25 in market value (determined as described below) of shares of
NNG, Inc. Common Stock, subject to proration
or
0.80 shares of NNG, Inc. Series B Preferred Stock, subject to proration
and
Each Outstanding Share of Series B $2 Cumulative Preferred Stock
of
LITTON INDUSTRIES, INC.
for
$35.00 net per share, in cash, not subject to proration
by
NNG, INC., a wholly-owned subsidiary
of
NORTHROP GRUMMAN CORPORATION

NNG, Inc. (the initials stand for "New Northrop Grumman") is a newly-organized corporation which will become the parent holding company for Northrop Grumman Corporation immediately prior to the purchase of Litton shares in the offer. At such time, NNG, Inc. will change its name to "Northrop Grumman Corporation" and the present Northrop Grumman Corporation will change its name to "Northrop Grumman Systems Corporation."

The offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Thursday, March 29, 2001 unless extended. Shares of Litton common stock and Litton preferred stock tendered pursuant to the offer may be withdrawn at any time prior to the expiration of the offer and, unless previously accepted for purchase or exchange pursuant to the offer, may also be withdrawn at any time after Tuesday, March 6, 2001.

The offer is made pursuant to an Amended and Restated Agreement and Plan of Merger, dated as of January 23, 2001 (referred to as the "amended merger agreement"), among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc. and LII Acquisition Corp. The board of directors of Litton has approved and deemed advisable the amended merger agreement, the offer and the merger of LII Acquisition with and into Litton (referred to as the "Litton merger"), determined that the offer is fair to, and in the best interests of, holders of Litton common stock and recommends that holders of Litton common stock accept the offer and tender their Litton common stock pursuant to the offer. The Litton board of directors makes no recommendation with respect to the tender of the Litton preferred stock.

The number of shares of NNG common stock to be exchanged for each share of Litton common stock for which a tendering holder elects to receive NNG common stock will be determined by dividing $80.25 by the average of the closing prices of Northrop Grumman common stock on the New York Stock Exchange ("NYSE") for the five consecutive trading days ending prior to the open of the second full trading day before the expiration of the offer.

There is no limit on the number of shares of Litton common stock or Litton preferred stock that may be exchanged for cash in the offer and consequently the cash consideration offered will not be subject to proration. Subject to NNG's option (described below) to substitute cash for shares of NNG common stock in certain circumstances, the maximum number of shares of NNG common stock that will be issued in the offer is 13,000,000 (referred to as the "maximum common stock consideration"), and the maximum number of shares of NNG preferred stock that will be issued in the offer is 3,500,000 (referred to as the "maximum preferred stock consideration"). Therefore, elections to receive NNG common stock and NNG preferred stock will be subject to proration if holders of Litton common stock request in the aggregate more than the maximum amount of such consideration available. Holders of Litton preferred stock may exchange their Litton preferred stock only for cash.

The offer is subject to the conditions listed under "The Offer--Conditions of the Offer," including, that there be validly tendered and not withdrawn prior to the expiration of the offer a total of at least 25,646,399 shares of Litton common stock and Litton preferred stock (referred to as the "minimum tender condition"). After the consummation of the offer, NNG common stock will trade on the NYSE under the symbol "NOC." NNG will seek to list the NNG preferred stock on the NYSE if there are enough holders to satisfy NYSE listing requirements. The Litton common stock and the Litton preferred stock currently trade on the NYSE and the Pacific Exchange under the symbols "LIT" and "LIT.B," respectively.

See "Important Considerations Concerning Elections to Receive NNG Stock" beginning on page 11 for a discussion of certain factors that holders of Litton common stock should consider in connection with the offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this offer to purchase or exchange. Any representation to the contrary is a criminal offense.

The date of this offer to purchase or exchange is March 27, 2001

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This offer to purchase or exchange incorporates by reference important business and financial information about Northrop Grumman and Litton. That information is available without charge to Litton stockholders upon request. For information regarding Northrop Grumman, Litton stockholders must address their requests to: Investor Relations, Northrop Grumman Corporation, 1840 Century Park East, Los Angeles, California 90067 (310) 201-3423. For information regarding Litton, Litton stockholders must address their request to: Investor Relations, Litton Industries, Inc., 21240 Burbank Boulevard, Woodland Hills, California 91367 (818) 598-2026.

SUMMARY

The following summary highlights selected information from this offer to purchase or exchange. This summary may not contain all of the information that is important to Litton stockholders. To better understand the offer and the other proposed transactions, Litton stockholders should read this entire document carefully, as well as the additional documents to which this offer to purchase or exchange refers. See "Additional Information" on page 83.

The Amended Merger Agreement

Northrop Grumman and Litton entered into an Agreement and Plan of Merger on December 21, 2000 which provided for the original offer to purchase all of the outstanding Litton common stock for $80.00 in cash per share and all of the outstanding Litton preferred stock for $35.00 in cash per share by a subsidiary of Northrop Grumman. The original offer commenced on January 5, 2001. On January 23, 2001, the original Agreement and Plan of Merger was amended and restated to provide that the original offer be amended to become an offer by NNG to exchange NNG common stock and NNG preferred stock for a portion of the Litton common stock on a tax-free basis, in addition to the cash consideration in the original offer. NNG is making the offer pursuant to the amended merger agreement.

The Companies

Northrop Grumman Corporation. Northrop Grumman is a Delaware corporation with its principal executive offices located at 1840 Century Park East, Los Angeles, California 90067. Its telephone number is (310) 553-6262. Northrop Grumman is an advanced technology company operating in the Integrated Systems Sector, or "ISS", Electronic Systems and Sensor Sector, or "ES3" and Information Technology, or "Logicon" segments of the broadly defined aerospace and defense industry. The ISS segment includes the design, development and manufacture of aircraft and aircraft subassemblies. The ES3 segment includes the design, development, manufacturing and integration of electronic systems and components for military and commercial use. Logicon, Northrop Grumman's information technology segment, includes the design, development, operation and support of computer systems for scientific and management information.

Litton Industries, Inc. Litton is a Delaware corporation with its principal executive offices located at 21240 Burbank Boulevard, Woodland Hills, California 91367. Its telephone number is (818) 598-5000. According to Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 2000, Litton designs, builds and overhauls surface ships for government and commercial customers worldwide and is a provider of defense and commercial electronics technology, components and materials for customers worldwide. In addition, Litton is a prime contractor to the U.S. government for information technology and provides specialized information technology services to commercial customers in local and foreign jurisdictions.

Litton's businesses are divided into four business segments: Advanced Electronics, Information Systems, Ship Systems, and Electronic Components and Materials. The Advanced Electronics group is a major supplier and integrator of electronic systems and related services to the U.S. and international military and commercial

markets. The Information Systems group designs, develops, integrates and supports computer-based information systems and provides information technology and services primarily for government customers. The Ship Systems group builds non-nuclear ships for the U.S. Navy and designs, builds and overhauls surface ships for government and commercial customers worldwide. The Electronic Components and Materials group designs, manufactures and produces a broad range of high-tech materials and products integral to the telecommunications and computer markets including complex many-layered backplanes and assemblies, specialty brushless motors, slip rings, high density electronic and fiber optic connectors, cylindrical connectors, microelectronic attachment materials including solder spheres, precision wires and pastes, laser crystals, gallium arsenide substrates and microwave components for primarily commercial markets worldwide.

NNG, Inc. NNG is a newly-formed Delaware corporation that is wholly-owned by Northrop Grumman. Its principal executive offices are located at 1840 Century Park East, Los Angeles, California 90067 and its telephone number is (310) 553-6262. NNG was incorporated on January 16, 2001 in preparation for the offer and the Northrop reorganization described below and has not conducted any business activities to date. As a result of the Northrop reorganization and after the consummation of the offer, Northrop Grumman and Litton will become subsidiaries of NNG. Accordingly, the business of NNG will consist of the business currently conducted by Litton and Northrop Grumman.

The Northrop Reorganization

Immediately prior to NNG purchasing Litton common stock and Litton preferred stock in the offer, Northrop Grumman will be reorganized. Currently, NNG has two wholly-owned subsidiaries, NGC Acquisition Corp. and LII Acquisition Corp., as illustrated below:

[GRAPHIC APPEARS HERE]

NGC Acquisition Corp. and LII Acquisition Corp. are newly-formed corporations which were organized for the purpose of the transactions described herein.

In the Northrop reorganization, immediately prior to the purchase of Litton common stock and Litton preferred stock in the offer, NGC Acquisition will merge with and into Northrop Grumman. As a result, Northrop Grumman will become a wholly-owned subsidiary of NNG. NNG will change its name to "Northrop Grumman Corporation," and Northrop Grumman will be renamed "Northrop Grumman Systems Corporation." All of Northrop Grumman's capital stock will be converted into capital stock of NNG. The outstanding shares of Northrop Grumman common stock will automatically be deemed to be outstanding shares of NNG common stock with no exchange of certificates and the NNG common stock will have the same rights, preferences and privileges as the Northrop Grumman common stock. The NNG common stock will be publicly traded and listed on the NYSE. The following chart illustrates the resulting corporate structure:

[GRAPHIC APPEARS HERE]

The Litton Merger

Following NNG's purchase of Litton common stock and Litton preferred stock in the offer, LII Acquisition will merge with and into Litton. At the effective time of the Litton merger, each outstanding share of Litton common stock, except for shares held by dissenting Litton stockholders, NNG, Litton or their subsidiaries, will be converted into the right to receive $80.00 in cash, and each outstanding share of Litton preferred stock will remain outstanding without any change.

Choices Available to Litton Stockholders

Holders of Litton common stock who desire to tender their shares in the offer may select one of the following forms of payment for each of their shares of Litton common stock:

- $80.00 cash;
- $80.25 in market value (as described below) of NNG common stock, subject to proration; and
- 0.80 of a share of NNG preferred stock, subject to proration.

The number of shares of NNG common stock to be issued in exchange for each share of Litton common stock will be determined by dividing $80.25 by the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending prior to the open of the second full trading day before expiration of the offer. The final exchange ratio will be set prior to 9:00 a.m. New York City time on the second full trading day before the expiration of the offer. For example, if the offer expired at Midnight, New York City time, on a Friday, the final exchange ratio would be set prior to 9:00 a.m. New York City time on the immediately preceding Thursday. No fractional shares of NNG common stock or NNG preferred stock will be issued. Cash will be delivered in lieu of fractional shares of NNG common stock or NNG preferred stock.

Holders of Litton preferred stock who desire to tender their shares in the offer will receive $35.00 in cash for each share.

The exchange ratios for the consideration to be offered in exchange for shares of Litton common stock and Litton preferred stock in the offer were determined through arm's-length negotiations between Litton and Northrop Grumman. Merrill Lynch & Co. acted as Litton's financial advisor and Salomon Smith Barney Inc. acted as Northrop Grumman's financial advisor in these negotiations.

For more information on the NNG common stock exchange ratio, see "The Offer" beginning on page 20.

Elections and Proration

Elections by Tendering Stockholders

There is no limit on the number of shares of Litton common stock or Litton preferred stock that may be exchanged for cash in the offer. There is a limit on the number of shares of NNG common stock and the number of shares of NNG preferred stock that may be issued in exchange for Litton common stock in the offer. The maximum number of shares of NNG common stock that will be issued in the offer is 13,000,000, and the maximum number of shares of NNG preferred stock that will be issued in the offer is 3,500,000. It is possible that the maximum common stock consideration could be reduced, as described under "Reduction in Number of Shares of NNG Common Stock" below. Elections for the NNG common stock and the NNG preferred stock will be subject to pro rata reduction if Litton stockholders request more than the maximum common stock consideration or the maximum preferred stock consideration, as the case may be.

In addition to deciding whether to receive cash, NNG common stock or NNG preferred stock, or a combination of this consideration, tendering Litton common stockholders who elect to receive NNG common stock or NNG preferred stock must choose among the available alternatives described below for the treatment of any shares of Litton common stock not exchanged by reason of proration for the class of NNG stock they have elected to receive:

Alternative A. A tendering Litton common stockholder may make an Alternative A election with respect to Litton common stock which is tendered for either NNG common stock or NNG preferred stock. If the total number of NNG common stock elections (including the deemed elections referred to in the next sentence) exceeds the NNG common stock available, the Alternative A elections will first be reduced, pro rata, to the extent necessary so that the total number of shares of NNG common stock required for common stock elections does not exceed the maximum common stock consideration. If the tendering stockholder elects to receive NNG preferred stock, any shares subject to the Alternative A election which are not exchanged for NNG preferred stock by reason of proration will be deemed subject to an Alternative A common stock election.

The stockholder's agreement among Northrop Grumman, NNG and Unitrin provides, in substance, that Unitrin and certain of its subsidiaries will accept NNG common stock in exchange for all of their shares of Litton common stock which are not exchanged for NNG preferred stock in the offer. However, Unitrin and its subsidiaries agreed to accept NNG common stock only to the extent that other Litton stockholders do not elect to receive the available NNG common stock. Pursuant to the stockholder's agreement, Unitrin will specify Alternative A for all of the Litton common stock tendered by it. While Alternative A may be selected by any holder of Litton common stock, it is expected that Litton stockholders other than Unitrin will likely find it in their interests to select either:

- Alternative B, if they wish to maximize the NNG common stock received in the offer; or

- Alternative C, if they wish to receive only NNG preferred stock or cash.

The stockholder's agreement is described below under "Other Agreements--The Stockholder's Agreement".

Alternative B. A tendering Litton common stockholder may make an Alternative B election with respect to Litton common stock which is tendered for either NNG common stock or NNG preferred stock. In the event

that proration of elections to receive of NNG common stock is still required after the elimination of shares in accordance with Alternative A elections, holders of shares of Litton common stock who elect Alternative B will have their elections to receive NNG common stock reduced pro rata based on the number of shares covered thereby. If the tendering Litton common stockholder elects to receive NNG preferred stock, any shares subject to the Alternative B election which are not exchanged for NNG preferred stock by reason of proration will be deemed subject to an Alternative B common stock election.

Alternative C. An Alternative C election is only available for those Litton common stockholders who elect to receive NNG preferred stock in exchange for tendered Litton shares. Any such shares which are not exchanged for NNG preferred stock by reason of proration will be exchanged for $80.00 in cash per share.

If no election among the three alternatives described above is made in connection with a tender of Litton common stock in exchange for NNG common stock or NNG preferred stock, the tendering stockholder will be deemed to have elected Alternative B.

Pro Rata Reduction of Elections for NNG Stock

If holders tendering Litton common stock elect to receive more than the maximum common stock consideration or the maximum preferred stock consideration, elections will be subject to pro rata reduction as described below.

Elections to receive NNG preferred stock will be reduced, pro rata in accordance with the numbers of shares covered thereby, until all of the shares subject to the elections remaining can be exchanged for NNG preferred stock. Shares of Litton common stock which are not so exchanged by reason of proration will be exchanged for:

- $80.00 per share in cash, if Alternative C is selected by the tendering stockholder; or
- NNG common stock (subject to further proration, if required) in all other cases.

Elections to receive NNG common stock will also be subject to pro rata reduction, in accordance with the numbers of shares covered thereby, until all the shares subject to the elections remaining can be exchanged for the maximum common stock consideration. As described above, shares subject to Alternative A elections will be reduced before any shares subject to Alternative B elections. Shares of Litton common stock which are not so exchanged for NNG common stock by reason of proration will be exchanged for $80.00 in cash per share.

NNG Option to Reduce the Maximum Common Stock Consideration

If the average of the closing prices for Northrop Grumman common stock on the NYSE for any five consecutive trading days ending not later than two full trading days before expiration of the offer is less than $75.00, NNG may irrevocably elect to substitute cash for all or a portion of the NNG common stock at the rate of $80.00 per share of Litton common stock. In such event, NNG promptly will publicly announce the amount of cash to be substituted for NNG common stock and the amount of the new maximum common stock consideration and the offer will be extended, if necessary, in accordance with the applicable rules of the SEC to allow Litton stockholders to consider the information.

The NNG Preferred Stock

The NNG preferred stock will have the following principal terms:

- Conversion Right. Subject to approval by the stockholders (the "Stockholder Approval") of Northrop Grumman (if prior to the purchase of Litton shares in the offer) or by the stockholders of NNG (if thereafter) of the issuance of the shares of NNG common stock into which the NNG preferred stock is

convertible, shares of NNG preferred stock will be convertible into shares of NNG common stock at a conversion price equal to 127% of the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending prior to the open of the second full trading day before expiration of the offer (including the date the offer expires). The initial conversion price is subject to adjustment under certain circumstances, as described in "Description of NNG Capital Stock-Series B Preferred Stock."

- Dividend Rate. Holders of shares of NNG preferred stock will be entitled to cumulative cash dividends, payable quarterly in April, July, October and January of each year. If the NNG preferred stock is issued prior to the 2001 annual meeting of stockholders of Northrop Grumman (currently scheduled for May 16, 2001), the initial dividend rate per share will be $7.00 per year. Commencing after the dividend payment date in October 2001, the dividend rate per share will be $7.00 per year if the Stockholder Approval has been obtained or $9.00 per year if it has not been obtained. If the NNG preferred stock is issued after the 2001 Northrop Grumman annual meeting, the initial dividend rate per share will be $7.00 per year if the Stockholder Approval has been obtained and $9.00 per year if it has not been obtained. If the dividend rate per share is set at $9.00 per year, it will be reduced from $9.00 to $7.00 per year after the Stockholder Approval is obtained.

- Redemption.

  - Mandatory Redemption For Cash After Twenty Years. Each share of NNG preferred stock will be subject to mandatory redemption for cash, in an amount equal to the liquidation value of $100.00 per share of NNG preferred stock plus accrued but unpaid dividends, whether or not declared, to the mandatory redemption date. The mandatory redemption date will be 20 years and one day from the date of issuance. In the event that Stockholder Approval has not occurred by the mandatory redemption date, the amount payable for each share of NNG preferred stock will be the greater of (a) the liquidation value of $100.00 per share of NNG preferred stock plus accrued but unpaid dividends to the redemption date, whether or not declared, and (b) the current market price on the redemption date of the number of shares of NNG common stock which would be issued upon conversion of a share of NNG preferred stock into NNG common stock on the redemption date pursuant to the provision for conversion.

  - Optional Redemption For Common Stock After Seven Years. NNG has the option to redeem all but not less than all of the shares of NNG preferred stock at any time after seven years from the initial issuance date for a number of shares of NNG common stock equal to the liquidation value of $100.00 per share plus accrued but unpaid dividends, whether or not declared, to the redemption date, divided by the current market price of a share of NNG common stock on the redemption date. In the event that Stockholder Approval has not occurred by the redemption date, the number to be divided in the above calculation will be the greater of the amount described above and the current market price on the redemption date of the number of shares of NNG common stock which would be issued upon conversion of a share of NNG preferred stock into NNG common stock on the redemption date pursuant to the provision for conversion.

- Liquidation. In any liquidation of NNG, each share of NNG preferred stock will be entitled to a liquidation preference of $100.00 plus accrued but unpaid dividends, whether or not declared, before any distribution may be made on the NNG common stock or any other class or series of NNG stock which is junior to the NNG preferred stock. In any liquidation of NNG, no distribution may be made on any NNG stock ranking on a parity with the NNG preferred stock, unless the holders of NNG preferred stock participate ratably in the distribution along with the holders of any NNG stock that ranks on a parity with the NNG preferred stock. In the event the Stockholder Approval has not occurred at the time of liquidation, the amount payable on liquidation will be the greater of the amount described above and the amount that would be distributed if such share of NNG preferred stock had been converted into NNG common stock pursuant to the provision for conversion.

- Change of Control. For a period of not less than 20 business days following any merger, consolidation, sale of all or substantially all of NNG's assets, liquidation or recapitalization of the NNG common stock in which more than one-third of the previously outstanding NNG common stock is changed into or exchanged for cash, property or securities other than capital stock of NNG or another corporation, holders of shares of NNG preferred stock may exchange any and all such shares for shares of NNG common stock. Each share of NNG preferred stock so exchanged shall be exchanged for that number of shares of NNG common stock determined by dividing the liquidation value of $100.00 per share plus accrued and unpaid dividends as of the exchange date by the current market price of a share of NNG common stock. In the event the Stockholder Approval has not occurred by the exchange date, the number to be divided in the above calculation will be the greater of the amount described above and the current market price on the exchange date of the number of shares of NNG common stock which would be issued if such shares of NNG preferred stock were converted into NNG common stock on the exchange date pursuant to the provision for conversion.

- Voting Rights. Holders of shares of NNG preferred stock generally will have no voting rights, except that approval of the holders of two-thirds of the NNG preferred stock will be required for certain actions that would adversely affect the rights of such holders. If NNG fails to pay or declare and set aside funds for six or more quarterly dividends (whether or not consecutive), the holders of shares of NNG preferred stock will have the right to elect two directors of NNG.

See "Description of NNG Capital Stock--Series B Preferred Stock--Voting Rights" on page 72 for a more detailed description of the voting and other rights and preferences of the NNG preferred stock.

Conditions to the Offer

The offer is subject to conditions, including, but not limited to:

- the satisfaction of the minimum tender condition;

- the expiration or termination of any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (referred to in this offer to purchase or exchange as the "HSR Act") or under Council Regulation (EEC) No. 4064/89 of the Council of the European Union;

- the Registration Statement on Form S-4 filed with the Securities and Exchange Commission to register the issuance of the NNG common stock and NNG preferred stock (of which this offer to purchase or exchange is a part) in the offer will have become effective and not be the subject of any stop order or proceeding seeking a stop order; and

- the shares of NNG common stock to be issued in the offer will have been approved for listing on the NYSE.

These conditions and the other conditions to the offer are discussed in greater detail in "The Offer--Conditions of the Offer" beginning on page 29.

Litton's Support of the Offer and the Litton Merger

Litton's board of directors has determined that the offer is fair to, and in the best interests of, holders of Litton common stock, and recommends that holders of Litton common stock accept the offer and tender their shares of Litton common stock in the offer. Litton's board of directors makes no recommendation regarding whether holders of Litton preferred stock should accept the offer and tender their shares of Litton preferred stock in the offer. Litton's board of directors has approved and declared advisable the amended merger agreement and the Litton merger. Information about the recommendation of Litton's board is more fully set forth in Litton's Amended Solicitation/Recommendation Statement on Schedule 14D-9, which is being mailed to Litton stockholders together with this offer to purchase or exchange.

Fairness Opinion

Litton has received an opinion from Merrill Lynch & Co., dated January 23, 2001, substantially to the effect that, as of January 23, 2001, the aggregate consideration to be received by holders of Litton common stock other than Northrop Grumman and its affiliates pursuant to the offer and the Litton merger is fair from a financial point of view to the holders of Litton common stock. The opinion is attached as an annex to Litton's Schedule 14D-9.

Agreement With Litton's Largest Stockholder

Unitrin and certain of its subsidiaries, who collectively owned approximately 27.8% of the outstanding shares of Litton common stock as of January 23, 2001, have agreed to tender all of their shares of Litton common stock in the offer and elect to receive no fewer than 3,000,000 shares of NNG preferred stock and, as to the remainder, NNG common stock pursuant to the stockholder's agreement described in greater detail in "Other Agreements--The Stockholder's Agreement" on page 59.

Litton Stockholder Approval of the Litton Merger

The Litton merger will require the affirmative vote of at least a majority of the shares of Litton common stock and Litton preferred stock outstanding on the record date for the meeting to approve the Litton merger, unless 90% or more of the outstanding shares of Litton common stock and 90% or more of the outstanding shares of Litton preferred stock are acquired in the offer, in which case the Litton merger can be accomplished without a meeting or vote of the Litton stockholders. If the minimum tender condition is satisfied and NNG purchases the tendered Litton common stock and Litton preferred stock, approval of the merger by Litton stockholders will be assured because NNG will own over 50% of the outstanding voting stock of Litton.

Appraisal Rights

There are no appraisal rights available in connection with the offer. After the offer and subject to Delaware state law, appraisal rights will be available to holders of Litton common stock, and may be available (depending on circumstances at the time) to holders of Litton preferred stock who do not vote in favor of the Litton merger. See "Summary of Certain Statutory Provisions--Appraisal Rights" beginning on page 79.

Tendering Litton Shares

To tender Litton shares, Litton stockholders should do the following:

- If the Litton shares are held in the stockholder's own name, the stockholder should complete and sign the enclosed letter of transmittal and return it with the Litton share certificates to EquiServe Trust Company, the depositary for the offer, at the applicable address on the back cover of this offer to purchase or exchange.

- If the Litton shares are held in uncertificated form in the stockholder's name, the stockholder should complete and sign the enclosed letter of transmittal and return it to EquiServe Trust Company at the applicable address printed on the back cover of this offer to purchase or exchange.

- If the Litton shares are held in "street name" through a broker, the stockholder will need to ask its broker to tender its Litton shares.

For more information on the timing of the offer, extensions of the offer period and Litton stockholders' rights to withdraw previously tendered Litton shares from the offer, see "The Offer" beginning on page 20, or call the information agent, Georgeson Shareholder Communications Inc., toll-free at (800) 223-2064.

Litton Stockholders Who Already Tendered Their Shares

Litton stockholders who have already tendered shares of Litton common stock in the original offer need take no action if they still wish to receive $80.00 in cash per share. If any such holder wishes to elect to receive consideration other than cash, such holder must submit a new letter of transmittal (or agent's message, if applicable), properly completed to indicate such election, and clearly identifying the shares previously tendered.

Litton stockholders who have already tendered shares of Litton preferred stock need take no action if they still wish to tender such shares for $35.00 in cash per share.

Shares previously tendered will not be returned unless withdrawn as described herein or upon expiration of the offer if not accepted for payment or exchange. For information concerning the status of previously tendered Litton shares, please call the information agent, Georgeson Shareholder Communications, Inc., toll free at (800) 223-2064.

Tax Consequences of the Receipt of Cash, NNG Common Stock and NNG Preferred Stock

If the offer and the Litton merger are consummated as contemplated, for federal income tax purposes:

- Litton stockholders who receive only cash for their Litton common stock or Litton preferred stock will recognize any gain or loss;
- Litton stockholders who receive solely NNG common stock or NNG preferred stock for their Litton common stock will recognize neither gain nor loss; and
- Litton stockholders who receive a combination of cash, NNG common stock and NNG preferred stock for their Litton common stock will not recognize any loss and will recognize any gain in an amount not to exceed the cash received.

The federal income tax consequences of the offer and the Litton merger will also depend on each Litton stockholder's particular circumstances. For a more detailed discussion of the potential federal income tax consequences, see "Material Federal Income Tax Consequences" beginning on page 39. Litton stockholders also should consult their tax advisors and other financial advisors for a full understanding of these and other tax consequences.

Extension of the Offer Period

The offer is currently scheduled to expire at Midnight, New York City time, on Thursday, March 29, 2001.

The amended merger agreement provides that NNG may, without Litton's consent:

- from time to time extend the offer for successive periods of up to five business days until each of the conditions to the offer have been satisfied or waived; or
- extend the offer for any period required by any rule, regulation, interpretation or position of the SEC.

If the offer is extended for any reason, NNG will promptly publicly announce the extension no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During any extension of the offer, all Litton common stock and Litton preferred stock previously tendered and not withdrawn will remain subject to the offer, subject to the holder's right to withdraw. See "The Offer--Withdrawal Rights" beginning on page 25 and "The Amended Merger Agreement" beginning on page 43 for more details.

Delay; Termination; Waiver; Amendment

Subject to the SEC's rules and regulations and the terms of the amended merger agreement, NNG also reserves the right, in its sole discretion, at any time or from time to time:

- to delay acceptance for payment or exchange of any shares of Litton common stock or Litton preferred stock pursuant to the offer if any of the conditions of the offer have not been satisfied; and

- to waive any condition (other than the minimum tender condition)

by giving oral or written notice of the delay, termination or amendment to the depositary and by making a public announcement as promptly as practicable after the delay, termination or amendment. Subject to applicable law (including Rules 14d-4(d) and 14d-6(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which require that any material change in the information published, sent or given to stockholders in connection with the offer be promptly sent to stockholders in a manner reasonably designed to inform stockholders of such change) and without limiting the manner in which NNG may choose to make any public announcement, NNG assumes no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

Withdrawal Rights

Tenders of shares of Litton common stock and Litton preferred stock in the offer may be withdrawn at any time prior to the expiration of the offer and at any time after Tuesday, March 6, 2001, unless NNG previously has accepted the shares for payment.

Reasons for the Proposed Transactions

NNG and Northrop Grumman are proposing the offer and the Litton merger because they believe that the offer and the Litton merger will significantly benefit Northrop Grumman's stockholders and customers. Northrop Grumman believes that the offer and the Litton merger will provide access to new product areas, increase diversification into new markets, increase market presence and opportunities and increase operating efficiencies. See "Background of the Amended Merger Agreement--Reasons for the Offer and the Litton Merger" beginning on page 37.

Accounting Treatment

NNG will account for the Litton merger as a "purchase" transaction for accounting and financial reporting purposes, in accordance with United States generally accepted accounting principles. Accordingly, NNG will make a determination of the fair value of Litton's assets and liabilities and allocate the purchase price on its books to the acquired assets.

Material Differences in Rights of Stockholders

The governing documents of NNG and Litton vary, and to that extent, holders of Litton common stock will have different rights as NNG stockholders. The differences are described in more detail under "Comparison of Stockholders' Rights" beginning on page 74.

Questions About the Offer and the Litton Merger

If you have any questions about the offer or the Litton merger, please call our information agent, Georgeson Shareholder Communications Inc., toll-free at (800) 223-2064.

IMPORTANT CONSIDERATIONS CONCERNING ELECTIONS TO RECEIVE NNG STOCK

In deciding whether to tender shares of Litton stock pursuant to the offer, Litton stockholders should read this offer to purchase or exchange and the accompanying Schedule 14D-9 of Litton carefully. Litton common stockholders also should carefully consider the following factors before electing to receive NNG stock in the offer.

Elections to Receive NNG Stock are Subject to Pro Rata Reduction Because of the Limited Numbers of Shares Available

Only 13,000,000 shares of NNG common stock and 3,500,000 shares of NNG preferred stock are available for exchange in the offer. The maximum common stock consideration could be reduced as described below under "--The Amount of NNG Common Stock Offered in Exchange for Litton Common Stock is Subject to Possible Reduction." If Litton common stockholders elect to receive more than the available number of shares of either class of NNG stock, their elections will be subject to pro rata reduction. Several alternative elections are available to Litton common stockholders for treatment of any shares of Litton common stock not exchanged by reason of proration for the class of NNG stock they have elected to receive. Litton common stockholders who are considering such elections should carefully consider the information provided herein under "The Offer--Possible Pro Rata Reductions of Elections for NNG Stock."

The Trading Market for NNG Preferred Stock May Be Limited

The total number of NNG preferred shares to be issued in the offer is limited to 3,500,000, with each share having a liquidation preference of $100.00. As the result, the total initial liquidation value of the issue will be no more than $350,000,000, and the liquidity of those shares may be limited. Of course, the actual market value of the NNG preferred stock may be more or less than $100.00 per share depending on circumstances over time.

Resales of NNG Common Stock Following the Offer May Adversely Affect the Market Value of Such Shares

The issuance of 13,000,000 new shares of NNG common stock in the offer could lead to a significant redistribution of the new shares following their initial issuance. Resales of a large number of the new NNG shares could adversely affect the market price for NNG common stock.

The Exchange Ratio for NNG Common Stock in the Offer, and the Conversion Price for the NNG Preferred Stock, Will Not be Known Until Two Full Trading Days Prior to Expiration of the Offer

The exact number of NNG common shares to be exchanged for each Litton common share will be determined by dividing $80.25 by the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending prior to the open of the second full trading day before expiration of the offer (including the date the offer expires). Accordingly, Litton stockholders will not be able to know the NNG common stock exchange ratio until immediately prior to the open of the last two trading days during which the offer is open. Further, the exchange ratio which results may not reflect the actual market price for NNG common stock following completion of the offer.

The conversion price for NNG preferred stock will be 127% of the average of the closing prices of the Northrop Grumman common stock used to set the NNG common stock exchange ratio. Accordingly, the conversion price for NNG preferred stock will also not be known until two full trading days prior to the expiration of the offer.

The Amount of NNG Common Stock Offered in Exchange for Litton Common Stock is Subject to Possible Reduction

If the average of the closing prices for Northrop Grumman common stock on the NYSE for any five consecutive trading days ending not later than two full trading days before expiration of the offer is less than

$75.00, NNG will have the irrevocable option to reduce the number of shares of NNG common stock available for exchange in the offer and substitute cash at the rate of $80.00 per share of Litton common stock. If this should occur, a public announcement of the fact will be made and the offer will be extended, if necessary, in accordance with the applicable rules of the SEC to allow Litton stockholders to consider the information.

Convertibility of the NNG Preferred Stock is Subject to a Vote of Northrop Grumman Stockholders Which Will Not Occur Until the 2001 Meeting of Northrop Grumman Stockholders

The issuance of NNG common stock upon conversion of the NNG preferred stock is conditioned upon the approval of stockholders of Northrop Grumman (if such vote occurs prior to the issuance of shares in the offer) or NNG (if the vote occurs thereafter). The matter will be voted on at the 2001 annual meeting of stockholders, currently scheduled for May 16, 2001, which is expected to be after expiration of the offer. As the result, Litton stockholders who elect to receive NNG preferred stock must recognize that such shares may not be convertible into common stock. See "Description of NNG Capital Stock--Series B Preferred Stock."

The Indebtedness of NNG Following the Offer Will be Much Higher Than the Existing Indebtedness of Northrop Grumman

The indebtedness of Northrop Grumman as of December 31, 2000 was approximately $1.615 billion. NNG's pro forma indebtedness as of December 31, 2000 giving effect to the offer and the Litton merger and assuming the Minimum Equity Issuance (as described in "Selected Consolidated Financial Data" below), is approximately $5.961 billion. As a result of the increase in debt, demands on the cash resources of Northrop Grumman will increase after the Litton merger, which could have important effects on the investment in NNG's common stock and NNG's preferred stock. For example, the increased levels of indebtedness could:

- reduce funds available for investment in research and development and capital expenditures; or
- create competitive disadvantages compared to other companies with lower debt levels.

Successful Integration of the Northrop Grumman and Litton Businesses is not Assured

Integrating and coordinating the operations and personnel of Northrop Grumman and Litton will involve complex technological, operational and personnel-related challenges. This process will be time-consuming and expensive, and may disrupt the business of the companies. The integration of the companies may not result in the benefits expected by the companies. The difficulties, costs and delays that could be encountered may include:

- unanticipated issues in integrating the information, communications and other systems;
- negative impacts on employee morale and performance as a result of job changes and reassignments;
- loss of customers;
- unanticipated incompatibility of systems, procedures and operating methods;
- inability to obtain necessary consents of third parties;
- unanticipated costs in termination or relocation of facilities and operations, and
- the effect of complying with any government imposed organizational conflict-of-interest rules.

Risks Relating to the Businesses of Northrop Grumman and Litton

Results of operation of NNG will be subject to numerous risks affecting the businesses of Northrop Grumman and Litton, many of which are beyond the companies' control. Many of these risks are identified under "Forward-Looking Statements" on page 85

SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of selected historical consolidated financial data of Northrop Grumman for each of the years in the five-year period ended December 31, 2000 and selected unaudited pro forma combined financial data of Northrop Grumman and Litton for the year ended December 31, 2000. Litton stockholders should read this summary together with the financial statements referred to below and incorporated by reference and their accompanying notes and in conjunction with management's discussion and analysis of operations and financial conditions of Northrop Grumman and Litton contained in such reports.

The historical consolidated financial data of Northrop Grumman for each of the years in the three year period ended December 31, 2000 are derived from the audited financial statements of Northrop Grumman contained in its Annual Report on Form 10-K as filed on March 1, 2001 and subsequently amended on March 2, 2001, and March 8, 2001. The historical consolidated financial data for the fiscal year ended December 31, 1997 are derived from the audited financial statements contained in its Current Report on Form 8-K as filed on August 8, 2000, which is incorporated by reference in this offer to purchase or exchange. The historical consolidated financial data for the fiscal year ended December 31, 1996 are derived from the audited financial statements of Northrop Grumman.

The selected unaudited pro forma combined financial data of Northrop Grumman and Litton were derived from Northrop Grumman's audited consolidated financial statements for the year ended December 31, 2000, and Litton's audited consolidated financial statements for the fiscal year ended July 31, 2000. In addition, the unaudited financial statements of Litton contained in Litton's Quarterly Reports on Form 10-Q for the periods ended January 31, 2001 and 2000 have been used to bring the financial reporting periods of Litton to within 31 days of those of Northrop Grumman.

The selected unaudited pro forma combined financial data give effect to the offer and the Litton merger as if they had occurred on the dates referenced under "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 65. The selected unaudited pro forma combined financial data do not include the realization of any cost savings from operating efficiencies, synergies or other restructurings resulting from the offer and the Litton merger. Two pro forma transaction scenarios are presented: Minimum Equity Issuance and Maximum Equity Issuance. The Minimum Equity Issuance scenario is based upon the assumption that Unitrin tenders its shares of Litton common stock for NNG stock as described in "Other Agreements--The Stockholder's Agreement," beginning on page 59 and all other stockholders tender their shares for cash. The Maximum Equity Issuance scenario is based upon the assumption that the maximum number of shares of NNG common stock (i.e. 13,000,000) and maximum number of shares of NNG preferred stock (i.e. 3,500,000) are issued, with the remainder of the consideration in the offer paid in cash. The selected unaudited pro forma combined financial data do not purport to represent what NNG's results of operations or financial position actually would have been if the transactions referred to therein had been consummated on the date or for the periods indicated or what such results will be for any future date or any future period. Litton stockholders should read this summary together with "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 65 and the accompanying notes.

NORTHROP GRUMMAN CORPORATION

SELECTED HISTORICAL AND UNAUDITED PRO FORMA COMBINED FINANCIAL DATA
(In millions, except per share data)

	Pro Forma						
	Minimum Equity Issuance	Maximum Equity Issuance	Historical Data				
	Year ended December 31,		Year ended December 31,				
	2000	2000	2000	1999	1998	1997	1996
Operating data:							
Net sales	$13,244	$13,244	$ 7,618	$7,616	$7,367	$7,798	$ 7,667
Operating margin	1,482	1,482	1,098	954	752	741	752
Interest expense (net)	(474)	(438)	(146)	(206)	(221)	(240)	(261)
Income from continuing operations before accounting changes	653	676	625	474	193	318	330
Diluted earnings per share from continuing operations before accounting change	$ 7.83	$ 7.59	$ 8.82	$ 6.80	$ 2.78	$ 4.67	$ 5.18
Balance sheet data:							
Total assets	$16,811	$16,812	$ 9,622	$9,285	$9,536	$9,667	$ 9,645
Net working capital	435	435	(162)	329	666	221	106
Total debt	5,969	5,491	1,615	2,225	2,831	2,791	3,378
Shareholders' equity	4,634	5,063	3,919	3,257	2,850	2,623	2,282
Other data:							
Net cash from operations	N/A	N/A	$ 1,010	$1,207	$ 244	$ 730	$ 743
Funded order backlog	N/A	N/A	10,106	8,499	8,415	9,700	10,451
Depreciation and amortization	648	648	381	352	360	381	342
Earnings before interest, taxes, depreciation and amortization (EBITDA)(a)	2,169	2,169	1,502	1,305	890	1,133	1,081

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(a) EBITDA was calculated by adding back net interest expense and depreciation and amortization expense to income from continuing operations before taxes and accounting change. Since all companies do not calculate EBITDA or similarly titled financial measures in the same manner, disclosures by other companies may not be comparable with EBITDA as defined herein. EBITDA is a financial measure used by analysts to value companies. Therefore, Northrop Grumman's management believes that the presentation of EBITDA provides relevant information to investors. EBITDA should not be construed as an alternative to operating income or cash flows from operating activities as determined in accordance with United States generally accepted accounting principles ("GAAP") or as a measure of liquidity. Amounts reflected as EBITDA are not necessarily available for discretionary use as a result of restrictions imposed by applicable law upon the payment of dividends or distributions, among other things.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF LITTON

The following is a summary of selected consolidated financial data of Litton for each of the fiscal years in the five-year period ended July 31, 2000 and the six-month periods ended January 31, 2001 and January 31, 2000. The operating results for the six months ended January 31, 2001 are not necessarily indicative of results for the full fiscal year ending July 31, 2001. This information is derived from the audited consolidated financial statements of Litton contained in its Annual Report on Form 10-K for the fiscal year ended July 31, 2000 and from the unaudited consolidated financial statements of Litton contained in its Quarterly Report on Form 10-Q for the period ended January 31, 2001, which are incorporated by reference in this offer to purchase or exchange, and is qualified in its entirety by such documents. See "Additional Information" on page 83. You should read this summary together with the financial statements to which we refer and their accompanying notes and in conjunction with management's discussion and analysis of operations and financial conditions of Litton contained in such reports.

LITTON INDUSTRIES, INC. AND SUBSIDIARIES

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(In millions, except per share data)

	6 Months Ended January 31,		Year Ended July 31,				
	2001	2000	2000	1999	1998	1997	1996
Operating data:							
Sales and service revenues	$ 2,758	$ 2,720	$5,588	$4,828	$4,400	$4,176	$3,612
Total segment operating profit	245	238	562	339	410	370	320
Income before accounting change	95	90	221	121	181	162	151
Diluted earnings per share before accounting change	$ 2.03	$ 1.93	$ 4.80	$ 2.58	$ 3.82	$ 3.40	$ 3.15
Balance sheet data:							
Total assets	$ 4,908	$ 4,967	$4,836	$4,260	$4,114	$3,545	$3,454
Net working capital	597	321	500	295	164	163	107
Total debt	1,477	1,690	1,399	1,033	1,046	680	787
Total stockholders' investment	1,611	1,385	1,496	1,300	1,187	1,039	917
Other data:							
Net cash from operations	$ 20	$ (16)	$ 250	$ 244	$ 228	$ 223	$ 70
Depreciation and amortization	92	96	190	161	148	138	114
Earnings before interest, taxes, depreciation and amortization (EBITDA)(a)	304	302	683	441	502	452	381

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(a) EBITDA was calculated by adding back net interest expense and depreciation and amortization expense to income before taxes and accounting change. Since all companies do not calculate EBITDA or similarly titled financial measures in the same manner, disclosure by other companies may not be comparable with EBITDA as defined herein. EBITDA is a financial measure used by analysts to value companies. Therefore, Northrop Grumman's management believes that the presentation of EBITDA provides relevant information to investors. EBITDA should not be construed as an alternative to operating income or cash flows from operating activities as determined in accordance with GAAP or as a measure of liquidity. Amounts reflected as EBITDA are not necessarily available for discretionary use as a result of restrictions imposed by applicable law upon the payment of dividends or distributions, among other things.

COMPARATIVE PER SHARE INFORMATION

The following table summarizes unaudited per share information for Northrop Grumman and Litton on a historical, pro forma combined and equivalent pro forma combined basis. The following information should be read in conjunction with the audited consolidated financial statements of Northrop Grumman and Litton, the unaudited interim consolidated financial statements of Northrop Grumman and Litton, and the unaudited pro forma condensed combined financial information included elsewhere or incorporated by reference in this offer to purchase or exchange. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the offer, the Litton merger and the Northrop reorganization had been consummated as of the beginning of the respective periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined companies. The historical book value per share is computed by dividing total stockholders' equity by the number of common shares outstanding at the end of the period. The pro forma per share earnings from continuing operations is computed by dividing the pro forma income from continuing operations by the pro forma weighted average number of shares outstanding. The pro forma combined book value per share is computed by dividing total pro forma stockholders' equity by the pro forma number of common shares outstanding at the end of the period. Litton's equivalent pro forma combined per share amounts are calculated by multiplying Northrop Grumman's pro forma combined per share amounts by 0.9121, the percentage of a share of NNG common stock that would be exchanged for each share of Litton common stock in the offer, based upon the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending on March 21, 2001 ($87.986).

	Year ended December 31, 2000
NORTHROP GRUMMAN	
Historical per common share data:	
Basic earnings per share	$ 8.86
Diluted earnings per share	8.82
Book value per common share	55.29
Dividends declared--Common	1.60
Dividends declared--Preferred	--
Pro Forma combined per common share data:	
Minimum Equity Issued	
Basic earnings per share	$ 7.95
Diluted earnings per share	7.83
Book value per common share	57.95
Dividends declared--Common	1.60(a)
Dividends declared--Preferred	9.00
Maximum Equity Issued	
Basic earnings per share	$ 7.71
Diluted earnings per share	7.59
Book value per common share	59.68
Dividends declared--Common	1.60(a)
Dividends declared--Preferred	9.00

	Year ended December 31, 2000
LITTON	
Historical per common share data:	
Basic earnings per share	$ 4.95
Diluted earnings per share	4.90
Book value per common share	35.01
Dividends declared--Common	--
Dividends declared--Preferred	2.00
Equivalent Pro Forma combined per common share data:	
Minimum Equity Issued	
Basic earnings per share	$ 7.25
Diluted earnings per share	7.14
Book value per common share	52.85
Dividends declared--Common	1.46
Dividends declared--Preferred	8.21
Maximum Equity Issued	
Basic earnings per share	$ 7.03
Diluted earnings per share	6.92
Book value per common share	54.43
Dividends declared--Common	1.09
Dividends declared--Preferred	8.21

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(a) Pro forma dividends declared per common share assumes consistent rate maintained for additional shares issued in the offer and actual shares.

MARKET PRICES AND DIVIDENDS

Northrop Grumman common shares currently are listed and principally traded on the NYSE and the Pacific Exchange under the symbol "NOC." After the consummation of the offer, the NNG common stock will trade on the NYSE under the symbol "NOC," and NNG will seek to list the NNG preferred stock on the NYSE if there are enough holders to satisfy the NYSE minimum listing requirements. The Litton common stock and the Litton preferred stock are listed and principally traded on the NYSE under the symbols, "LIT" and "LIT.B" respectively.

The last reported sale price for Northrop Grumman common stock on March 26, 2001 was $86.50 and the last reported sale prices for Litton common stock and Litton preferred stock on March 26, 2001 were $79.85 and $34.89 respectively.

The following table sets forth, for the calendar quarters ended on the dates indicated, the high and low last reported sale prices per share of Northrop Grumman common stock, Litton common stock and preferred stock, in each case as reported on the NYSE Composite Transaction Tape. The following tables also set forth the cash dividends declared per share of Northrop Grumman common stock, Litton common stock and preferred stock for the corresponding periods.

	Northrop Grumman Common Stock			Litton Common Stock		
	High	Low	Dividend	High	Low	Dividend
1998						
March 31, 1998	$139.00	$103.50	$0.40	$62.88	$55.88	--
June 30, 1998	109.69	99.00	0.40	63.44	56.06	--
September 30, 1998	108.00	59.63	0.40	61.81	47.56	--
December 31, 1998	83.19	69.50	0.40	67.19	56.44	--
1999						
March 31, 1999	73.25	57.00	0.40	64.50	51.63	--
June 30, 1999	73.31	57.75	0.40	73.88	54.94	--
September 30, 1999	75.69	59.94	0.40	72.44	54.75	--
December 31, 1999	62.31	49.00	0.40	55.50	42.50	--
2000						
March 31, 2000	55.19	43.56	0.40	50.81	27.94	--
June 30, 2000	80.25	52.44	0.40	45.69	38.81	--
September 30, 2000	91.81	65.63	0.40	58.47	41.00	--
December 31, 2000	92.50	74.13	0.40	79.88	44.00	--
2001						
Quarter through March 26, 2001	97.54	79.81	0.40	79.85	78.69	--

	Litton Preferred Stock		
	High	Low	Dividend
1998			
March 31, 1998	$35.50	$32.00	$0.50
June 30, 1998	33.75	30.00	$0.50
September 30, 1998	33.25	30.00	$0.50
December 31, 1998	33.25	29.00	$0.50
1999			
March 31, 1999	33.50	30.00	$0.50
June 30, 1999	32.50	28.75	$0.50
September 30, 1999	31.50	27.50	$0.50
December 31, 1999	30.00	25.25	$0.50
2000			
March 31, 2000	26.75	24.75	$0.50
June 30, 2000	26.50	23.50	$0.50
September 30, 2000	25.50	23.00	$0.50
December 31, 2000	35.00	23.25	$0.50
2001			
Quarter through March 26, 2001	35.50	34.00	--

Exchange of Litton Shares; Exchange Ratio

Litton stockholders who tender shares of Litton common stock in the offer may elect to receive any of the following in exchange for each share of Litton common stock:

- $80.00 in cash;
- $80.25 in market value of shares of NNG common stock, determined by dividing $80.25 by the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending on the second trading day before expiration of the offer; or
- 0.80 of a share of NNG preferred stock.

Litton stockholders who tender shares of Litton preferred stock in the offer will receive $35.00 in cash in exchange for each share of Litton preferred stock. Holders of Litton preferred stock cannot exchange their Litton preferred stock for NNG common stock or NNG preferred stock, only cash.

Each form of consideration paid in the offer will be paid net of any required withholding of taxes and without the payment of interest.

The exchange ratios for the consideration to be offered in exchange for shares of Litton common stock and Litton preferred stock in the offer were determined through arm's-length negotiations between Litton and Northrop Grumman. Merrill Lynch & Co. acted as Litton's financial advisor and Salomon Smith Barney Inc. acted as Northrop Grumman's financial advisor in these negotiations.

Elections by Tendering Stockholders

There is no limit on the number of shares of Litton common stock or Litton preferred stock that may be exchanged for cash in the offer. There is a limit on the number of shares of NNG common stock and the number of shares of NNG preferred stock that may be issued in exchange for Litton common stock in the offer. The maximum number of shares of NNG common stock that will be issued in the offer is 13,000,000, and the maximum number of shares of NNG preferred stock that will be issued in the offer is 3,500,000. It is possible that the maximum common stock consideration could be reduced. Elections for the NNG common stock and the NNG preferred stock will be subject to pro rata reduction if Litton common stockholders request more than the maximum common stock consideration or the maximum preferred stock consideration, as the case may be.

In addition to deciding whether to receive cash, NNG common stock or NNG preferred stock, or a combination of this consideration, tendering stockholders who elect to receive NNG common stock or NNG preferred stock must choose among the available alternatives described below for the treatment of any shares of Litton common stock not exchanged, by reason of proration, for the class of NNG stock they have elected to receive:

Alternative A. A tendering Litton stockholder may make an Alternative A election with respect to Litton common stock which is tendered for either NNG common stock or NNG preferred stock. If the total number of NNG common stock elections (including the deemed elections referred to in the next sentence) exceeds the NNG common stock available, the Alternative A elections will first be reduced, pro rata, to the extent necessary so that the total number of shares of NNG common stock required for common stock elections does not exceed the maximum common stock consideration. If the tendering stockholder elects to receive NNG preferred stock, any shares subject to the Alternative A election which are not exchanged for NNG preferred stock by reason of proration will be deemed subject to an Alternative A common stock election.

The stockholder's agreement provides, in substance, that Unitrin and certain of its subsidiaries will accept NNG common stock in exchange for all of their shares of Litton common stock which are not exchanged for NNG preferred stock in the offer. However, Unitrin and its subsidiaries agreed to accept NNG common stock only to the extent that other Litton stockholders do not elect to receive the available NNG common stock. Pursuant to the stockholder's agreement, Unitrin will specify Alternative A for all of the Litton common stock

tendered by it. While Alternative A may be selected by any holder of Litton common stock, it is expected that Litton stockholders other than Unitrin will likely find it in their interests to select either:

- Alternative B, if they wish to maximize the NNG common stock received in the offer (for any shares not exchanged, by reason of proration, for NNG preferred stock, or otherwise); or

- Alternative C, if they wish to receive only NNG preferred stock or cash.

The stockholder's agreement is described below under "Other Agreements--The Stockholder's Agreement."

Alternative B. A tendering Litton stockholder may make an Alternative B election with respect to Litton common stock which is tendered for either NNG common stock or NNG preferred stock. In the event that proration of elections to receive shares of NNG common stock is still required after the elimination of shares in accordance with Alternative A elections, holders of shares of Litton common stock who elect Alternative B will have their elections to receive NNG common stock reduced pro rata based on the number of shares covered thereby. If the tendering stockholder elects to receive NNG preferred stock, any shares subject to the Alternative B election which are not exchanged for NNG preferred stock by reason of proration will be deemed subject to an Alternative B common stock election.

Alternative C. An Alternative C election is only available for those Litton common stockholders who elect to receive NNG preferred stock in exchange for tendered Litton shares. Any such shares which are not exchanged for NNG preferred stock by reason of proration will be exchanged for $80.00 in cash per share.

If no election among the three alternatives described above is made in connection with a tender of Litton common stock in exchange for NNG common or preferred stock, the tendering stockholder will be deemed to have elected Alternative B.

Pro Rata Reduction of Elections for NNG Stock

If holders tendering Litton common stock elect to receive more than the maximum common stock consideration or the maximum preferred stock consideration, elections will be subject to pro rata reduction as described below.

Elections to receive NNG preferred stock will be reduced, pro rata in accordance with the numbers of shares covered thereby, until all of the shares subject to the elections remaining can be exchanged for NNG preferred stock. Shares of Litton common stock which are not so exchanged by reason of proration will be exchanged for:

- $80.00 per share in cash, if Alternative C is selected by the tendering stockholder; or

- NNG common stock (subject to further proration, if required) in all other cases.

Elections to receive NNG common stock will also be subject to pro rata reduction, in accordance with the numbers of shares covered thereby, until all the shares subject to the elections remaining can be exchanged for the maximum common stock consideration. As described above, shares subject to Alternative A elections will be reduced before any shares subject to Alternative B elections. Shares of Litton common stock which are not so exchanged for NNG common stock by reason of proration will be exchanged for $80.00 in cash per share.

Reduction in Number of Shares of NNG Common Stock

Pursuant to the amended merger agreement, if the average of the closing prices for Northrop Grumman common stock on the NYSE is less than $75.00 for any five consecutive trading days ending not later than two full trading days before expiration of the offer, NNG will have the option to irrevocably elect to reduce the number of shares of NNG common stock available for exchange in the offer and substitute cash at the rate of $80.00 per share of Litton common stock. If this should occur, NNG will promptly publicly announce the

amount of cash to be substituted and the new maximum common stock consideration and will extend the offer, if necessary, in accordance with the applicable rules of the SEC to allow Litton stockholders to consider the information.

Illustrative Table of NNG Common Stock Exchange Ratios at Specified Average Closing Prices

The following table illustrates the number of shares of NNG common stock that would be issued for one share of Litton common stock at each of the average Northrop Grumman trading prices presented in the table.

Average Closing Prices of Northrop Grumman Common Stock	NNG Common Stock Exchange Ratio
$70.00	1.1464
$75.00	1.0700
$80.00	1.0031
$85.00	.9441
$90.00	.8917

The values of Northrop Grumman common stock used in the table above are for purposes of illustration only. The average closing prices used in calculating the NNG common stock exchange ratio may be higher or lower than these numbers, depending on what the average of the closing prices of Northrop Grumman common stock on the NYSE actually is for the five consecutive trading days ending two full trading days before expiration of the offer.

More Information about NNG Common Stock Exchange Ratio

The exchange ratios for the consideration to be offered in exchange for shares of Litton common stock and Litton preferred stock in the offer were determined through arm's-length negotiations between Litton and Northrop Grumman. Merrill Lynch & Co. acted as Litton's financial advisor and Salomon Smith Barney Inc. acted as Northrop Grumman's financial advisor in these negotiations.

NNG will notify Litton stockholders by issuing a press release announcing the final NNG common stock exchange ratio and filing the press release with the SEC. Litton stockholders may also call the information agent, Georgeson Shareholder Communications Inc., at any time toll-free at (800) 223-2064 to request information about the NNG common stock exchange ratio, including the average trading price of shares of Northrop Grumman common stock used to calculate the number of shares of NNG common stock issuable per share of Litton common stock in the offer.

Stockholder Rights Plans

The offer to acquire Litton common stock is also an offer to acquire the associated preferred stock purchase rights issued pursuant to the rights agreement dated as of August 17, 1994 between Litton and The Bank of New York as amended as of December 21, 2000 and January 23, 2001. All references to Litton common stock include the associated rights to purchase preferred stock. Under no circumstances will additional consideration be paid for those rights.

The shares of NNG common stock to be issued in the offer include the associated NNG preferred stock purchase rights pursuant to the rights agreement between NNG and ChaseMellon Shareholder Services to be entered into prior expiration of the offer. The NNG rights agreement will be on the same terms and conditions as Northrop Grumman's current rights agreement dated as of September 23, 1998 between Northrop Grumman and ChaseMellon Shareholder Services. However, provisions will be added to permit the acquisition by Unitrin of NNG common stock (and NNG common stock issuable upon conversion of the NNG preferred stock) as contemplated by the offer and the stockholder's agreement described under "Other Agreements--The Stockholder's Agreement" on page 59. All references to shares of NNG common stock in this offer to purchase or exchange are also references to the associated NNG preferred stock purchase rights.

Stockholders List

NNG has relied on Litton's stockholders list and security position listings to communicate with Litton stockholders and to distribute the offer. NNG will send this offer to purchase or exchange, related letter of transmittal and other relevant materials to Litton stockholders and to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on Litton's stockholders list or, if applicable, who are listed as participants in a clearing agency's security position listing.

Extension; Termination; Amendment

The offer is currently scheduled to expire at Midnight, New York City time, on Thursday, March 29, 2001.

Subject to the terms of the amended merger agreement, NNG may extend the period of time during which the offer remains open without Litton's consent by giving oral or written notice of such extension to the depositary. If the offer is extended for any reason, NNG will make an announcement to that effect no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. The amended merger agreement, subject to certain exceptions, allows NNG to extend the offer for successive periods of up to five business days until all conditions have been satisfied or waived. Northrop Grumman has agreed to cause NNG to extend the offer for the shortest time periods which it reasonably believes are necessary until the consummation of the offer if the conditions of the offer have not been satisfied or waived. During any such extension, all shares of Litton stock previously tendered and not withdrawn will remain subject to the offer, subject to each tendering stockholder's right to withdraw its Litton common stock or Litton preferred stock. Litton stockholders should read the discussion under the caption "The Offer--Withdrawal Rights" beginning on page 25 for more details about withdrawal rights.

Subject to the SEC's applicable rules and regulations and subject to the terms of the amended merger agreement, NNG also reserves the right, in its sole discretion, at any time or from time to time to waive any condition (other than the minimum tender condition) or otherwise amend the offer by giving oral or written notice of such delay or amendment to the depositary and by making a public announcement. NNG will follow any amendment or delay as promptly as practicable with a public announcement. Subject to applicable law (including Rules 14d-4(d) and 14d-6(c) under the Exchange Act, which require that any material change in the information published, sent or given to stockholders in connection with the offer be promptly sent to stockholders in a manner reasonably designed to inform stockholders of such change) and without limiting the manner in which NNG may choose to make any public announcement, NNG assumes no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

Subject to the terms of the amended merger agreement, if NNG makes a material change in the terms of the offer or the information concerning the offer (including any election to substitute cash for NNG common stock), or if NNG waives a material condition of the offer, NNG will extend the offer to the extent required under the Exchange Act. If, prior to the expiration date, NNG changes the consideration offered for Litton shares, that change will apply to all holders whose Litton common stock or Litton preferred stock are accepted for purchase or exchange pursuant to the offer. If at the time notice of that change is first published, sent or given to Litton stockholders, the offer is scheduled to expire at any time earlier than the tenth business day from and including the date that such notice is first published, sent or given, NNG will extend the offer in accordance with the applicable rules of the SEC to allow Litton stockholders to consider the information. For purposes of the offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

Purchase and Exchange of Litton Stock; Delivery of NNG Stock

Upon the terms and subject to the conditions of the offer, including the terms and conditions of any extension or amendment of the offer, NNG will accept, and will purchase or exchange, shares of Litton common stock (in accordance with the elections of tendering Litton stockholders) or Litton preferred stock

validly tendered and not properly withdrawn as promptly as practicable after the expiration date. In addition, subject to applicable rules of the SEC and the terms of the amended merger agreement, NNG expressly reserves the right to delay acceptance of Litton stock in order to comply with any applicable law. In all cases, purchases and exchanges of Litton stock tendered and accepted for exchange will be made only after timely receipt by the depositary of:

- certificates for the shares of Litton common stock or Litton preferred stock tendered (if such certificates were ever issued) or a confirmation of a book-entry transfer of those shares of Litton common stock or Litton preferred stock in the depositary's account at The Depository Trust Company, referred to as the "DTC";

- a properly completed and duly executed letter of transmittal (or a facsimile of that document) or agent's message if applicable; and

- any other required documents.

For purposes of the offer, NNG will be deemed to have accepted for purchase and exchange shares of Litton stock tendered when NNG notifies the depositary of its acceptance of those shares. The depositary will deliver cash, NNG common stock and NNG preferred stock in exchange for Litton stock pursuant to the offer. The depositary will act as agent for tendering stockholders for the purpose of receiving cash and shares of NNG stock (including cash to be paid instead of fractional shares) from NNG and transmitting such cash and NNG stock to tendering Litton stockholders. NNG will not pay interest on any amount payable in the offer or the Litton merger, regardless of any delay in making payment.

If NNG does not accept any Litton stock tendered in the offer for any reason, or if stock certificates are submitted for more shares of Litton stock than are tendered, NNG will return certificates for such tendered or untendered Litton stock, as the case may be, without expense to the tendering stockholder or, in the case of Litton stock tendered by book-entry transfer into the depositary's account at DTC pursuant to the procedures set forth below under the discussion entitled "The Offer--Procedures for Tendering," those shares of Litton stock will be credited to an account maintained within DTC, as soon as practicable following expiration or termination of the offer.

If NNG increases the consideration offered to Litton stockholders in the offer prior to the expiration date, such increased consideration will be given to all stockholders whose Litton shares are tendered pursuant to the offer, whether or not such Litton shares were tendered or accepted for exchange prior to such increase in consideration.

Cash Instead of Fractional Shares of NNG Stock

NNG will not issue certificates representing fractional shares of NNG stock pursuant to the offer. Instead, each tendering stockholder who would otherwise be entitled to a fractional share of NNG stock will receive cash in an amount equal to such fraction (expressed as a decimal and rounded to the nearest 0.01 of a share) multiplied by (i) the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending on the second trading day before expiration of the offer, in the case of NNG common stock, or (ii) $100.00 in the case of NNG preferred stock, in each case minus any required withholding of taxes and without payment of interest.

Transfer Charges

Litton stockholders who tender Litton common stock or Litton preferred stock in the offer, will not be obligated to pay any charges or expenses of the depositary. Except as set forth in the instructions to the letter of transmittal, transfer taxes on tenders will be paid by NNG or on NNG's behalf. Record owners of Litton common stock or Litton preferred stock who tender shares in the offer will not have to pay brokerage fees or incur similar expenses. Holders who own Litton common stock or Litton preferred stock through a broker or

other nominee, and whose broker or other nominee exchanges such Litton stock on the holder's behalf, may be subject to a charge from the broker or nominee for doing so. Litton stockholders should consult their broker or nominee to determine whether any charges will apply.

Interest

NNG will not pay interest on any amount payable in the offer or the Litton merger, regardless of any delay in making payment.

Withdrawal Rights

All tenders of Litton stock in the offer are irrevocable, except that Litton stock previously tendered may be withdrawn at any time prior to expiration of the offer, and, unless previously accepted for purchase or exchange pursuant to the offer, may also be withdrawn at any time after Tuesday, March 6, 2001.

For a withdrawal to be effective, the depositary must receive a written, telegraphic, telex or facsimile transmission notice of withdrawal at one of its addresses set forth on the back cover of this offer to purchase or exchange, and such notice must include the tendering stockholder's name, the number of shares of Litton common stock or Litton preferred stock to be withdrawn and the name of the registered holder, if it is different from that of the person who tendered the shares of Litton stock being withdrawn.

A financial institution must guarantee all signatures on the notice of withdrawal. Most banks, savings and loan associations and brokerage houses are able to effect these signature guarantees. The financial institution must be a participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program, any of which is an "eligible institution," unless the Litton shares have been tendered for the account of any eligible institution. If Litton shares have been tendered pursuant to the procedures for book-entry transfer discussed under the caption entitled "Procedures for Tendering," any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Litton shares and must otherwise comply with DTC's procedures. If certificates have been delivered or otherwise identified to the depositary, the name of the registered holder and the serial numbers of the particular certificates evidencing the shares of Litton stock being withdrawn must also be furnished to the depositary, prior to the physical release of such certificates. NNG will decide all questions as to the form and validity (including time of receipt) of any notice of withdrawal, in NNG's sole discretion, and NNG's decision will be final and binding. Neither NNG, the depositary, the information agent nor any other person has any duty to give notification of any defects or irregularities in any notice of withdrawal or will incur any liability for failure to give any such notification. Any shares of Litton stock properly withdrawn will be deemed not to have been validly tendered for purposes of the offer. However, a Litton stockholder may retender withdrawn shares of Litton stock by following one of the procedures discussed in the section entitled "The Offer--Procedures for Tendering" below at any time prior to expiration of the offer.

If a holder withdraws any shares of Litton common stock, such holder automatically withdraws the associated rights to purchase preferred stock. A holder may not withdraw the rights to purchase preferred stock unless the associated shares of Litton common stock are also withdrawn.

Procedures for Tendering

To validly tender Litton shares pursuant to the offer, before expiration of the offer, a Litton stockholder must transmit a properly completed and duly executed letter of transmittal (or manually executed facsimile of that document), along with any required signature guarantees, an agent's message in connection with a book-entry transfer, and any other required documents to the depositary at one of its addresses set forth on the back cover of this offer to purchase or exchange, and certificates for Litton stock being tendered must be received by the depositary at such address. Shares of Litton stock held in book-entry form must be tendered pursuant to the procedures for book-entry exchange set forth below and a confirmation of receipt of such tender (we refer to

this confirmation below as a "book-entry confirmation") must be received by the depository. In the alternative, Litton stockholders may comply with the guaranteed delivery procedures set forth below.

The term "agent's message" means a message, transmitted by DTC to the depositary and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the participant exchanging the Litton shares which are the subject of such book-entry confirmation, that the participant has received and agrees to be bound by the terms of the letter of transmittal and that NNG may enforce that agreement against such participant.

The depositary will establish accounts with respect to the Litton stock at DTC for the offer within two business days after the date of this offer to purchase or exchange, and any financial institution that is a participant in DTC may make book-entry delivery of Litton stock by causing DTC to transfer such stock into the depositary's account in accordance with DTC's procedure for such transfer. However, although delivery of Litton stock may be effected through book-entry at DTC, the letter of transmittal (or facsimile thereof), with any required signature guarantees, or an agent's message in connection with a book-entry transfer, and any other required documents, must be transmitted to the depositary at the applicable address set forth on the back cover of this offer to purchase or exchange prior to the expiration date, or the guaranteed delivery procedures described below must be followed.

Signatures on all letters of transmittal must be guaranteed by an eligible institution, except in cases in which Litton stock is tendered either by a registered holder of Litton stock who has not completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the letter of transmittal or for the account of an eligible institution.

If the certificates for Litton stock are registered in the name of a person other than the person who signs the letter of transmittal, or if certificates for untendered Litton shares are to be issued to a person other than the registered holder(s), the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name of the registered owner appears on the certificates, with the signature(s) on the certificates or stock powers guaranteed in the manner described above.

The method of delivery of Litton share certificates and all other required documents, including delivery through DTC, is at the tendering stockholder's option and risk, and delivery will be deemed made only when actually received by the depositary. If delivery is by mail, NNG recommends registered mail with return receipt requested, properly insured. In all cases, holders must allow sufficient time to ensure timely delivery.

To prevent backup federal income tax withholding with respect to any cash received in the offer, the depositary must be provided with the tendering stockholder's correct taxpayer identification number and certification whether the tendering stockholder is subject to backup withholding of federal income tax by means of the substitute Form W-9 included in the letter of transmittal. Some stockholders (including, among others, all corporations and some foreign individuals) are not subject to backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, the stockholder must submit a Form W-8, signed under penalties of perjury, attesting to that person's exempt status.

A stockholder who wishes to tender shares of Litton stock in the offer and whose stock certificates are not immediately available or who cannot deliver the certificates and all other required documents to the depositary prior to the expiration date or cannot complete the procedure for book-entry transfer on a timely basis, may nevertheless tender Litton common stock and Litton preferred stock, so long as all of the following conditions are satisfied:

(a) tender is made by or through an eligible institution;

(b) a properly completed and duly executed notice of guaranteed delivery, substantially in the form made available by NNG, is received by the depositary as provided below on or prior to the expiration date; and

(c) the certificates for all shares of Litton common stock or Litton preferred stock to be tendered (or a confirmation of a book-entry transfer of such securities into the depositary's account at DTC as described above), in proper form for transfer, together with a properly completed and duly executed letter of transmittal (or facsimile thereof), with any required signature guarantees (or, in the case of a book-entry transfer, an agent's message) and all other documents required by the letter of transmittal are received by the depositary within three NYSE trading days after the date the notice of guaranteed delivery is executed.

The notice of guaranteed delivery may be delivered to the depositary by hand or transmitted by telegram, telex, facsimile transmission or mail. A guarantee by an eligible institution in the form set forth in that notice must be provided.

In all cases, NNG will exchange shares of Litton common stock or Litton preferred stock tendered and accepted for exchange only after timely receipt by the depositary of certificates for such shares (or timely confirmation of a book-entry transfer of such securities into the depositary's account at DTC as described above), properly completed and duly executed letter(s) of transmittal (or facsimile(s) thereof), or an agent's message in connection with a book-entry transfer, and any other required documents. Accordingly, holders may be paid at different times depending upon when the depositary actually receives the certificates for their Litton common stock or Litton preferred stock or confirmations of book-entry transfers of those shares.

If a holder's shares of Litton common stock or Litton preferred stock were never issued in certificated form, the holder must follow all of the requirements for tendering shares other than the requirement to deliver the share certificates for the tendered shares. A holder who has lost a share certificate, must contact the Bank of New York, the transfer agent for the Litton stock, at (800) 432-0140 and receive a replacement certificate in order to tender the Litton shares represented by the lost share certificate. Receiving a replacement certificate may take time, so Litton stockholders who have lost their share certificate and want to tender Litton shares in the offer should contact the transfer agent to request a replacement certificate as soon as possible.

By executing a letter of transmittal as set forth above, a tendering Litton stockholder irrevocably appoints NNG's designees as the holder's attorneys-in-fact and proxies, each with full power of substitution, to the full extent of the holder's rights with respect to the Litton common stock or Litton preferred stock tendered in the offer and any other Litton common stock or Litton preferred stock and other securities issued or issuable in respect of the Litton common stock or Litton preferred stock on or after February 1, 2001. That appointment is effective, and voting rights will be affected, when and only to the extent that NNG deposits with the depositary cash, the shares of NNG common stock and NNG preferred stock for the Litton common stock tendered. All such proxies shall be considered coupled with an interest and are not revocable. Upon the effectiveness of such appointment, all prior proxies of the tendering stockholder will be revoked, and any subsequent proxies will not be deemed effective. NNG's designees will be empowered, among other things, to exercise all of the tendering stockholder's voting and other rights as they, in their sole discretion, deem proper at any annual, special or adjourned meeting of Litton's stockholders or otherwise. NNG reserves the right to require that, in order for shares of Litton common stock and Litton preferred stock to be deemed validly tendered, NNG must be able to exercise full voting rights to the extent permitted under applicable law with respect to such shares immediately upon acceptance of such shares for purchase or exchange.

NNG will determine questions as to the validity, form, eligibility, including time of receipt, and acceptance for exchange of any tender of Litton common stock or Litton preferred stock, in its sole discretion, and NNG's determination shall be final and binding. NNG reserves the absolute right to reject any tenders of Litton common stock or Litton preferred stock that NNG determines are not in proper form or the acceptance for exchange of or exchange for which may, in the opinion of NNG's counsel, be unlawful. NNG also reserves the

absolute right to waive any of the conditions of the offer (other than the minimum tender condition) or any defect or irregularity in the tender of any shares of Litton common stock or Litton preferred stock. No tender of Litton common stock or Litton preferred stock will be deemed to have been validly made until all defects and irregularities have been cured or waived. Neither NNG, the depositary, the information agent nor any other person is under any duty to give notification of any defects or irregularities in the tender of any Litton common stock or Litton preferred stock or will incur any liability for failing to give any such notification. NNG's interpretation of the terms and conditions of the offer, including the letter of transmittal and instructions thereto will be final and binding.

The tender of shares of Litton stock pursuant to any of the procedures described above will constitute a binding agreement between NNG and the tendering stockholder upon the terms and subject to the conditions of the offer.

Purpose of the Offer; The Litton Merger

NNG is making the offer in order to acquire control of, and ultimately the entire common equity interest in, Litton. The offer is the first step in NNG's acquisition of Litton, and is intended to facilitate the acquisition of all Litton shares. Litton stockholders do not have appraisal rights in connection with the offer. As soon as practicable after consummation of the offer, NNG intends to merge LII Acquisition, its wholly-owned subsidiary, with and into Litton. The purpose of the Litton merger is to acquire all shares of Litton common stock not exchanged in the offer. At the effective time of the Litton merger, each share of Litton common stock, except for Litton common stock held by Litton, NNG or their subsidiaries, will be converted into the right to receive the same amount of cash as is paid per share of Litton common stock in the offer, subject to appraisal rights that may be available to Litton stockholders under Delaware law and minus any required withholding of taxes and without interest. Each share of Litton preferred stock not tendered or accepted for payment in the offer will remain outstanding, without change, as a share of Series B $2 Cumulative Preferred Stock of Litton, the corporation surviving the Litton merger.

If two-thirds or more of the shares of Litton preferred stock are tendered for purchase in the offer and NNG acquires such percentage of the Litton preferred stock, NNG will have sufficient voting power to amend the terms of the Litton preferred stock in accordance with the provisions set forth in Litton's Restated Certificate of Incorporation. If, after the offer, there are less than 300 registered holders of Litton preferred stock remaining, NNG currently anticipates that it will deregister and delist the Litton preferred stock from the NYSE, Northrop Grumman and NNG do not intend to redeem any shares of Litton preferred stock that are not tendered and accepted by NNG for purchase in the offer. However, following the Litton merger, NNG may seek to acquire the shares of Litton preferred stock that remain outstanding for cash at a price or prices not exceeding $35.00 per share through open market transactions, an amendment to the Certificate of Incorporation of Litton, a subsequent merger or otherwise.

See "Summary of Certain Statutory Provisions--Appraisal Rights" for information concerning appraisal rights in the Litton merger.

Rule 13e-3 of the General Rules and Regulations under the Exchange Act would require, among other things, that some financial information concerning Litton, and some information relating to the fairness of the Litton merger and the consideration offered to Litton stockholders, be filed with the SEC and disclosed to Litton stockholders prior to consummation. Rule 13e-3 will not apply to the Litton merger if it occurs within one year after the consummation of the offer.

NNG reserves the right to acquire additional Litton stock through open market purchases, privately negotiated transactions, a tender offer or exchange offer, or otherwise following the consummation or termination of the offer, upon such terms and at such prices as NNG decides, which may be more or less favorable than those of the offer. NNG and its affiliates also reserve the right to dispose of any or all shares of Litton stock acquired pursuant to the offer or otherwise, upon such terms and at such prices as NNG determines.

Upon consummation of the offer, NNG intends to take appropriate actions to optimize and rationalize the combined entities' assets, operations, management, personnel, general and administrative functions and corporate structure. Other than the Litton merger, NNG currently does not have any plans or proposals that would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, or sale of a material amount of assets, involving Litton or any of its subsidiaries, or any material changes in Litton's corporate structure or business.

Upon the purchase of Litton common stock in the offer, NNG may also elect or seek the election of nominees of its choice to Litton's board of directors. Pursuant to the amended merger agreement, until the merger is completed, Litton has agreed to use its best efforts to ensure that at least three members of Litton's board of directors as of January 23, 2001 remain members of Litton's board of directors. See "The Amended Merger Agreement--The Litton Board."

Conditions of the Offer

Notwithstanding any other provisions of the offer relating to NNG's obligation to accept for payment or exchange any tendered Litton common stock or Litton preferred stock and subject to the terms and conditions of the amended merger agreement and any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act, NNG shall not be required to accept for payment or exchange or pay for or exchange any shares of Litton stock, if:

(i) fewer than 25,646,399 shares of Litton common stock and Litton preferred stock, which represent a majority of the total outstanding common stock and preferred stock on a fully diluted basis, have been tendered pursuant to the offer by the expiration of the offer and not withdrawn;

(ii) any applicable waiting period under the HSR Act or Regulation (EEC) No. 4064/89 of the Council of the European Union shall not have expired or been terminated prior to the expiration of the offer;

(iii) the registration statement relating to the offer shall not have become effective under the Securities Act of 1933, as amended (the "Securities Act"), or shall be the subject of any stop order or proceeding seeking a stop order;

(iv) the shares of NNG common stock to be issued in the offer shall not have been approved for listing on the NYSE, subject to official notice of issuance; or

at any time on or after the date of the amended merger agreement and prior to the expiration of the offer, any of the following conditions shall have occurred and continued to exist:

(a) there shall have been any statute, rule, regulation, judgment, order or injunction enacted or entered and which shall remain in effect by any state or U.S. government or governmental authority or by any state, U.S. or European Union court or any agency or authority of the European Union, other than the routine application to the offer, the Northrop reorganization and the Litton merger or other subsequent business combination of waiting periods under the HSR Act or Regulation (EEC) No. 4064/89 of the Council of the European Union, that has the effect of (i) making the acceptance for payment of, or the payment for, some or all of the Litton shares illegal or otherwise prohibiting consummation of the offer, (ii) imposing limitations on the ability of NNG or Northrop Grumman to acquire or hold or to exercise effectively all rights of ownership of the Litton shares, or to control effectively the business, assets or operations of Northrop Grumman, Litton and their subsidiaries, of such magnitude as would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Northrop Grumman, Litton and their subsidiaries, taken as a whole;

(b) a Company Material Adverse Effect, as defined in the amended merger agreement, shall have occurred and continued to exist;

(c) there shall have occurred and continued to exist (i) any general suspension of trading in, or limitation on prices for, securities on the NYSE (excluding any coordinated trading halt triggered solely as

a result of a specified decrease in a market index and suspensions or limitations resulting from physical damage to or interference with such exchange not related to market conditions), (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States and having a Company Material Adverse Effect, (iv) any material limitation (whether or not mandatory) by any U.S. governmental authority or agency on the extension of credit by banks or other financial institutions, (v) from December 21, 2000 through the date of termination or expiration of the offer, a decline of at least 27.5% in the Standard & Poor's 500 Index or (vi) in the case of any of the situations described in clauses (i) through (v) inclusive, existing at the date of the commencement of the offer, a material acceleration or worsening thereof; or

(d) the amended merger agreement shall have been terminated in accordance with its terms; or

(e) (i) the representations of Litton contained in the amended merger agreement shall not be true and correct at and as of consummation of the offer with the same effect as if made at and as of such date or if such representations speak as of an earlier date, as of such earlier date, except, in either such case to the extent that the breach thereof would not have a Company Material Adverse Effect, or (ii) Litton shall have failed to comply with its covenants and agreements contained in the amended merger agreement in all material respects; or

(f) prior to the purchase of Litton shares pursuant to the offer, the Litton board of directors shall have withdrawn or modified (including by amendment of the Schedule 14D-9) in a manner adverse to NNG its approval or recommendation of the offer, the merger agreement or the Litton merger or shall have recommended another offer, or shall have adopted any resolution to effect any of the foregoing.

Regulatory Approvals

Under the HSR Act and the rules that have been promulgated thereunder by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division and the FTC and certain waiting period requirements have been satisfied. The purchase of Litton common stock and Litton preferred stock pursuant to the offer is subject to such requirements.

Pursuant to the requirements of the HSR Act, Northrop Grumman first filed a Notification and Report Form with respect to the offer and Litton merger with the Antitrust Division and the FTC on January 4, 2001. This filing was voluntarily withdrawn on January 16, 2001 with the result that the statutory waiting period requirement of 30 days applicable to the exchange offer began again when the filing was resubmitted on January 31, 2001. The filing was again voluntarily withdrawn on February 27, 2001, with the result that the statutory waiting period requirement of 30 days applicable to the exchange offer began again when the filing was resubmitted on that same day, February 27, 2001. The waiting period applicable to the purchase of Litton common stock and Litton preferred stock pursuant to the offer is scheduled to expire at 11:59 p.m., New York City time, thirty days after such filing. However, prior to such time, the Antitrust Division or the FTC may extend the waiting period by requesting additional information or documentary material relevant to the offer from Northrop Grumman. If such a request is made, the waiting period will be extended until 11:59 p.m., New York City time, on the thirtieth day after substantial compliance by Northrop Grumman with such request, (or the next business day, if such date falls on a weekend or holiday). Thereafter, such waiting period can be extended only by court order.

Any extension of the waiting period will not give rise to any withdrawal rights not otherwise provided for by applicable law. See "The Offer--Withdrawal Rights" beginning on page 25. If NNG's purchase of Litton common stock or Litton preferred stock is delayed pursuant to a request by the Antitrust Division or the FTC for additional information or documentary material pursuant to the HSR Act, the offer will be extended in certain circumstances. See "The Amended Merger Agreement--Conditions to the Completion of the Litton Merger."

The Antitrust Division and the FTC scrutinize the legality under the antitrust laws of transactions such as the purchase of Litton common stock and Litton preferred stock by NNG pursuant to the offer. At any time before or after the consummation of any such transactions, the Antitrust Division or the FTC could take such action under the

antitrust laws of the United States as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Litton common stock and/or Litton preferred stock pursuant to the offer or seeking divestiture of the Litton common stock and/or Litton preferred stock so acquired or divestiture of substantial assets of Northrop Grumman or Litton. Private parties (including individual states) may also bring legal actions under the antitrust laws of the United States. NNG does not believe that the consummation of the offer will result in a violation of any applicable antitrust laws. However, there can be no assurance that a challenge to the offer on antitrust grounds will not be made, or if such a challenge is made, what the result will be, including conditions with respect to litigation and certain governmental actions. See "The Amended Merger Agreement--Conditions to the Completion of the Litton Merger." See "The Amended Merger Agreement--Termination Events" for certain termination rights.

The parties conduct business in a number of foreign countries. Under the laws of certain foreign nations and multinational authorities, such as the European Commission (under Council Regulation (EEC) 4064/89, or "ECMR"), the transaction may not be completed or control may not be exercised unless certain filings are made with these nations' antitrust regulatory authorities or multinational antitrust authorities and these antitrust authorities approve or clear closing of the transaction. Other foreign nations and multinational authorities have voluntary and/or post-merger notification systems. On February 22, 2001, the necessary filings were made with the European Commission. On March 23, 2001, the European Commission approved the transaction. The parties have filed or intend to file shortly all other non-United States pre-merger notifications that they believe are required. Should any other approval or action be required, the parties currently contemplate that such approval or action would be sought. Although the parties believe that they will obtain all other material required regulatory approvals in a timely manner, it is not certain that all other such approvals will be received in a timely manner or at all or that foreign or multinational antitrust authorities will not impose unfavorable conditions for granting the required approvals.

Reduced Liquidity; Possible Delisting

The tender of Litton common stock and Litton preferred stock pursuant to the offer will reduce the number of holders of Litton common stock and Litton preferred stock and the number of shares of Litton common stock and Litton preferred stock that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining shares of Litton common stock and Litton preferred stock held by the public. Litton common stock and Litton preferred stock currently are listed and principally traded on the NYSE. Depending on the number of shares of Litton common and Litton preferred stock acquired in the offer, following consummation of the offer, Litton common stock or Litton preferred stock may no longer meet the requirements of the NYSE for continued listing. For example, published guidelines of the NYSE indicate that the NYSE would consider delisting the outstanding Litton common stock and Litton preferred stock if, among other things:

- the number of publicly held shares of Litton common stock or Litton preferred stock (exclusive of holdings of officers, directors and members of their immediate families and other concentrated holdings of 10% or more) should fall below 600,000;

- the number of record holders of 100 or more shares of Litton common stock or Litton preferred stock should fall below 1,200; or

- the aggregate market value of publicly held shares of Litton common stock or Litton preferred stock should fall below $5,000,000.

According to Litton, as of November 30, 2000, there were approximately 45,518,647 shares of Litton common stock (excluding 2,734,083 shares of common stock held in Litton's treasury) and 410,643 shares of Litton preferred stock outstanding.

If the NYSE were to delist the Litton common stock or Litton preferred stock, including after the exchange of Litton stock in the offer but prior to the Litton merger, the market for Litton common stock or

Litton preferred stock could be adversely affected. It is possible that Litton's shares would be traded on other securities exchanges or in the over-the-counter market, and that price quotations would be reported by such exchanges, or through NASDAQ or by other sources. However, the extent of the public market for Litton common stock and Litton preferred stock and the availability of such quotations would depend upon the number of holders and/or the aggregate market value of the Litton common stock or Litton preferred stock remaining at such time, the interest in maintaining a market in the Litton common stock or Litton preferred stock on the part of securities firms, the possible termination of registration of Litton stock under the Exchange Act, as described below, and other factors.

Status as "Margin Securities"

The Litton common stock and Litton preferred stock are presently "margin securities" under the regulations of the Federal Reserve Board, which has the effect, among other things, of allowing brokers to extend credit with such stock as collateral. Depending on the factors similar to those described above with respect to listing and market quotations, following consummation of the offer, Litton common stock and Litton preferred stock stock may no longer constitute "margin securities" for the purposes of the Federal Reserve Board's margin regulations, in which event Litton common stock and Litton preferred stock would be ineligible as collateral for margin loans made by brokers.

Registration Under The Exchange Act

Litton common stock and Litton preferred stock are currently registered under the Exchange Act. Litton can terminate that registration upon application to the SEC if the outstanding shares are not listed on a national securities exchange and if there are fewer than 300 holders of record of Litton common stock or Litton preferred stock, as the case may be. Termination of registration of the Litton stock under the Exchange Act would reduce the information that Litton must furnish to its stockholders and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with stockholders meetings pursuant to Section 14(a) and the related requirement of furnishing an annual report to stockholders, and the requirements of Rule 13e-3 (described above) no longer applicable with respect to Litton stock that is no longer registered. Furthermore, the ability of "affiliates" of Litton and persons holding "restricted securities" of Litton to dispose of such securities pursuant to Rule 144 under the Securities Act may be impaired or eliminated. In addition, if registration of the shares under the Exchange Act were terminated, they would no longer be eligible for NYSE listing or for continued inclusion on the Federal Reserve Board's list of "margin securities."

Source and Amount of Funds

The offer is not conditioned upon any financing arrangements. NNG estimates that the total amount of funds required to purchase all of the outstanding Litton stock pursuant to the offer and the Litton merger and to pay related fees and expenses will be between approximately $2.3 billion and $2.9 billion, depending upon the actual number of shares of NNG common stock and NNG preferred stock issued in the offer. NNG expects to obtain the funds necessary to consummate the offer and the Litton merger from Northrop Grumman. Northrop Grumman has received a commitment letter from Credit Suisse First Boston, The Chase Manhattan Bank and JP Morgan providing for the structure, arrangement and syndication of senior unsecured loans of up to $6,000,000,000, the initial proceeds of which will be used solely to acquire Litton common stock and preferred stock in the offer and the Litton merger, to retire and refinance certain outstanding debt of Litton and to pay any related expenses. The proceeds of subsequent borrowings under the loans will be used for general corporate purposes of NNG, Northrop Grumman and Litton. The loans will be pursuant to documents in the form of the 364-day revolving credit facility with an aggregate maximum principal amount of $2,500,000,000 attached as Exhibit 10.6 to the registration statement of which this offer to purchase or exchange is a part and the five-year revolving credit facility with an aggregate principal amount of up to $2,500,000,000 attached as Exhibit 10.7 to the registration statement of which this offer to purchase or exchange is a part. Each of the facilities is an unsecured senior credit facility and contains usual and customary affirmative and negative covenants, including

customary financial covenants. Interest rates for the loans will be adjusted LIBOR (which will at all times include statutory reserves) or the adjusted base rate, at the election of Northrop Grumman, in each case plus spreads depending upon a schedule of certain specified Standard & Poor's and Moody's Investor Services ratings of Northrop Grumman. Northrop Grumman may elect periods of one, two, three or six months for adjusted LIBOR borrowings under the loans.

It is expected that the loan documents will be executed on or before the expiration of the offer.

In addition, in February 2001, Northrop Grumman issued $1,500,000,000 of indebtedness to qualified institutional buyers in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, consisting of $750,000,000 of 7 1/8% Notes due 2011 and $750,000,000 of 7 3/4% Debentures due 2031. Northrop Grumman intends to use the proceeds of the issuance of this indebtedness to acquire shares of Litton common stock and Litton preferred stock pursuant to the offer and the Litton merger and to pay expenses relating to those transactions, among other things. The 7 1/8% Notes due 2011 were issued at an issue price of 99.715% of face value and the 7 3/4% Debentures due 2031 were issued at an issue price of 99.051% of face value, plus, in each case, accrued interest from February 27, 2001. Upon completion of the Northrop reorganization and the Litton merger, the Notes and Debentures will represent senior unsecured obligations of Northrop Grumman, NNG and the corporation surviving the Litton merger. The Notes and Debentures may be redeemed in whole or in part at any time at Northrop Grumman's option at a redemption price equal to the principal amount of the securities being redeemed plus accrued and unpaid interest to the redemption date plus a make whole amount, if applicable. The senior debt indenture pursuant to which Northrop Grumman issued the 7 1/8% Notes due 2011 and 7 3/4% Debentures due 2031 contains customary covenants and restrictions relating to, among other things, limitations on liens, sale and leaseback arrangements and funded debt of subsidiaries.

Relationships with Litton

Except as set forth in this offer to purchase or exchange, neither NNG nor Northrop Grumman nor, to the best of its knowledge, any of NNG's or Northrop Grumman's directors or executive officers, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of Litton, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss, guarantees of profits, division of profits or loss or the giving or withholding of proxies.

Except as described in this offer to purchase or exchange, neither NNG nor Northrop Grumman nor, to the best of its knowledge, any of NNG's or Northrop Grumman's directors or executive officers, has had any business relationship or transaction with Litton or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulation of the SEC applicable to the offer. Except as described in this offer to purchase or exchange, there have been no contracts, negotiations or transactions between NNG and Northrop Grumman or to the best of its knowledge any of NNG's or Northrop Grumman's directors or executive officers, on the one hand, and Litton or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets.

In the normal course of their business, Northrop Grumman and Litton are parties to transactions and agreements. During the two years ended October 31, 2000, no such transaction had an aggregate value in excess of 1% of Litton's consolidated revenues.

Fees and Expenses

NNG has retained Georgeson Shareholder Communications Inc. to act as the information agent in connection with the offer. The information agent may contact holders of Litton stock by mail, telephone, telex, telegraph and personal interviews and may request brokers, dealers and other nominee stockholders to forward

the offer materials to beneficial owners of Litton stock. The information agent will be paid a customary fee for such services, plus reimbursement of out-of-pocket expenses, and NNG will indemnify the information agent against certain liabilities and expenses in connection with the offer, including liabilities under federal securities laws.

Salomon Smith Barney Inc. is acting as the dealer manager in connection with the offer and as financial advisor to NNG and Northrop Grumman in connection with the offer and the Litton merger, for which services Salomon Smith Barney Inc. will receive reasonable and customary compensation. Northrop Grumman has agreed to reimburse Salomon Smith Barney Inc. for reasonable fees and expenses incurred in performing its services, including reasonable fees and expenses of its legal counsel and to indemnify Salomon Smith Barney Inc. and certain related parties against certain liabilities, including liabilities under the federal securities laws, arising out of its engagement. In the ordinary course of business, Salomon Smith Barney Inc. and its affiliates may actively trade or hold the securities of Northrop Grumman, Litton and their respective affiliates for Salomon Smith Barney's and its affiliates' own account or for the account of customers and, accordingly, may at any time hold a long or short position in such securities.

NNG will not pay any fees or commissions to any broker, dealer or other persons (other than the information agent and the dealer manager) for soliciting tenders of Litton stock pursuant to the offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by NNG for customary mailing and handling expenses incurred by them in forwarding offering materials to their customers.

Merrill Lynch & Co. provided certain financial advisory services to Litton in connection with the offer and the Litton merger, including providing an opinion dated January 23, 2001 substantially to the effect that, as of such date, the aggregate consideration to be received by holders of Litton common stock, other than Northrop Grumman and its affiliates, pursuant to the amended merger agreement is fair from a financial point of view to the holders of Litton common stock. The opinion is attached as an exhibit to Litton's Schedule 14D-9, which is being mailed to the stockholders of Litton with this offer to purchase or exchange.

BACKGROUND OF THE AMENDED MERGER AGREEMENT

In May 2000, Kent Kresa, Chairman and Chief Executive Officer of Northrop Grumman, and Michael Brown, Chairman and Chief Executive Officer of Litton, agreed that a small group of directors, officers and senior employees from the two companies would have discussions looking into the possibility of a strategic transaction. A confidentiality letter agreement was signed, dated June 23, 2000 (the "confidentiality agreement"), by which each company agreed to maintain the confidentiality of non-public information which might be received from the other and also agreed that no disclosure would be made concerning the discussions between the parties. From that time to the present a number of meetings and conversations have taken place between representatives of the two companies.

In mid-September 2000, Mr. Kresa contacted Mr. Brown to advise him that Northrop Grumman would have an interest in acquiring Litton in a transaction in which the holders of Litton common stock would receive a combination of cash and stock having a value equivalent, on a per share basis, to 0.70 of a share of Northrop Grumman common stock. Subsequent to the conversation, a representative of Northrop Grumman was advised that Litton did not wish to pursue the proposal.

On October 20, 2000, Litton publicly announced its intention to explore the sale of its Advanced Electronics group. Later the same day, Mr. Kresa spoke with Mr. Brown and wrote to him reiterating Northrop Grumman's interest in an acquisition of Litton in a transaction involving cash and stock valued at 0.70 of a share of Northrop Grumman common stock, for each share of Litton common stock. Mr. Kresa pointed out that the sale of the Advanced Electronics group would be inconsistent with Northrop Grumman's plans for the combined company and would diminish Northrop Grumman's interest in the combination. In response, Mr. Brown advised Mr. Kresa that the transaction value proposed by Northrop Grumman was not sufficient for Litton's board of directors to support such a transaction.

On November 2, 2000, Mr. Kresa again wrote to Mr. Brown increasing the value of Northrop Grumman's proposal so that holders of Litton common stock would receive a combination of cash and Northrop Grumman common stock having a value equivalent, on a per share basis, to 0.75 of a share of Northrop Grumman common stock and offering the potential for some additional value to be delivered to the holders of Litton common stock through a contingent value mechanism.

Following a meeting of the Litton board of directors on November 3, 2000, Mr. Brown again advised Mr. Kresa that the value proposed by Northrop Grumman was considered insufficient by the Litton board of directors. On November 29, 2000, Mr. Kresa wrote to Mr. Brown to specifically propose two alternatives for a potential transaction. The first proposed alternative would provide Litton's stockholders with a combination of cash and stock valued at 0.75 of a share of Northrop Grumman common stock plus a contingent value instrument which would provide the Northrop Grumman's stockholders with 75% of the net after-tax recovery in Northrop Grumman's pending litigation with Honeywell, Inc. as well as certain other litigation, and between 40% and 60% of the net after-tax value of the Electronic Components and Materials business segment achieved within the five-year period following closing. The second alternative proposed was for an acquisition for cash at $72.00 per share of Litton common stock.

Following further discussions and negotiations and the exchange of additional non-public information between the parties, the board of directors of Northrop Grumman met on December 20, 2000 and unanimously approved the merger agreement. The Litton board of directors met on December 21, 2000 and also approved the merger agreement and determined unanimously that the transactions contemplated thereby, including the offer and the Litton merger, were fair to, and in the best interests of, the holders of Litton common stock.

On December 21, 2000, the merger agreement was executed by Northrop Grumman, LII Acquisition and Litton, and Northrop Grumman and Litton issued a joint press release announcing the transaction. On January 5, 2001, LII Acquisition commenced an offer to purchase all of the Litton common stock and Litton preferred stock for cash.

Following execution of the merger agreement on December 21, 2000 representatives of Litton and Northrop Grumman had a number of conversations with representatives of Litton's largest stockholder, Unitrin. In those conversations, Unitrin expressed its strong desire that the proposed transactions be modified to provide a means for the exchange of Litton common stock for stock of Northrop Grumman, or an affiliated company, on a tax-deferred basis. On January 16, 2001, Northrop Grumman and Litton announced that they were considering a possible amendment of the proposed transaction to provide the means for a tax-free exchange of Litton common stock for capital stock of Northrop Grumman following completion of the then-pending all cash tender offer for Litton common stock at $80.00 per share in cash.

In the course of discussions among Litton, Northrop Grumman and Unitrin, Litton advised of its willingness to consider alternative structures for the transaction, provided that: (i) no stockholder who wanted cash would be required to accept securities in the transaction; (ii) the restructured transaction would be at least as certain to be completed as the original transaction; (iii) it would not materially delay the time at which Litton stockholders who wanted to sell their shares for cash would be paid; and (iv) all holders of Litton common stock would be treated equally. The parties considered a number of alternative possible structures for attaining the desired objectives and finally determined that the amended merger agreement accomplished their mutual objectives. The amended merger agreement, dated as of January 23, 2001 was executed and delivered on January 24, 2001. At the same time, Northrop Grumman and Unitrin executed and delivered a stockholder's agreement, dated as of January 23, 2001. On January 24, 2001, Unitrin stated, in a filing with the SEC, that it had agreed to tender its shares of Litton common stock in the offer pursuant to the terms of the amended merger agreement.

Certain Projections

Prior to entering into the amended merger agreement, Litton provided to Northrop Grumman certain information which was not publicly available, including a variety of projected financial data based on various differing assumptions for future fiscal years. Litton has advised that it does not publicly disclose projections, and the projections furnished to Northrop Grumman were not prepared with a view to public disclosure. Northrop Grumman analyzed the information in the projections, certain publicly available information and additional information obtained in Northrop Grumman's due diligence review of Litton, along with Northrop Grumman's own estimates of potential cost savings and benefits in evaluating the offer and the Litton merger.

Litton does not as a matter of course make public projections as to future sales, earnings or other results. However, the management of Litton has prepared the prospective financial information set forth below to assist Northrop Grumman's management in assessing Litton's future financial performance. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results, and Litton stockholders are cautioned not to place undue reliance on the prospective financial information.

Neither Litton's nor Northrop Grumman's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The projections provided to Northrop Grumman by Litton included, among other things, the following forecasts of Litton's revenues, net income (excluding pension income) and earnings per share (excluding pension income), respectively (in millions, except per share data): $5,850.0, $151.9 and $3.31 in 2001; $6,473.0, $186.4 and $4.06 in 2002; $6,827.0, $220.8 and $4.81 in 2003; $7,183.0, $248.4 and $5.41 in 2004; and $7,436.0, $278.7, and $6.07 in 2005. Including pension income, the projected net income and earnings per share were, respectively (in millions, except per share data): $220.5 and $4.80 in 2001; $254.9 and $5.55 in 2002; $289.4 and $6.30 in 2003; $317.0 and $6.90 in 2004; and $347.3 and $7.56 in 2005.

Other projections provided to Northrop Grumman by Litton indicated the potential for increased profitability based upon more aggressive assumptions. Based upon the more aggressive assumptions, these projections indicated revenues and net income (including pension income), respectively (in millions), of: $6,019.0 and $228.0 in 2001; $6,740.0 and $300.0 in 2002; $7,329.0 and $414.0 in 2003; $7,920.0 and $490.0 in 2004; and $8,426.0 and $548.0 in 2005. Litton has advised Northrop Grumman that these projections do not give effect to customary processes of adjustment by senior management of projections provided by operating/divisional management.

The projections are forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those statements and should be read with caution. The projections are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and recent developments. While presented with numerical specificity, the projections were not prepared by Litton in the ordinary course and are based upon a variety of estimates and hypothetical assumptions made by management of Litton with respect to, among other things, industry performance, general economic, market, interest rate and financial conditions, sales, cost of goods sold, operating and other revenues and expenses, capital expenditures and working capital of Litton, and other matters which may not be realized and are inherently subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond Litton's control. Litton's operations are subject to various additional risks and uncertainties resulting from its position as a supplier, either directly or as subcontractor or team member, to the United States government and its agencies as well as to foreign governments and agencies; actual outcomes are dependent upon factors, including, without limitation, Litton's successful performance of internal plans; government customers' budgetary restraints; customer changes in short-range and long-range plans; domestic and international competition in both the defense and commercial areas; product performance; continued development and acceptance of new products; performance issues with key suppliers and subcontractors; government import and export policies; acquisition or termination of government contracts; the outcome of political and legal processes; legal, financial, and governmental risks related to international transactions and global needs for military aircraft, military and civilian electronic systems and support and information technology. Accordingly, there can be no assurance that the assumptions made in preparing the projections will prove accurate, and actual results may be materially greater or less than those contained in the projections. In addition, the projections do not take into account any of the transactions contemplated by the amended merger agreement, including the offer and the Litton merger. These events may cause actual results to differ materially from the projections.

For these reasons, as well as the bases and assumptions on which the projections were compiled by Litton, the inclusion of such projections herein should not be regarded as an indication that Litton, Northrop Grumman, NNG or any of their respective affiliates or representatives considers such information to be an accurate prediction of future events, and the projections should not be relied on as such. No party nor any of their respective affiliates or representatives has made, or makes, any representation to any person regarding the information contained in the projections and none of them intends to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrences of future events even in the event that any or all of the assumptions are shown to be in error.

Reasons for the Offer and the Litton Merger

Northrop Grumman believes that the proposed acquisition of Litton by means of the offer and the Litton merger will produce the following benefits:

- Access to New Product Areas. Litton's proprietary technology and products will provide NNG with technology and products to complement Northrop Grumman's existing technology and products.

- Increased Diversification into New Markets. The combination of Northrop Grumman and Litton under NNG provides the affiliated entities with the opportunity for diversification into new markets and access to new customers.

- Increased Market Presence and Opportunities. The combination of Northrop Grumman and Litton under NNG provides the affiliated entities with increased market presence and opportunities for growth that could allow them to be better able to respond to the needs of customers, the increased competitiveness of the marketplace and opportunities that changes in the market for their respective products might bring.

- Product Mix. The complementary nature of Northrop Grumman's and Litton's products and services will benefit clients of both companies.

- Operating Efficiencies. The combination of Northrop Grumman and Litton under NNG provides the opportunity for potential economies of scale and cost savings.

The reasons for the Litton board's recommendation are set forth in Litton's Solicitation/Recommendation Statement on Schedule 14D-9 which is being mailed to Litton stockholders together with this offer to purchase or exchange.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material federal income tax consequences that will apply to the following Litton stockholders:

- holders of Litton common stock who tender their shares for cash, NNG common stock or NNG preferred stock (or a combination thereof) pursuant to the offer;
- holders of Litton preferred stock who tender their shares for cash pursuant to the offer; and
- holders of Litton common stock who receive cash in the Litton merger.

The following discussion does not address any aspect of state, local or foreign taxation. It also does not address all aspects of federal income taxation that may be important to particular taxpayers in light of their personal investment circumstances or to taxpayers subject to special treatment under the federal income tax laws including:

- life insurance companies;
- foreign persons;
- banks or other financial institutions;
- tax-exempt entities;
- dealers in securities;
- employee benefit plans;
- persons that hold such shares as part of a straddle, a hedge against currency risk or as a constructive sale or conversion transaction; and
- persons who acquired their Litton common stock or Litton preferred stock pursuant to the exercise of employee stock options or otherwise as compensation.

This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury Regulations thereunder, judicial decisions, and current administrative rulings. No rulings have been or will be requested from the Internal Revenue Service with respect to any of the matters discussed herein, and the opinion of counsel described below is not binding on the Internal Revenue Service. Neither the delivery of the opinion of counsel described below, nor the delivery of any other tax opinion, is a condition to closing the offer or the Litton merger. There can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements contained in this summary.

It is the opinion of Gibson, Dunn & Crutcher LLP, counsel for Northrop Grumman, and Ivins, Phillips & Barker Chartered, special tax counsel to Northrop Grumman, that the exchange of Litton common stock for NNG common stock, NNG preferred stock and cash will be treated together with the Northrop reorganization and the Litton merger as a transaction governed by Section 351(a) or Section 351(b) of the Code and that this discussion accurately sets forth the material federal income tax consequences of the transaction. Such opinions are based upon, among other things, a representation letter and other information provided by Northrop Grumman to counsel.

The discussion below also reflects the opinion of Gibson, Dunn & Crutcher LLP and Ivins, Phillips & Barker Chartered that the NNG preferred stock will not be "nonqualified preferred stock." Under Section 351(g) of the Code, enacted in 1997, "nonqualified preferred stock" is treated as taxable "boot" in a Section 351 transaction. Since this provision is recent and since implementing regulations have not yet been promulgated, the Internal Revenue Service could take a position contrary to that expressed in the opinions of counsel. In such an event, holders of Litton common stock who receive NNG preferred stock would be taxed as though they had received cash equal to the fair market value of the NNG preferred stock. The discussion below is based on the conclusion that the NNG preferred stock will not be nonqualified preferred stock.

Treatment of Holders of Litton Common Stock Who Tender Their Stock in the Offer

The discussion below assumes that all holders of Litton common stock hold their stock as capital assets.

Exchange of Litton Common Stock Solely for Cash

A holder of Litton common stock who receives solely cash in exchange for Litton common stock pursuant to the offer will recognize capital gain or loss equal to the difference between the tax basis of the Litton common stock surrendered and the amount of cash received therefore. That capital gain or loss will constitute long-term capital gain or loss if the Litton common stock has been held by the holder for more than one year on the date of closing of the offer. Gain or loss must be calculated separately for each block of Litton common stock (i.e., shares of stock acquired at the same time in a single transaction).

Exchange of Litton Common Stock Solely for NNG Common Stock and/or NNG Preferred Stock

Except as discussed below under "--Cash in Lieu of Fractional Shares," a holder of Litton common stock who receives solely NNG common stock or NNG preferred stock, or some of each, in exchange for Litton common stock pursuant to the offer will not recognize gain or loss upon such exchange.

The aggregate tax basis of the NNG common stock and NNG preferred stock received by the holder will be equal to the aggregate tax basis of the Litton common stock surrendered (excluding any portion of the holder's basis allocated to fractional shares). If a holder receives both NNG common stock and NNG preferred stock, the holder's basis in his shares of Litton common stock will be allocated to the shares of each class of stock received in proportion to the fair market value of each class.

The holding period of the NNG common stock and NNG preferred stock will include the holding period of the Litton common stock surrendered.

A holder of Litton common stock who is considering making an election to receive NNG common stock or NNG preferred stock in the exchange should note that there can be no assurance that such holder will receive only NNG common stock or NNG preferred stock (because of the possibility of proration). Such stockholders may receive some cash. Accordingly, there can be no assurance that a holder who makes such an election will recognize no taxable gain upon such holder's exchange of Litton common stock.

Exchange of Litton Common Stock for a Combination of Cash and NNG Common Stock or NNG Preferred Stock or Some of Each

Except as discussed below under "--Cash in Lieu of Fractional Shares," a holder of Litton common stock who receives a combination of cash and either NNG common stock, NNG preferred stock, or some of each, in exchange for Litton common stock (by reason of the elections made by the holder or by the application of the proration procedures) will not recognize any loss realized in the transaction but will recognize some capital gain, if any gain is realized. The amount of capital gain recognized will be calculated separately for each block of Litton common stock surrendered, in an amount equal to the lesser of

- the amount of gain realized in respect of the block (i.e., the excess of (a) the sum of the amount of cash and the fair market value of NNG common stock and NNG preferred stock received that is allocable to the block over (b) the tax basis of the block); and

- the amount of cash received that is allocable to the block.

For this purpose, all of the cash, NNG common stock and NNG preferred stock received by a holder will be allocated in proportion to fair market values among the blocks of Litton common stock surrendered by such holder.

Any capital gain will constitute long-term capital gain if the block of Litton common stock has been held for more than one year on the date of closing of the offer.

The aggregate tax basis of the NNG common stock and NNG preferred stock received in exchange for a block of Litton common stock will be equal to the tax basis of the surrendered block of Litton common stock, decreased by the amount of cash received in respect of the block and increased by the amount of gain recognized in respect of the block. If a holder receives both NNG common stock and NNG preferred stock, the holder's basis will be allocated to the shares of each class of stock received in proportion to the fair market value of each class.

The holding period of the NNG common stock and NNG preferred stock will include the holding period of the block of Litton common stock surrendered.

Federal Income Tax Considerations in Making an Election

A holder of Litton common stock who elects to receive cash pursuant to the offer will not be subject to any proration. However, holders who elect to receive NNG common stock or NNG preferred stock pursuant to the offer might receive cash as a result of the proration procedures. Thus, the actual federal income tax consequences to each Litton shareholder electing to receive NNG common stock or NNG preferred stock will not be ascertainable at the time the election is made because the extent to which the proration procedures will apply to those elections will not be known.

Cash in Lieu of Fractional Shares

A holder of Litton common stock who receives cash in lieu of fractional shares of NNG common stock or NNG preferred stock will be treated as having received such fractional shares at the closing of the offer and then as having exchanged such fractional shares for cash in a redemption by NNG. Any gain or loss attributable to fractional shares generally will be capital gain or loss. The amount of such gain or loss will be equal to the difference between the ratable portion of the tax basis of the Litton common stock surrendered in the exchange that is allocated to such fractional shares and the cash received in lieu thereof. Any such capital gain or loss will constitute long-term capital gain or loss if the Litton common stock surrendered has been held by the holder for more than one year on the date of closing of the offer.

Treatment of Holders of Litton Preferred Stock Who Tender Their Litton Preferred Stock in the Offer

The following discussion assumes that all holders of Litton preferred stock hold their stock as capital assets. A holder of Litton preferred stock who participates in the offer will receive solely cash for the Litton preferred stock tendered.

Holders of Litton Preferred Stock Who Hold No Litton Common Stock

A holder of Litton preferred stock who does not hold any Litton common stock and who participates in the offer will recognize capital gain or loss equal to the difference between the tax basis of the Litton preferred stock surrendered and the amount of cash received in the exchange. Such capital gain or loss will constitute long-term capital gain or loss if the Litton preferred stock has been held by the holder for more than one year on the date of closing of the offer. Gain or loss must be calculated separately for each block of Litton preferred stock (i.e., shares acquired at the same time in a single transaction).

Holders of Litton Preferred Stock Who Also Hold Litton Common Stock That is Tendered in the Offer

A holder of Litton preferred stock who also holds Litton common stock and who participates in the offer will be taxed according to the rules described above for holders of Litton common stock who tender their stock in the offer. The cash received for any Litton preferred stock will be treated the same as cash received for Litton common stock.

Treatment of Holders of Litton Common Stock in the Litton Merger

The following discussion assumes that all holders of Litton common stock hold their stock as capital assets. Holders of Litton common stock who do not tender their stock pursuant to the offer will receive solely cash for their Litton common stock in the Litton merger.

Holders of Litton Common Stock Who Tender No Stock in the Offer

A holder of Litton common stock who does not tender any stock in the offer will receive cash in the Litton merger. Such a holder will recognize capital gain or loss equal to the difference between the tax basis of the Litton common stock surrendered in the Litton merger and the amount of cash received therefore. Such capital gain or loss will constitute long-term capital gain if the Litton common stock has been held by the holder for more than one year at the effective time of the merger. Gain or loss must be calculated separately for each block of Litton common stock (i.e., shares acquired at the same time in a single transaction).

Holders of Litton Common Stock Who Tender Litton Common Stock in the Offer

A holder of Litton common stock who tenders some (but not all) of that common stock in the offer will receive cash in the Litton merger for any Litton common stock that is not tendered in the offer. Such a holder will be taxed according to the rules described above for holders of Litton common stock who tender all their stock in the offer. The cash received in the Litton merger will be treated the same as cash received for Litton common stock tendered in the offer (except that the holding period for stock surrendered in the Litton merger will end on the merger effective date rather than the closing date of the offer).

Reporting Requirements

Each holder of Litton common stock that receives NNG common stock or NNG preferred stock pursuant to the offer will be required to retain records and file with such holder's federal income tax return a statement setting forth certain facts relating to the Litton merger. The statement and such records must include, among other things, the adjusted tax basis and number of shares of Litton common stock which you transfer pursuant to the offer and the number of shares and fair market value of the NNG common stock and NNG preferred stock received.

This federal income tax discussion is for general information only and may not apply to all holders of Litton common stock and Litton preferred stock. Litton stockholders are urged to consult their own tax advisors as to the specific tax consequences of the offer and the Litton merger.

THE AMENDED MERGER AGREEMENT

The amended merger agreement is filed as an exhibit to the registration statement of which this offer to purchase or exchange is a part and is incorporated by reference herein. The following summary describes the material terms of the amended merger agreement. However, the legal rights and obligations of the parties are governed by the specific language of the amended merger agreement, and not this summary.

The amended merger agreement sets forth the principal terms of the offer, including:

- the consideration offered;
- the exchange ratio for exchanging Litton common stock for NNG common stock and NNG preferred stock;
- terms and conditions of the NNG preferred stock;
- the elections available to tendering stockholders;
- the procedures for pro rata reduction of elections to receive NNG stock if required because of the limited amounts of NNG common stock and NNG preferred stock available; and
- the conditions to the offer.

The amended merger agreement prohibits NNG from taking any of the following actions without the prior written consent of Litton:

- any decrease in the amount of cash or stock consideration offered per share of Litton common or preferred stock;
- any change in the form of consideration payable in the offer;
- any decrease in the number of shares of common or preferred sought in the offer, except as disclosed under "The Offer--Possible Reduction in Number of Shares of NNG Common Stock";
- the imposition of additional conditions in the offer;
- an amendment of the offer in a manner adverse to the holders of Litton common or preferred stock;
- any reduction in the time in which the offer will remain open; or
- any waiver of the minimum tender condition.

The Northrop Reorganization

Immediately prior to the acceptance for purchase and exchange of Litton common and Litton preferred stock in the offer, a wholly-owned subsidiary of NNG will merge with and into Northrop Grumman, in order that Northrop Grumman will become a wholly-owned subsidiary of NNG. That merger is referred to as the "Northrop reorganization."

In the Northrop reorganization, all of the outstanding shares of capital stock of Northrop Grumman will become the same number of shares of the same class of capital stock of NNG. Outstanding options to acquire common stock of Northrop Grumman will become options to acquire common stock of NNG. The certificate of incorporation and bylaws of NNG will be identical, in all material respects, to the certificate of incorporation and bylaws of Northrop Grumman, and NNG will adopt a stockholder rights plan which is identical, in all material respects, to the stockholder rights plan of Northrop Grumman. The directors and officers of Northrop Grumman will constitute the board of directors and officers of NNG.

Upon completion of the Northrop reorganization, the name of NNG will be changed to "Northrop Grumman Corporation" and the name of the present Northrop Grumman Corporation will be changed to "Northrop Grumman Systems Corporation."

The common stock of Northrop Grumman following the Northrop reorganization (i.e. the NNG common stock) will be listed for trading on the NYSE, and certificates representing shares of Northrop Grumman common stock will continue to represent shares of common stock of Northrop Grumman Corporation.

No vote of the stockholders of Northrop Grumman is required for the Northrop reorganization.

The Litton Merger

At the effective time of the Litton merger, LII Acquisition will merge with and into Litton. Litton will survive the Litton merger as a wholly-owned subsidiary of NNG.

Conditions to the Completion of the Litton Merger

The Litton merger is subject to the satisfaction or waiver of the following conditions:

- if required by Delaware law, the Litton stockholders must have approved and adopted the amended merger agreement;
- no statute, rule, regulation, executive order, decree, ruling or injunction must have been enacted, entered, promulgated, or enforced by any U.S. court or U.S. or European Union governmental entity prohibiting, restraining or enjoining consummation of the Litton merger;
- the expiration or termination of the applicable waiting period under the HSR Act, approval of the Litton merger by the Commission of the European Union under Regulation (EEC) No. 4064/89 of the Council of the European Union; and
- NNG must have purchased Litton common stock in the offer.

Effective Time of the Litton Merger

The Litton merger will become effective upon the filing of a certificate of merger with the Delaware Secretary of State or such later time as is mutually agreed by Northrop Grumman and Litton and is permissible in accordance with the Delaware General Corporation Law (referred to as "DGCL"). The filing of the certificate of merger will take place as soon as practicable after the closing of the Litton merger.

Additional Effects of the Litton Merger and the Northrop Reorganization

Upon completion of the Litton merger:

- each share of common stock held as treasury stock by Litton or its subsidiaries or owned by NNG or its subsidiaries will be canceled without payment;
- each outstanding share of capital stock of LII Acquisition will be converted into one share of common stock of Litton, as the surviving corporation;
- each issued and outstanding share of Litton common stock will be converted into the right to receive the highest amount of cash equal to the per share amount of cash received by holders of Litton common stock who tendered their shares for cash in the offer;
- each issued and outstanding share of Litton preferred stock, other than shares of Litton preferred stock held by NNG, will remain outstanding, without any change, as a share of preferred stock of Litton as the surviving corporation;
- each outstanding share of Litton preferred stock held by NNG will be canceled;
- the directors of LII Acquisition will become the directors of Litton as the corporation surviving the Litton merger;

- the officers of Litton at the effective time of the Litton merger will become the officers of Litton as the corporation surviving the merger;

- the certificate of incorporation of Litton, as in effect immediately prior to the effective time of the Litton merger, will be amended as of the effective time of the Litton merger to provide that Litton will be authorized to issue 3,000,000 shares of common stock, par value $1.00 per share, 600,000 shares of preferred stock, par value $5.00 per share, and 1,000 shares of preference stock, par value, $2.50 per share, and, as so amended, such certificate of incorporation will be the certificate of incorporation of Litton as the corporation surviving the Litton merger; and

- the bylaws of Litton at the effective time of the Litton merger will become the bylaws of Litton as the corporation surviving the Litton merger.

Upon completion of the Northrop reorganization:

- the directors and officers of Northrop Grumman prior to the Northrop reorganization will be the directors and officers of both Northrop Grumman and NNG after the Northrop reorganization;

- the certificate of incorporation of Northrop Grumman, as in effect immediately prior to the effective time of the Northrop reorganization, will be amended as of the effective time of the reorganization to change Northrop Grumman's name to "Northrop Grumman Systems Corporation" and to specify that any act or transaction by or involving Northrop Grumman that requires the approval of the stockholders of Northrop Grumman will also require the approval of the stockholders of NNG and, as so amended, such certificate of incorporation will be the certificate of incorporation of Northrop Grumman as the corporation surviving the reorganization;

- the bylaws of Northrop Grumman at the effective time of the reorganization will become the bylaws of Northrop Grumman as the corporation surviving the Northrop reorganization; and

- the certificate of incorporation and bylaws of NNG immediately following the effective time of the Northrop reorganization will contain provisions identical to the certificate of incorporation and bylaws of Northrop Grumman immediately prior to the effective time of the Northrop reorganization, except that the name of NNG will be changed to "Northrop Grumman Corporation."

The Litton Board

Upon the purchase of Litton common stock in the offer, NNG will be entitled to designate a number of Litton directors, constituting at least a majority of the Litton board, equal to the product of the number of Litton directors and the percentage that the number of shares of Litton common stock then held by NNG bears to the total number of outstanding Litton shares. Until the effective time of the Litton merger, Litton has agreed to use its best efforts to ensure that at least three members of Litton's board of directors as of January 23, 2001 remain members of Litton's board of directors. The amended merger agreement provides that, before the effective time of the Litton merger, if NNG designees are elected to the Litton board, the affirmative vote of a majority of the continuing Litton directors will be required to:

- amend or terminate the amended merger agreement;

- waive any of Litton's rights under the amended merger agreement;

- extend the time for performance of Northrop Grumman's, NNG's or LII Acquisition's obligations under the amended merger agreement; or

- approve any other action by Litton adversely affecting the rights of Litton's stockholders, other than Northrop Grumman, NNG or LII Acquisition, with respect to the transactions contemplated by the amended merger agreement.

Litton Stock Options

The amended merger agreement provides that each outstanding option to purchase shares of Litton common stock that is vested at the effective time of the Litton merger will be converted into the right to receive a cash payment equal to the difference between the exercise price per share of Litton common stock subject to the option and $80.00.

At the effective time of the Litton merger, each of up to 1,244,523 outstanding options to purchase shares of Litton common stock that is unvested will become an option to purchase shares of NNG common stock. Any unvested options in excess of 1,244,523 will be converted pro rata into the right to receive a cash payment equal to the difference between the exercise price per share of Litton common stock subject to the option and $80.00 and subject to compliance with Section 424 of the Code.

NNG may provide holders of vested options and holders of unvested options whose options would be converted into cash, the opportunity to elect, prior to the Litton merger, to convert their options into options to acquire NNG common stock on a pro rata basis. If NNG provides these optionholders with the election, conversion will be allowed only to the extent a vote of Northrop Grumman's or NNG's stockholders would not be required pursuant to applicable law or the rules of any national securities exchange.

At the effective time of the Litton merger each outstanding share of restricted stock will vest and holders of shares of restricted stock will have the right to receive a cash payment equal to $80.00 per share or any greater cash amount paid per share of Litton common stock in the offer.

For more information on the treatment of Litton stock options in connection with the offer and the Litton merger, please refer to Item 4 of Litton's Amended Solicitation/Recommendation Statement on Schedule 14D-9 which is being mailed to Litton stockholders together with this offer to purchase or exchange.

Representations and Warranties

The amended merger agreement contains customary representations and warranties relating to, among other things:

- corporate organization and similar corporate matters of Northrop Grumman, Litton, NNG and LII Acquisition;
- authorization, execution, delivery and enforceability of the amended merger agreement and approval and recommendation of the board of directors of each of Northrop Grumman, Litton, NNG, LII Acquisition and NGC Acquisition with respect to the amended merger agreement and the transactions contemplated thereby;
- due authorization, execution, delivery, performance and enforceability of, and required consents, approvals and authorizations of governmental authorities relating to, the amended merger agreement and related matters pertaining to each of the parties to the amended merger agreement;
- the capital structure of each of Northrop Grumman, NNG and Litton;
- amendment of Litton's rights plan so that none of Northrop Grumman, NNG or LII Acquisition will be deemed an acquiring person;
- no current default of Northrop Grumman, Litton or their subsidiaries under governing documents, agreements and applicable laws;
- proper filing of all SEC reports by Litton since October 1, 1997 and by Northrop Grumman since December 31, 1997 and the accuracy of information contained in such documents;
- non-contravention of governing documents and agreements of and laws applicable to each of Litton, Northrop Grumman, NNG, LII Acquisition and NGC Acquisition as a result of the transactions contemplated by the amended merger agreement;

- financial statements included in documents filed by Northrop Grumman and Litton with the SEC, the accuracy of the information in such financial statements, compliance with applicable accounting standards and requirements in such financial statements;

- resolutions of the board of directors of Litton recommending that the stockholders of Litton approve and adopt the amended merger agreement;

- the accuracy of information supplied by each of Northrop Grumman, Litton, NNG, LII Acquisition and NGC Acquisition in connection with this offer to purchase or exchange and the registration statement of which it is a part;

- the absence of pending or threatened material litigation of each of Northrop Grumman and Litton;

- the absence of material events, changes or effects concerning Litton or its subsidiaries since July 31, 2000 through the date of the amended merger agreement;

- the absence of material events, changes or effects concerning Northrop Grumman or its subsidiaries since September 30, 2000 through the date of the amended merger agreement;

- compliance with applicable laws and required permits, licenses, variances, exemptions, orders and approvals of all governmental entities by Litton and Northrop Grumman and their respective subsidiaries;

- receipt of a written opinion of Litton's financial advisor that the aggregate consideration to be received by holders of Litton common stock other than Northrop Grumman and its affiliates in connection with the offer and the Litton merger is fair from a financial point of view to holders of Litton common stock;

- absence of brokers' or finders' fees and expenses to be paid by Northrop Grumman, Litton and LII Acquisition;

- subsidiaries of Litton;

- timely filing of tax returns and payment of taxes by Litton and the absence of any penalties or tax sharing agreements or indemnity agreements;

- timely filing of tax returns by Northrop Grumman and the absence of any action by Northrop Grumman, NNG, NGC Acquisition or LII Acquisition that would prevent the offer and the Litton merger, taken together, from qualifying as a tax exempt exchange under Section 351 of the Code;

- material employee benefit plans of Litton;

- employment agreements with executive officers of Litton;

- the Employee Retirement Income Security Act of 1974 for Litton and Northrop Grumman;

- any acceleration of benefits under any plan of Litton as a result of the Litton merger;

- the absence of pending or threatened material controversies between Litton or any of its subsidiaries and any of their respective employees;

- software, intellectual property and infringement matters concerning Litton and Northrop Grumman;

- the compliance by Litton and Northrop Grumman with all applicable federal, state, local and foreign environmental regulations, except where noncompliance would not have a material adverse effect on Litton or Northrop Grumman;

- contracts and other commitments between Litton or Northrop Grumman on the one hand and the U.S. government or prime contractors to the U.S. government on the other hand;

- the absence of any unlawful contributions, gifts or other unlawful uses of funds related to political activities or in violation of the Foreign Corrupt Practices Act of 1977, as amended, by Litton or its subsidiaries or Northrop Grumman or its subsidiaries;

- confirmation by Litton that the affirmative vote of holders of a majority of Litton common stock, voting together as one class, is the only vote of stockholders necessary to approve and adopt the amended merger agreement;

- the absence of actions or threats by Litton customers to cancel or terminate their relationship with Litton from July 31, 2000 to December 21, 2000;

- material ownership interests of Litton in any customer of Litton or any customer's subsidiaries;

- the requirement that Northrop Grumman have sufficient funds or firm commitment letters for the payment of cash consideration and the performance of its obligations under the amended merger agreement at the time the conditions to the offer are satisfied or waived and at the effective time of the Litton merger;

- requisite actions taken by NNG to reserve for issuance the NNG common stock and NNG preferred stock to be issued in the Litton merger;

- the receipt by Litton of copies of Northrop Grumman's commitment letters which Northrop Grumman obtained to provide funds for the offer and the Litton merger;

- the absence of any obligation or liability or other activity by NNG, LII Acquisition or NGC Acquisition except obligations incurred in connection with formation of each of NNG, LII Acquisition or NGC Acquisition or in connection with the amended merger agreement;

- the absence of a vote of Northrop Grumman's stockholders to approve and adopt the amended merger agreement;

- the absence of a vote of NNG's stockholders, other than Northrop Grumman to approve and adopt the amended merger agreement and the Litton merger or the Northrop reorganization;

- the absence of a vote of Northrop Grumman's or NNG's stockholders pursuant to the rules of any national securities exchange;

- the absence of actions by Northrop Grumman customers from July 31, 2000 to December 21, 2000 canceling or terminating or threatening to cancel or terminate their relationship with Northrop Grumman or its subsidiaries; and

- material ownership interests of Northrop Grumman in its customers or any subsidiaries of its customers.

All representations and warranties of Northrop Grumman, Litton, NNG, LII Acquisition and NGC Acquisition expire at the time the Litton merger becomes effective or the amended merger agreement is terminated.

Conduct of Business of Litton Prior to the Litton Merger

Litton has agreed that Litton and its subsidiaries will carry on their respective businesses in the ordinary course in substantially the same manner as conducted before the date of the amended merger agreement and, to the extent consistent with such previous conduct, to preserve substantially intact their current business organizations, keep available the services of their current officers and employees and preserve their relationships with customers, suppliers and others having significant business dealings with them. The amended merger agreement further provides that, except as expressly provided in the amended merger agreement or as set forth in the disclosure schedules thereto, during the period from the execution and delivery of the amended merger agreement to the effective time of the Litton merger, Litton will not, without the prior written consent of Northrop Grumman and LII Acquisition, and will not permit any of its subsidiaries to:

- amend its governing documents;

- issue or agree to issue any stock of any class or any other debt or equity equivalents, except for shares of Litton common stock (i) issued and sold under previously granted options, performance-based restricted stock or deferred stock units, (ii) issued and sold pursuant to rights previously granted or (iii) issued and sold by a subsidiary of Litton to any entity which is wholly-owned by Litton;

- split, combine or reclassify any shares of capital stock, declare, set aside or pay any dividend or other distribution, or make any other actual, constructive or deemed distribution in respect of its capital stock, except dividend payments made on the Litton preferred stock and dividend or distribution payments made by a wholly-owned subsidiary of Litton to Litton or another wholly-owned subsidiary of Litton;

- redeem or otherwise acquire any of its securities or any securities of any of its subsidiaries;

- adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalitzation or other reorganization of Litton or any of its subsidiaries other than the Litton merger;

- alter through merger, liquidation, reorganization, restructuring or any other fashion the corporate structure of ownership of any subsidiary, except as provided in the amended merger agreement;

- (i) incur any debt except for borrowings under existing lines of credit or in the ordinary course of business; (ii) assume, guarantee, endorse or otherwise become liable or responsible for the obligations of any other person except in the ordinary course of business and for obligations of subsidiaries of Litton incurred in the ordinary course of business; (iii) make any loans, advances or capital contributions to or investments in any other person; (iv) pledge or otherwise encumber shares of capital stock of Litton or its subsidiaries except in connection with certain borrowings; or (v) mortgage or pledge any of its material assets, tangible or intangible, or create or suffer to exist any material lien thereupon;

- enter into, adopt, amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not contemplated by any plan and arrangement in effect as of the date of the amended merger agreement, subject to certain exceptions;

- acquire, sell, lease or dispose of any assets in any single transaction or series of related transactions having a fair market value in excess of $10,000,000 in the aggregate other than in connection with outsourcing agreements entered into with customers of Litton or its subsidiaries and in the ordinary course of business;

- change any of the accounting principles or practices used by Litton, except as a result of a change in law or in generally accepted accounting principles other than immaterial changes;

- revalue in any material respect any of Litton's assets other than in the

ordinary course of business or as required by generally accepted accounting principles;

- (i) acquire any corporation, partnership or other business organization by merger, consolidation or acquisition of stock or assets, other than in connection with outsourcing agreements entered into with customers of Litton or its subsidiaries; (ii) enter into any contract or agreement other than in the ordinary course of business consistent with past practice which would be material to Litton and its subsidiaries, taken as a whole; or (iii) authorize any new capital expenditure or expenditures which individually is in excess of $10,000,000 or capital expenditures in the aggregate are in excess of $210,000,000; provided that none of the foregoing shall limit any capital expenditure required pursuant to existing customer contracts or pursuant to Litton's existing capital expenditures budget;

- make any material tax election or settle or compromise any income tax liability material to Litton and its subsidiaries, other than in the ordinary course of business;

- settle or compromise any pending or threatened suit, action or claim relating to the offer and the Litton merger or which would have a material adverse effect on Litton;

- commence any material research and/or development project or terminate any material research and/or development project that is ongoing, with certain exceptions;

- amend the rights agreement between Litton and The Bank of New York dated as of August 17, 1994 and amended as of December 21, 2000 and January 23, 2001 in any manner that would permit any person other than Northrop Grumman or its affiliates to acquire more than 15% of the Litton common stock, or redeem the rights; or

- take or agree to take any of the foregoing actions.

Conduct of Business of Northrop Grumman and NNG Prior to the Litton Merger

The amended merger agreement contains restrictions on Northrop Grumman's, its subsidiaries' and NNG's conduct of their respective businesses pending the effective time of the Litton merger or the termination of the amended merger agreement. These restrictions are designed to prevent major changes in Northrop Grumman and NNG until the Litton merger takes place, except to the extent Litton consents to the changes. In general, Northrop Grumman and NNG have agreed that neither Northrop Grumman nor its subsidiaries nor NNG will:

- acquire or agree to acquire any entity if such transaction would prevent or materially delay the consummation of the offer, the Litton merger or the Northrop reorganization, other than the purchase of assets from suppliers, clients or vendors in the ordinary course of business;

- amend their governing documents if such amendment would have a material adverse impact on the consummation of the offer, the Litton merger or the Northrop reorganization;

- take any action that would prevent the offer, the Litton merger and the Northrop reorganization, taken together, from qualifying as an exchange described in Section 351 of the Code;

- split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to stockholders, except for the payment of ordinary cash dividends in respect of the Northrop Grumman common stock;

- adopt a plan of complete or partial liquidation or dissolution of Northrop Grumman or any of its material subsidiaries; or

- take or agree to take any of the foregoing actions.

Other Potential Acquirers

The amended merger agreement prohibits Litton and its subsidiaries, officers, directors, employees, representatives and agents from providing non-public information to, or having discussions or negotiations

with, anyone other than Northrop Grumman, NNG or LII Acquisition with respect to a potential third party acquisition of Litton, unless:

- Litton's board of directors receives an unsolicited proposal from a third party. In this case Litton or its representatives may make such inquiries or conduct such discussions as the Litton board of directors, based on the advice of its legal counsel, may deem necessary to inform itself for the purpose of exercising its fiduciary duties; or

- Litton's board of directors receives an unsolicited proposal from a third party that Litton's board of directors by a majority vote decides in good faith, after consultation with its financial advisor, is reasonably likely to be a "superior proposal" (as defined below). In this case Litton and its representatives may conduct such additional discussions or provide such information as Litton's board of directors shall decide, if the third party enters into a confidentiality agreement with terms similar to the confidentiality agreement between Litton and Northrop Grumman and a majority of Litton's board of directors decides in good faith, based on the advice of its legal counsel, that its actions are necessary to comply with Litton's board of directors' fiduciary duties.

The amended merger agreement does not prohibit Litton's board of directors from taking and disclosing to Litton's stockholders a position contemplated by Rules 14d-9 and 14e-2 under the Exchange Act with regard to any tender offer.

Litton's board of directors has agreed not to withdraw, change or modify its recommendation of the offer and the Litton merger or approve or recommend any third party acquisition, or cause Litton to enter into any agreement for a third party acquisition, unless a majority of Litton's board of directors decides in good faith, after consultation with and based upon the advice of its legal counsel, that it is required to do so in order to comply with its fiduciary duties, in which case the Litton board of directors may withdraw its recommendation of the offer and the Litton merger and approve or recommend a superior proposal if:

- Litton has provided written notice to Northrop Grumman specifying the material terms, conditions and identity of the person making the superior proposal; and

- Northrop Grumman has not made an equally favorable proposal within five business days of Northrop Grumman's receiving notice of a superior proposal.

However, Litton may not enter into an agreement with respect to a superior proposal until the amended merger agreement is terminated and Litton has paid Northrop Grumman a termination fee in the amount of $110,000,000 as liquidated damages simultaneously with such termination. See "--The Amended Merger Agreement--Termination Fee; Expenses" on page 57.

The amended merger agreement defines a "third party acquisition" to mean any of the following:

- the acquisition of Litton by merger or otherwise by a party other than Northrop Grumman, LII Acquisition or any of their affiliates;

- the acquisition of 20% of more of the assets of Litton and its subsidiaries taken as a whole by a party other than Northrop Grumman, LII Acquisition or any of their affiliates;

- the acquisition of 20% or more of the outstanding Litton common stock by a party other than Northrop Grumman, LII Acquisition or any of their affiliates;

- Litton's adoption of a plan of liquidation or the declaration or payment of an extraordinary dividend;

- the repurchase of more than 20% of its outstanding common stock by Litton or any of subsidiaries; or

- Litton's acquisition by merger, purchase of stock or assets, joint venture or otherwise of a direct or indirect ownership interest or investment in any business whose annual revenues, net income or assets is equal to or greater than 20% of the annual revenues, net income or assets of Litton.

The amended merger agreement defines a "superior proposal" as any bona fide proposal:

- to acquire 50% or more of the common stock of Litton or substantially all the assets of Litton for cash and/or securities; and

- that is determined by the Litton board of directors by a majority vote, based on the advice of its financial advisor, to be more favorable, from a financial point view, to Litton's stockholders than the Litton merger.

Litton has agreed to promptly advise Northrop Grumman of any request for information relating to a third party acquisition proposal or any inquiry relating to or which could result in a third party acquisition proposal, including the terms, conditions and the identity of the person submitting the third party proposal. Litton has also agreed to inform Northrop Grumman of the status and any developments regarding any third party acquisition proposal.

Litton Stockholders Meeting

If required by applicable law to complete the Litton merger, the amended merger agreement requires Litton as soon as practicable after consummation of the offer to call a meeting of its stockholders to consider and vote upon the adoption and approval of the amended merger agreement and to prepare and file with the SEC a proxy statement. Under the amended merger agreement, at any such meeting, Northrop Grumman, NNG and their subsidiaries have agreed to vote all Litton shares acquired in the offer or otherwise beneficially owned by them in favor of adoption of the amended merger agreement.

Litton's board of directors may withdraw, modify or amend its recommendation that Litton common stockholders accept the offer and that Litton stockholders approve and adopt the amended merger agreement and the Litton merger if:

- Litton receives a superior proposal; and

- Litton's board of directors determines in its good faith judgment by a majority vote, based on the advice of its legal counsel, that it is required to recommend the superior proposal to comply with its fiduciary duties.

Litton has also agreed to use all reasonable efforts to:

- obtain and provide the information required to be included in the proxy statement;

- respond promptly to any comments from the SEC concerning the proxy statement, after consultation with Northrop Grumman and NNG;

- mail the proxy statement to Litton's stockholders as soon as possible after the expiration or termination of the offer; and

- obtain the necessary approvals of Litton's stockholders of the amended merger agreement.

Access to Information and Confidentiality

Litton has agreed to give Northrop Grumman and its representatives, and Northrop Grumman and its representatives have agreed to:

- give Litton reasonable access during normal business hours to all employees, plants, offices, warehouses and other facilities;

- give Litton reasonable access during normal business hours to all books and records of itself and its subsidiaries;

- to furnish the other party with financial and operating data and such other information concerning its business and properties and those of its subsidiaries as may be reasonably requested; and

- to permit the other party to make inspections as may be reasonably required.

Confidentiality

The amended merger agreement provides that Litton is not required to provide certain confidential information. Litton and Northrop Grumman have entered into a confidentiality agreement relating to all documents and information provided to the other party in connection with the offer, the Litton merger and the Northrop reorganization.

Additional Agreements

Each of Litton, Northrop Grumman, NNG and LII Acquisition has agreed to:

- use all reasonable best efforts to take, or cause to be taken, all reasonable actions necessary, proper or advisable to consummate and make effective as promptly as practicable the offer, Litton merger and the Northrop reorganization;
- reasonably cooperate with the others in connection with actions necessary to consummate the offer, Litton merger and the Northrop reorganization;
- use all reasonable efforts to obtain all necessary waivers, consents and approvals from other parties to material loan agreements, leases and other contracts;
- use all reasonable efforts to obtain all consents, approvals and authorizations that are required to be obtained under any federal, state, local or foreign law or regulation;
- use all reasonable efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the offer, Litton merger and Northrop reorganization;
- use all reasonable efforts to effect all necessary registrations and filings including, but not limited to, filings and submissions of information requested or required by any domestic or foreign government or governmental or multinational authority, including, the Antitrust Division of the Department of Justice, the Federal Trade Commission, any State Attorney General, or the European Commission (referred to collectively as "governmental antitrust authority");
- use all reasonable efforts to fulfill all conditions to the amended merger agreement; and
- use all reasonable efforts to prevent the entry, enactment or promulgation of a threatened or pending preliminary or permanent injunction or other order, decree or ruling or statute, rule, regulation or executive order that would adversely affect the ability of the parties to consummate the offer, the Litton merger and the Northrop reorganization.

None of Northrop Grumman, NNG and LII Acquisition has to take any of the above actions if such action would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Northrop Grumman, Litton or their respective subsidiaries, taken as a whole.

Antitrust Approvals

Each of Litton, Northrop Grumman, NNG and LII Acquisition has agreed to:

- use their best efforts to resolve any objections that may be asserted with respect to the offer, the Litton merger or the Northrop reorganization under any antitrust, competition or trade regulatory laws or regulations of any domestic or foreign government or governmental or multinational authority (collectively, the "antitrust laws");
- use their best efforts to avoid the entry of, or to have vacated or terminated, any decree, order, or judgment that would restrain, prevent, or unreasonably delay the consummation of the offer, Litton merger, Northrop reorganization; and

- take any and all steps necessary to avoid or eliminate any impediment, including the institution of proceedings, under any antitrust laws that may be asserted by any governmental antitrust authority with respect to the offer, the Litton merger, and the Northrop reorganization, including:

  - proposing, negotiating, committing to and effecting the sale, divestiture or disposition of such assets or businesses of Northrop Grumman or its subsidiaries, Litton or its subsidiaries; or

  - otherwise taking or committing to take any action that limits its freedom of action with respect to any of the businesses, product lines or assets of Northrop Grumman or its affiliates, Litton or its affiliates, as may be required in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order, or other order in any suit or proceeding, which would otherwise have the effect of preventing or unreasonably delaying the consummation of the offer, the Litton merger or the Northrop reorganization.

None of Northrop Grumman, NNG and LII Acquisition has to take any of the above actions if the taking of such action would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Northrop Grumman and Litton and their respective subsidiaries, taken as a whole.

Each of Litton, Northrop Grumman, NNG and LII Acquisition also agreed to keep the other parties apprised of the status of matters relating to the completion of the offer, the Litton merger and the Northrop reorganization and to reasonably cooperate in connection with obtaining the requisite approvals, consents or orders of any governmental antitrust authority, including:

- cooperating with the other parties in connection with filings under the HSR Act or any other antitrust laws;

- providing copies of filings under the HSR Act or any other antitrust laws to the non-filing parties and their advisers prior to filing, other than documents containing confidential business information that will be shared only with outside counsel to the non-filing parties, and if requested, to accept all reasonable additions, deletions or changes suggested in connection with any such filing;

- furnishing to each other all information required for any application or other filing to be made pursuant to the HSR Act or any other antitrust laws in connection with the offer, the Litton merger and the Northrop reorganization;

- promptly notifying the other parties of any communications from or with any governmental antitrust authority with respect to the offer, the Litton merger or the Northrop reorganization;

- permitting the other parties to review in advance and considering in good faith the views of the other parties in connection with any proposed communication with any governmental antitrust authority in connection with proceedings under or relating to the HSR Act or any other antitrust laws;

- not agreeing to participate in any meeting or discussion with any governmental antitrust authority in connection with proceedings under or relating to the HSR Act or any other antitrust laws unless it consults with the other parties in advance, and, to the extent permitted by such governmental antitrust authority, gives the other parties the opportunity to attend and participate thereat; and

- consulting and cooperating with the other parties in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party hereto in connection with proceedings under or relating to the HSR Act or any other antitrust laws.

If any party or any of their respective affiliates receives a request for additional information or documentary material from any governmental antitrust authority with respect to the offer, the Litton merger or the Northrop reorganization, such party will endeavor in good faith to make, or cause to be made, as soon as practicable and after consultation with the other party, an appropriate response in compliance with such request. Northrop Grumman, NNG and LII Acquisition will advise Litton promptly in respect of any understandings,

undertakings or agreements which Northrop Grumman, NNG and LII Acquisition propose to make or enter into with any governmental antitrust authority in connection with the offer, the Litton merger or the Northrop reorganization.

Directors' and Officers' Liability Insurance and Indemnification

The amended merger agreement provides that Northrop Grumman and Litton, as the surviving corporation in the Litton merger, will jointly and severally indemnify and hold harmless the current and former directors and officers of Litton or any of its subsidiaries against:

- all losses, claims, damages, costs, expenses, settlement payments or liabilities arising out of or in connection with any claim, demand, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was an officer or director of Litton or any of its subsidiaries whether or not pertaining to any matter existing or occurring at or prior to the effective time of the Litton merger and whether or not asserted or claimed prior to or at or after the effective time of the Litton merger (collectively, "indemnified liabilities"); and

- all indemnified liabilities based on or arising out of or pertaining to the amended merger agreement or the offer, the Litton merger or the Northrop reorganization, to the fullest extent required or permitted under applicable law or under the governing documents of Litton, as the surviving corporation of the Litton merger, provided, however, that the provisions of the governing documents of Litton, as the surviving corporation of the Litton merger relating to indemnification and exoneration from liability will be at least as favorable as the provisions of Litton's governing documents as of the date of the amended merger agreement.

Furthermore, each of Litton, Northrop Grumman and NNG intend, to the extent not prohibited by applicable law, that the indemnification described above will apply to negligent acts or omissions by current and former directors and officers of Litton or any of its subsidiaries.

The amended merger agreement provides that Litton, as the surviving corporation in the Litton merger, will maintain for six years after the Litton merger directors' and officers' liability insurance on terms no less favorable than Litton's current insurance policy, subject to a limitation on the amount of the premium required to be paid for the insurance to 300% of the amount paid as of December 21, 2000.

Employee Matters

Except as otherwise provided in the amended merger agreement, NNG has agreed to assume and honor in accordance with their terms all Litton employee plans and all employment agreements disclosed to Northrop Grumman and all accrued benefits vested thereunder. In addition, for a period of not less than two years from the effective time of the Litton merger, NNG has agreed to provide current and former employees of Litton and its subsidiaries ("Litton employees"), for a period of not less than two years following the effective time of the Litton merger, with employee benefits in the aggregate no less favorable than those benefits provided to Litton employees immediately prior to the effective time of the Litton merger. However, Northrop Grumman is not prevented from terminating any employment agreement or employee plan in accordance with its terms or reducing the employment or otherwise changing the compensation or employee benefits of any individual Litton employee.

Under any new employee benefit plan enacted by NNG, a Litton employee will be credited with all years of services for which such Litton employee was credited before the effective time of the Litton merger under similar Litton employee plans, except to the extent such credit would result in a duplication of benefits. Each Litton employee will be immediately eligible to participate in any new employee benefit plans to the extent coverage under the new employee benefit plan replaces coverage under a comparable Litton employee plan in which such Litton employee participated immediately prior to the effective time of the Litton merger. In

addition, NNG will assume and honor Litton's obligations to provide lifetime benefits under Litton's Supplemental Medical Insurance Plan. Furthermore, NNG has agreed not to demand repayment of the loans outstanding under Litton's Incentive Loan Program before December 31, 2001.

On or before January 31, 2001, Litton has agreed to provide Northrop Grumman with copies of certain documents and information pertaining to employee plans, employee agreements and arrangements.

Additional Covenants

Each of Northrop Grumman, LII Acquisition and Litton has undertaken additional covenants in the amended merger agreement. The following summarizes the principal additional covenants.

Each of Northrop Grumman, NNG, LII Acquisition and Litton has agreed to:

- consult with each other before issuing press releases or public statements regarding the offer, Litton merger and Northrop reorganization.

Northrop Grumman has agreed to:

- cause NNG to issue a press release prior to the opening of trading on the second full trading day prior to the expiration of the offer announcing the exchange ratio for exchanging shares of Litton common stock for NNG common stock;

- use reasonable best efforts to list the NNG common stock and NNG preferred stock to be issued in the offer on the NYSE; and

- cause NNG to file an amended and restated certificate of incorporation and certificate of designations of the rights, preferences and privileges of the NNG preferred stock in the forms attached to the amended merger agreement with the Secretary of the State of Delaware.

Northrop Grumman or NNG, as applicable, have agreed to:

- use reasonable efforts to seek at its 2001 annual stockholder meeting stockholder approval for the issuance of shares of NNG common stock upon conversion of NNG preferred stock.

Litton has agreed to:

- provide Litton's quarterly unaudited balance sheet and related financial statements to Northrop Grumman within 25 business days after the end of each fiscal quarter.

Termination Events

The amended merger agreement may be terminated at any time prior to the purchase of Litton common stock in the offer:

- by the mutual written consent of Northrop Grumman, LII Acquisition and Litton; or

- by either Northrop Grumman and LII Acquisition or Litton if:

  - any court of competent jurisdiction or other U.S. or European Union governmental entity issues a non-appealable, final ruling prohibiting the offer, Litton merger or Northrop reorganization;

  - the offer is not completed by September 15, 2001; unless the party seeking to terminate the amended merger agreement is responsible for the delay due to that party's failure to fulfill its obligations under the amended merger agreement; or

- by Northrop Grumman and LII Acquisition if:

  - Litton breaches any representation or warranty in the amended merger agreement or if any representation or warranty of Litton becomes untrue and such breach would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Litton and its subsidiaries and such breach is not capable of being rectified by September 15, 2001;

- Litton breaches any covenants or agreements in the amended merger agreement that would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Litton and its subsidiaries or would materially adversely affect or materially delay the consummation of the offer, the Litton merger or the Northrop reorganization, and the breach has not been cured within twenty business days after Northrop Grumman or LII Acquisition gives Litton notice of such breach, so long as neither Northrop Grumman nor LII Acquisition has not breached any of its obligations under the amended merger agreement;

- Litton's board of directors enters into, or recommends to its stockholders, a superior proposal;

- Litton's board of directors withdraws, modifies or changes its approval or recommendation of the amended merger agreement, the offer, Litton merger or Northrop reorganization or adopts any resolution to such effect;

- a third party acquisition occurs, except that, the definition of third party acquisition relating to the acquisition of Litton common stock will be deemed to occur only upon the acquisition by a third party of 50% or more of the outstanding Litton common stock; or

- by Litton if:

- Northrop Grumman, NNG or LII Acquisition breaches any representation or warranty in the amended merger agreement or any representation or warranty becomes untrue and such breach would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Northrop Grumman or would materially adversely affect the consummation of the offer, Litton merger or the Northrop reorganization and is not cured within twenty business days after notice by Litton of such breach, so long as Litton has not breached any of its obligations under the amended merger agreement; or

- Northrop Grumman, NNG or LII Acquisition breaches any of their respective covenants or agreements under the amended merger agreement and such breach would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Northrop Grumman or would materially adversely affect the consummation of the offer, Litton merger or the Northrop reorganization and is not cured within twenty business days after notice by Litton of such breach, so long as Litton has not breached any of its obligations under the amended merger agreement; or

- Litton's board of directors receives a superior proposal and resolves to accept the superior proposal after providing Northrop Grumman an opportunity to make an equally favorable proposal, and paying Northrop Grumman $110,000,000 in liquidated damages.

Termination of the amended merger agreement by the parties as described above will void the agreement without any liability to Northrop Grumman, NNG, LII Acquisition, or Litton or any of their affiliates, directors, officers or stockholders, other than:

- the liability for breach of the amended merger agreement;

- the obligations of the parties to keep confidential all nonpublic information furnished in connection with the offer and Litton merger; and

- the liquidated damages and expense provisions described immediately below.

Termination Fee; Expenses

Litton has agreed to pay Northrop Grumman $110,000,000 as liquidated damages within three business days after the termination of the amended merger agreement, if the amended merger agreement is terminated:

- By Northrop Grumman and LII Acquisition because Litton's board of directors enters into or recommends to its stockholders a superior proposal;

- By Northrop Grumman and LII Acquisition because Litton's board of directors withdraws, modifies or changes its approval or recommendation of the amended merger agreement, the offer, Litton merger or Northrop reorganization or adopts any resolution to such effect;

- By Northrop Grumman and LII Acquisition because a third party acquisition occurs, except that, the definition of third party acquisition relating to the acquisition of Litton common stock will be deemed to occur only upon the acquisition by a third party of 50% or more of the outstanding Litton common stock;

- By Litton because Litton's board of directors receives a superior proposal and resolves to accept such superior proposal, except that, Litton must pay the $110,000,000 liquidated damages fee simultaneously with such termination;

- By Northrop Grumman and LII Acquisition because Litton breaches its covenants or agreements contained in the amended merger agreement and such breaches would have a material adverse effect on the business, assets, long-term earnings capacity or financial condition of Litton and its subsidiaries, and within twelve months after termination of the amended merger agreement Litton enters into an agreement with respect to or consummates an acquisition by a third party:

  - with whom Litton had negotiations concerning a third party acquisition;

  - to whom Litton furnished information in connection with a third party acquisition;

  - who had submitted a proposal for a third party acquisition at the time of the breach, in each case after December 21, 2000 and prior to the termination of the amended merger agreement; or

- By Northrop Grumman and LII Acquisition if the offer is not completed by September 15, 2001; as long as neither Northrop Grumman nor LII Acquisition is principally responsible for the delay due to its failure to fulfill its obligations under the amended merger agreement, and:

  - the minimum tender condition is not satisfied;

  - there is an outstanding publicly announced offer by a third party to consummate a third party acquisition;

  - no other condition of the offer is unsatisfied; and

  - within twelve months thereafter Litton enters into an agreement with respect to a third party acquisition or a third party acquisition occurs in either case involving the third party referred to above.

Except for the liquidated damages described above, each party will pay its own expenses in connection with the amended merger agreement.

OTHER AGREEMENTS

The Stockholder's Agreement

The stockholder's agreement is filed as an exhibit to the registration statement of which this offer to purchase or exchange is a part and is incorporated by reference herein. The following summary describes the material terms of the stockholder's agreement. However, the rights of the parties are governed by its specific terms and provisions and not this summary.

Effective as of January 23, 2001, Northrop Grumman, NNG and Unitrin, a principal stockholder of Litton, entered into the stockholder's agreement described below. Unitrin and its subsidiaries collectively hold an aggregate of 12,657,764 outstanding shares of Litton common stock, representing approximately 27.8% of the outstanding Litton common stock as of January 23, 2001.

Tender and Voting of Shares. Unitrin has agreed to:

- tender all of the shares of Litton stock owned by it and its subsidiaries in the offer, and elect to receive (a) NNG preferred stock in the offer, with respect to at least 3,750,000 shares of Litton common stock it owns and (b) NNG common stock in exchange for the remainder of the shares it owns;
- specify Alternative A in connection with its tender;
- vote its shares of Litton stock at any meeting of the Litton stockholders:
  - in favor of the Litton merger and the amended merger agreement;
  - against any action which could reasonably be expected to impede, interfere with, delay, postpone or materially adversely affect the offer, Litton merger and Northrop reorganization or the consummation of these transactions; and
  - in favor of any other matter necessary for consummation of the offer, Litton merger and Northrop reorganization considered at a meeting of the Litton stockholders.

In addition, Unitrin and its subsidiaries have agreed not to withdraw their tenders or elections unless the stockholder's agreement is terminated.

No Inconsistent Arrangements. Other than actions contemplated in the amended merger agreement and the stockholder's agreement, Unitrin has agreed not do any of the following:

- transfer or consent to any transfer of the shares of Litton stock it owns or interest therein;
- create or permit to exist any pledge, lien, security interest, mortgage, trust, charge, claim, equity, option, proxy, voting restriction, voting trust or agreement, understanding, arrangement, right of first refusal, limitation on disposition, adverse claim of ownership or encumbrance of any kind on the shares of Litton stock it owns;
- enter into any contract, option or other agreement or understanding to any transfer of any of shares of Litton stock it owns or interest therein;
- grant any proxy, power-of-attorney or other authorization in or with respect to its shares of Litton stock;
- deposit its shares of Litton stock into a voting trust or enter into a voting agreement or arrangement with respect to its shares of Litton stock; or
- take any other action that would in any way restrict, limit or interfere with the performance of its obligations under the stockholder's agreement or the amended merger agreement.

Proxy. Unitrin and three of its subsidiaries which own Litton common stock granted NNG and Northrop Grumman, or any nominee of NNG and Northrop Grumman, an irrevocable proxy for all of the shares of Litton common stock Unitrin and such subsidiaries own to vote on the matters and in the manner discussed above at every Litton stockholders meeting.

Stop Transfer. Unitrin cannot request that Litton register the transfer of any shares of its Litton stock, unless the transfer is made in compliance with the stockholder's agreement.

No Solicitation. Unitrin and its subsidiaries have agreed not to or permit any of their officers, directors, employees, agents or representatives to:

- solicit or initiate, or encourage any inquiries regarding or the submission of, any proposal for a third party acquisition; or
- enter into any agreement or proposal with respect to any proposal for a third party acquisition.

Unitrin and its subsidiaries have agreed to cease any existing discussions, activities or negotiations with any parties concerning a third party acquisition. In addition, Unitrin has agreed to notify Northrop Grumman of the existence of any proposal, discussion, negotiation or inquiry received by it, and to provide Northrop Grumman with the terms of any proposal, discussion, negotiation or inquiry which it may receive and the identity of the person making such proposal or inquiry or engaging in such discussion or negotiation.

The stockholder's agreement does not prevent Unitrin and its subsidiaries from complying with their obligations under Section 13(d) of the Exchange Act.

Representations And Warranties. The stockholder's agreement contains customary representations and warranties of Unitrin, relating to, among other things:

- authorization, execution, delivery and performance of the stockholder's agreement, tendering of the shares of Litton stock, appointment of NNG and Northrop Grumman as proxy and consummation of the transactions contemplated by the stockholder's agreement;
- enforceability of the stockholder's agreement;
- no conflict with or violation of any applicable laws;
- no breach of or default under any note, bond, mortgage, indenture, contract, agreement lease, license, permit, franchise or other instruments and applicable law;
- no consents, approvals, authorizations or permits of, or the filing with or notification to any governmental or regulatory authority, domestic or foreign, are required, subject to limitation;
- ownership of the shares of Litton stock; and
- the shares of Litton stock being free and clear of any pledge, lien, security interest, mortgage, trust, charge, claim, equity, option, proxy, voting restriction, voting trust or agreement, understanding, arrangement, right of first refusal, limitation on disposition, adverse claim of ownership or encumbrance of any kind.

The stockholder's agreement also contains customary representations and warranties of NNG and Northrop Grumman, relating to, among other things:

- organization, good standing and similar corporate matters;
- authorization, execution, delivery and enforceability of the stockholder's agreement;
- no conflict with or violation of any applicable law;
- no breach of or default under any note, bond, mortgage, indenture, contract, agreement lease, license, permit, franchise or other instruments and applicable law; and
- no consents, approvals, authorizations or permits of, or the filing with or notification to any governmental or regulatory authority, domestic or foreign, are required, subject to limitation.

Termination. The stockholder's agreement provides that the stockholder's agreement and the proxies granted under the stockholder's agreement will terminate:

- upon the mutual written consent of the parties;
- automatically upon the termination of the amended merger agreement;
- at the election of Unitrin after September 15, 2001; and
- automatically upon the effective time of the Litton merger.

The covenants and agreements of Unitrin and its subsidiaries and the proxies will terminate at Unitrin's election if Northrop Grumman and NNG:

- amend or provide any waiver of the amended merger agreement without Unitrin's prior written consent, if such amendment or waiver would:
  - change the amount or terms of the NNG common stock or the NNG preferred stock that Unitrin and its subsidiaries would receive in the offer, the Litton merger or upon conversion of the NNG preferred stock;
  - change the U.S. tax treatment to Unitrin or its subsidiaries or the offer and Litton merger;
  - materially adversely affect Unitrin's and its subsidiaries' interests;
  - take any actions having the effect of any of the foregoing; or
  - materially breach the stockholder's agreement.

The Registration Rights Agreement

The registration rights agreement is filed as an exhibit to the registration statement, of which this offer to purchase or exchange is a part, and is incorporated by reference herein. The following summary describes the material terms of the registration rights agreement. However, the rights of the parties are governed by its specific terms and conditions and not this summary.

Effective as of January 23, 2001, Northrop Grumman, NNG and Unitrin entered into the registration rights agreement described below.

Unitrin, its subsidiaries and affiliates and approved transferees may request that NNG register all or a portion of its shares so long as the aggregate offering to the public is at least $100,000,000. NNG is required to file three registration statements in response to a demand for registration by Unitrin and NNG is not required to file more than one registration statement in any six month period. NNG may postpone the filing of any registration statement for up to 75 days if NNG would be required to disclose nonpublic information and NNG's board of directors determines that disclosure of such nonpublic information would materially and adversely affect an existing or pending material business, transaction or negotiation or otherwise materially and adversely affect Northrop Grumman. NNG may exercise this right to postpone once in any 12 month period.

If NNG registers any securities for public sale, Unitrin will have the right to include its shares in this registration. Unitrin's right, however, does not apply to a registration statement relating to any of NNG's employee benefit plans or to a corporate reorganization. If marketing reasons dictate, the managing underwriter of any underwritten offering will have the right to limit the number of shares registered by Unitrin and its subsidiaries and affiliates to be included in the registration statement on a pro rata basis to the extent required.

NNG is not obligated to register securities pursuant to the registration rights described above if, in the opinion of NNG's counsel, the sale or disposition of all of Unitrin's registrable securities may be effected without registering such registrable securities under the Securities Act, except with respect to a demand registration pursuant to an underwritten public offering.

Either NNG or Northrop Grumman will pay all expenses incurred in connection with the filings described above. In addition, Unitrin may be required to agree not to sell its shares of NNG stock during the 7 day period prior to, and during the 90 day period beginning with, the effectiveness of such registration statement.

Change of Control Severance Agreements

Litton is party to change of control employment agreements with 53 of its executives, including all its executive officers. The parties to the amended merger agreement acknowledged and agreed that the consummation of the offer will constitute a "change of control" under these agreements. Accordingly, upon termination of employment by the executive officer for "good reason" or "without cause" by Litton within three years following the change of control, or, if the executive officer terminates employment for any reason during the 30-day period following the first anniversary of the change of control, the executive officer will be entitled to three times the executive officer's base salary and highest bonus award of any type, including, without limitation, any annual or signing bonus paid during the last three full fiscal years, continuation of welfare benefits for three years, three years of service credit under Litton's pension plan and, if applicable, the Supplemental Executive Retirement Plan, and provision of certain other benefits in accordance with Litton's plans and practices. On December 21, 2000, the compensation and selection committee of the Litton board of directors specified that the following comprise these other benefits:

. Incentive Loan Program:

. use of a company automobile by the executive officer without cost, with a tax gross-up, for three years following termination;

. executive financial planning for an additional year following termination;

. Directors' and Officers' Liability Insurance for six years following termination;

. continued participation in the Hyatt Legal Plan for three years following termination; and

. educational assistance programs for three years following termination.

In addition, the compensation and selection committee of the Litton board of directors specified that the welfare plan benefits that continue under the agreements during the three-year period following termination include:

. the supplemental medical insurance plan for key executive employees;

. the executive survivor benefit plan; and

. the executive physical plan.

Under the terms of the change of control employment agreements, Litton will also pay any legal fees and expenses incurred by the executive officer in connection with a dispute arising out of the subject matter of the agreement. If any payment received under an executive officer's change of control employment agreement or otherwise is subjected to the excise tax imposed under Section 4999 of the Code, the executive officer is entitled to an additional payment to restore the executive officer to the same after-tax position that the executive officer would have been in if the excise tax had not been imposed.

On December 21, 2000, Dr. Sugar's change of control employment agreement, dated June 21, 2000, was modified to clarify the intent of both parties that Dr. Sugar's letter agreement, dated June 21, 2000, was not to be superseded by his change of control employment agreement.

It is estimated that the total maximum amount of cash severance payable to each executive officer under these agreements, not including any excise tax gross-up, would be: $6,188,052 for Mr. Brown, $5,000,000 for Dr. Sugar, $3,084,869 for Mr. Steuert, $2,997,540 for Mr. St. Pe, $3,366,800 for Mr. Halamandaris, and $16,128,160 for all remaining executive officers as a group.

Employment Agreement between Northrop Grumman and Dr. Sugar. On December 21, 2000, Northrop Grumman entered into a letter agreement with Dr. Sugar pursuant to which Dr. Sugar will serve as Corporate Vice President of Northrop Grumman, President and Chief Executive Officer of Litton, and a member of the board of directors of Northrop Grumman effective upon the closing date of the Litton merger, provided that the Litton merger closes on or before December 31, 2001. On January 31, 2001, Northrop Grumman and Dr. Sugar amended the letter agreement to provide that Dr. Sugar would be named as an officer and director of NNG. In general, under the terms of this letter agreement, Northrop Grumman assumes Litton's obligations under Dr. Sugar's change of control employment agreement and his letter agreement dated June 21, 2000. However, Dr. Sugar's rights under those agreements are modified in two respects. First, Dr. Sugar will not be entitled to severance benefits under those agreements if he terminates his employment during the employment period commencing on the closing date of the Litton merger and ending on the later of (i) the date six months following the closing date or (ii) December 31, 2001, although he will retain the right to receive severance benefits if he terminates his employment after that employment period on the basis of an event that occurs during that employment period that constitutes "good reason" under his change of control employment agreement or a "constructive termination without cause" prior to December 31, 2001 under the letter agreement dated June 21, 2000. Second, during the 30-day period following such employment period, Dr. Sugar will have the right to voluntarily terminate his employment for any reason and such termination will be considered a termination for "good reason" under his change of control employment agreement and a "constructive termination without cause" prior to December 31, 2001 under the letter agreement dated June 21, 2000. The letter agreement affirms that in the event of any such termination, Dr. Sugar will be entitled to a total severance benefit under those agreements equal to the greater of (i) $5,000,000 or (ii) three times the sum of his annual base salary and highest bonus award during the last three full fiscal years. In addition, the letter agreement will not affect Dr. Sugar's right to accelerated vesting of stock options or restricted stock upon the consummation of the offer. On January 31, 2001, this letter agreement was amended by a second letter agreement to clarify that references to Northrop Grumman will mean, after the effective time of the Litton merger, the corporation then called Northrop Grumman Corporation and formerly known as NNG, Inc.

Confidentiality Agreement

The confidentiality agreement described below is filed as an exhibit to the Schedule TO filed by Northrop Grumman and LII Acquisition on January 5, 2001 and subsequently amended, and is incorporated herein by this reference. The following summary describes the material terms of the agreement. However, the rights of the parties are governed by its specific terms and provisions and not this summary.

On June 23, 2000, Northrop Grumman and Litton entered into a confidentiality letter agreement dated as of the same date. The confidentiality agreement contains customary provisions pursuant to which, among other matters, Northrop Grumman and Litton have mutually agreed, subject to certain exceptions, to keep confidential all non-public, confidential or proprietary information exchanged between each other, including analyses, compilations, forecasts, studies, notes, summaries, reports, analyses or other materials derived from the information exchanged, and to use such confidential information solely for the purpose of evaluating a possible transaction involving Northrop Grumman and Litton, together with any of their subsidiaries or affiliates. Northrop Grumman and Litton each agreed not to solicit certain members of the other's directors, officers or employees with whom they have had dealings for employment for a period of two years from June 23, 2000. Northrop Grumman and Litton also agreed for the same period not to:

- acquire more than one percent of any securities of the other party or any of its subsidiaries;
- solicit proxies or consents with respect to the other party or any of its subsidiaries;
- seek to advise, control or influence the management, board of directors or policies of the other party or any of its subsidiaries;
- make any proposal or any public announcement relating to a tender or exchange offer for securities of the other party or any of its subsidiaries
- enter into any discussions or understandings with any third party with respect to any of the foregoing; or

. advise, assist or encourage any other person in connection with any of the foregoing.

RATIO OF COMBINED EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

The following table sets forth the ratios of combined earnings to fixed charges and preferred dividends of Northrop Grumman for the one year period ended December 31, 2000 and pro forma combined ratios of Northrop Grumman and Litton for the year ended December 31, 2000.

The Pro Forma Ratios of Combined Earnings to Fixed Charges and Preferred Dividends are based upon the historical financial statements of Northrop Grumman and Litton adjusted to give effect to the business combination. Two pro forma transaction scenarios are presented: Minimum Equity Issuance and Maximum Equity Issuance. The Minimum Equity Issuance scenario is based upon the assumption that Unitrin, Inc. tenders its shares of Litton common stock for NNG stock as described in "Other Agreements--The Stockholder's Agreement" beginning on page 59 of this offer to purchase or exchange and all other shareholders tender their shares of Litton common stock for cash. The Maximum Equity Issuance scenario is based upon the assumption that the maximum number of shares of NNG common stock (i.e. 13,000,000) and the maximum number of shares of NNG preferred stock (i.e. 3,500,000) are issued, with the remainder of the purchase price paid in cash. The pro forma amounts have been developed from (a) the audited consolidated financial statements of Northrop Grumman contained in Northrop Grumman's Annual Report on Form 10-K as filed on March 1, 2001, and subsequently amended on March 2, 2001, and March 8, 2001, which are incorporated by reference in this offer to purchase or exchange, and (b) the audited consolidated financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 2000, which is incorporated by reference in this offer to purchase or exchange. In addition, the audited consolidated financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 and the unaudited consolidated financial statements of Litton contained in Litton's Quarterly Reports on Form 10-Q for the periods ended January 31, 2000 and 2001 have been used to bring the financial reporting periods of Litton to within 31 days of those of Northrop Grumman.

	Pro Forma						
	Year ended December 31, 2000						
			Fiscal Year Ended December 31,				
	Minimum Equity	Maximum Equity	2000	1999	1998	1997	1996
Fixed Charges Ratio:	2.60	2.72	5.26	3.78	2.11	2.68	2.50

For purposes of computing the ratios of combined earnings to fixed charges and preferred dividends, earnings represent earnings from continuing operations before income taxes and fixed charges, and fixed charges consist of interest expense, the portion of rental expense calculated to be representative of the interest factor, and preferred stock dividend. The ratios of earnings to fixed charges should be read in conjunction with the financial statements and other financial data included or incorporated by reference in this offer to purchase or exchange. See "Additional Information" on page 83.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Unaudited Pro Forma Condensed Combined Financial Information of Northrop Grumman and Litton presented below is derived from the historical consolidated financial statements of each of Northrop Grumman and Litton. The Unaudited Pro Forma Condensed Combined Financial Information is prepared using the purchase method of accounting, with Northrop Grumman treated as the acquiror and as if the transactions had been completed as of the beginning of the periods presented for statements of operations purposes and on December 31, 2000 for balance sheet purposes.

For a summary of the proposed business combination, see "The Offer" beginning on page 20 of this offer to purchase or exchange.

The Unaudited Pro Forma Condensed Combined Financial Information is based upon the historical financial statements of Northrop Grumman and Litton adjusted to give effect to the business combination. Two pro forma transaction scenarios are presented: Minimum Equity Issuance and Maximum Equity Issuance. The Minimum Equity Issuance scenario is based upon the assumption that Unitrin tenders its shares for stock as described in "Other Agreements--The Stockholder's Agreement" beginning on page 59 of this offer to purchase or exchange and all other shareholders tender their shares for cash. The Maximum Equity Issuance scenario is based upon the assumption that the maximum number of shares of NNG common stock (i.e. 13,000,000) and the maximum number of shares of NNG preferred stock (i.e. 3,500,000) are issued, with the remainder of the purchase price paid in cash. The actual numbers of shares of NNG common stock and NNG preferred stock issued will depend on the number of shares of Litton common stock tendered for each, the alternatives selected by tendering stockholders and the average of the closing prices of Northrop Grumman common stock on the NYSE for the five consecutive trading days ending prior to the open of the second full trading day before the expiration of the offer. The pro forma adjustments for each transaction scenario are described in the accompanying notes presented on the following pages. The pro forma statements have been developed from (a) the audited consolidated financial statements of Northrop Grumman contained in Northrop Grumman's Annual Report on Form 10-K/A as filed on March 8, 2001, which are incorporated by reference in this offer to purchase or exchange, and (b) the audited consolidated financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 which is incorporated by reference in this offer to purchase or exchange. In addition, the unaudited consolidated financial statements of Litton contained in Litton's Quarterly Reports on Form 10-Q for the periods ended January 31, 2000 and 2001 have been used to bring the financial reporting periods of Litton to within 31 days of those of Northrop Grumman.

The final determination and allocation of the purchase price paid for the acquisition of Litton may differ from the amounts assumed in this Unaudited Pro Forma Condensed Combined Financial Information.

Under the purchase method of accounting, the purchase price will be allocated to the underlying tangible and intangible assets and liabilities acquired based on their respective fair market values, with the excess recorded as goodwill. As of the date of this filing, Northrop Grumman has not commenced the valuation studies necessary to arrive at the required estimates of the fair market value of the assets and liabilities to be acquired and the related allocations of purchase price, nor has it identified the adjustments, if any, necessary to conform Litton data to Northrop Grumman's accounting policies. Accordingly, Northrop Grumman has used the historical book values of the assets and liabilities of Litton and has used the historical revenue recognition policies of Litton to prepare the unaudited pro forma financial statements set forth herein, with the excess of the purchase price over the historical net assets of Litton recorded as goodwill and other purchased intangibles. Once Northrop Grumman has completed the valuation studies necessary to finalize the required purchase price allocation and have identified any necessary conforming changes, such pro forma financial statements will be subject to adjustment. Such adjustments will likely result in changes to the pro forma statement of financial position to reflect the final allocation of purchase price and the pro forma statement of income, and there can be no assurance that such adjustments will not be material.

The Unaudited Pro Forma Condensed Combined Financial Information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of NNG would have been had the offer and the Litton merger occurred on the date assumed, nor is it necessarily indicative of future consolidated results of operations or financial position.

The Unaudited Pro Forma Condensed Combined Financial Information does not include the realization of cost savings from operating efficiencies, synergies or other restructurings resulting from the offer and the Litton merger.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the separate historical consolidated financial statements and accompanying notes of Northrop Grumman and Litton that are incorporated by reference in this offer to purchase or exchange.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2000

($ in millions)

	Northrop Grumman	Litton	Minimum Equity Issuance Pro Forma Adjustments	Minimum Equity Issuance Pro Forma Combined	Maximum Equity Issuance Pro Forma Adjustments	Maximum Equity Issuance Pro Forma Combined
ASSETS						
Current assets						
Cash and cash equivalents	$ 319	$ 74	$ --	$ 393	$ --	$ 393
Accounts receivable	1,557	794		2,351		2,351
Inventoried costs	585	784		1,369		1,369
Deferred income taxes	21	372		393		393
Prepaid expenses	44	33		77		77
Total current assets	2,526	2,057	--	4,583	--	4,583
Property, plant and equipment	2,343	1,860		4,203		4,203
Accumulated depreciation	(1,328)	(990)		(2,318)		(2,318)
	1,015	870	--	1,885	--	1,885
Other assets						
Goodwill and other purchased intangibles	4,432	1,230	2,218 (a)	7,880	2,219 (a)	7,881
Prepaid retiree benefits cost and intangible pension asset	1,390			1,390		1,390
Other assets	259	751	63 (a)	1,073	63 (a)	1,073
	6,081	1,981	2,281	10,343	2,282	10,344
	$ 9,622	$4,908	$2,281	$16,811	$2,282	$16,812
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Notes payable and current portion of long term debt	$ 10	$ 184	$ --	$ 194	$ --	$ 194
Accounts payable	564	310		874		874
Accrued employees' compensation	365	226		591		591
Advances on contracts	496	204		700		700
Income taxes	767	62		829		829
Other current liabilities	486	474		960		960
Total current liabilities	2,688	1,460	--	4,148	--	4,148
Long-term debt	1,605	1,293	2,877 (a)	5,775	2,399 (a)	5,297
Accrued retiree benefits	1,095	303		1,398		1,398
Deferred tax and other long-term liabilities	315	241		556		556
Redeemable Preferred Stock	--	--	300	300	350	350
Shareholders' equity						
Paid in Capital	1,200	413	302 (a)	1,915	731 (a)	2,344

Retained earnings.....	2,742	1,254	(1,254)(a)	2,742	(1,254)(a)	2,742
Accumulated other comprehensive loss...	(23)	(56)	56 (a)	(23)	56 (a)	(23)
	3,919	1,611	(896)	4,634	(467)	5,063
	$ 9,622	$4,908	$2,281	$16,811	$2,282	$16,812

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

Year Ended December 31, 2000
($ in millions, except per share data)

	Northrop Grumman	Litton	Minimum Equity Issuance Pro Forma Adjustments	Minimum Equity Issuance Pro Forma Combined	Maximum Equity Issuance Pro Forma Adjustments	Maximum Equity Issuance Pro Forma Combined
Sales and service revenues	$7,618	$5,626	$ --	$13,244	$ --	$13,244
Cost of sales Operating Costs	5,446	4,669	82 (b)	10,197	82 (b)	10,197
Administrative and general expenses	1,074	491		1,565		1,565
Operating margin	1,098	466	(82)	1,482	(82)	1,482
Interest expense	(175)	(105)	(223) (c)	(503)	(187) (d)	(467)
Other, net	52	16		68		68
Income from continuing operations before income taxes	975	377	(305)	1,047	(269)	1,083
Federal and foreign income taxes	350	151	(107) (e)	394	(94) (e)	407
Income from continuing operations	$ 625	$ 226	$(198)	$ 653	$(175)	$ 676
Less, dividends paid to preferred shareholders			(27) (f)	(27)	(32) (f)	(32)
Income available to common shareholders			$(225)	$ 626	$(207)	$ 644
Average shares basic	70.58			78.70		83.58
Average shares diluted	70.88			79.96		84.83
Basic earnings per share: Continuing operations	$ 8.86			$ 7.95		$ 7.71
Diluted earnings per share: Continuing operations	$ 8.82			$ 7.83		$ 7.59

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(Unaudited)

(a) Adjustments to (i) eliminate the equity of Litton (ii) record issuance of preferred and common stock and (iii) record new financing for the acquisition of Litton along with additional acquisition related costs and refinancing of debt using the Revolving Credit Facility.

(b) Adjustment to amortize goodwill and other purchased intangible assets arising out of the acquisition of Litton over an estimated weighted average life of 27 years on a straight line basis.

(c) Adjustment to record interest on new financing for the acquisition of Litton: under the minimum equity issuance at a weighted average rate of 7.55 percent for the year ended December 31, 2000, plus the amortization of debt issuance costs.

(d) Adjustment to record interest on new financing for the acquisition of Litton: under the maximum equity issuance at a weighted average rate of 7.52 for the year ended December 31, 2000 plus the amortization of debt issuance costs.

(e) Adjustment to record income tax effects on pre-tax pro forma adjustments, using a statutory tax rate of thirty-five percent.

(f) Adjusted for dividends to preferred shareholders using $9 per share dividend rate for minimum equity issuance of 3,000,000 shares and the maximum equity issuance of 3,500,000 shares of preferred stock.

DESCRIPTION OF NNG CAPITAL STOCK

The terms and conditions of the capital stock of NNG are determined by NNG's restated certificate of incorporation, which is identical in all material respects with the certificate of incorporation of Northrop Grumman, and which is filed as an exhibit to the registration statement, of which this offer to purchase or exchange a part. The rights preferences and privileges of the NNG preferred stock are also governed by a certificate of designations, preferences and rights, which is also filed as an exhibit to the abovementioned registration statement. The following summary describes the material terms of these documents. However the legal rights and obligations of stockholders are governed by the specific language of the restated certificate of incorporation and certificate of designations, preferences and right, not by this summary.

Authorized Capital Stock

Under NNG's certificate of incorporation, immediately prior to consummation of the offer, NNG will be authorized to issue (i) 200,000,000 shares of common stock, par value $1.00 per share, and (ii) 10,000,000 shares of preferred stock, par value $1.00 per share, of which 3,500,000 will be shares of Series B Preferred Stock, par value $1.00 per share. As of January 31, 2001, 1,000 of NNG's common stock and no shares of Series B Preferred Stock were issued and outstanding. NNG's common stock will be listed on the NYSE under the symbol "NOC." NNG will seek to list the NNG preferred stock on the NYSE if there are enough holders to satisfy the minimum listing requirements.

NNG's board of directors is authorized to provide for the issuance by NNG from time to time of preferred stock in one or more classes or series and, as to each class or series, to fix the designation or title, the dividend rate, if any, the voting rights, if any, and the preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions.

Common Stock

Full Payment and Nonassessability

The outstanding shares of NNG's common stock are, and the shares of NNG's common stock issued pursuant to the offer will be, duly authorized, validly issued, fully paid and nonassessable when issued and delivered against payment for the shares.

Voting Rights

Each holder of NNG's common stock is entitled to one vote for each share of NNG common stock held of record on the applicable record date on all matters submitted to a vote of stockholders. The NNG common stock does not have cumulative voting rights.

Dividends

Dividends may be paid on the common stock and on any class or series of stock entitled to participate with the common stock as to dividends when and as declared by NNG's board of directors.

Liquidation

If NNG is liquidated, holders of common stock are entitled to receive all remaining assets available for distribution to stockholders after satisfaction of NNG's liabilities and the preferential rights of any preferred stock that may be outstanding at the time. The holders of NNG common stock do not have any preemptive, conversion or redemption rights.

Rights Plan

For a description of the rights to acquire NNG preferred stock that are attached to shares of our common stock, see "Comparison of Stockholders' Rights--Rights Plan" on page 78.

Series B Preferred Stock

Conversion

The conversion rights of the NNG preferred stock are subject to stockholder approval of the issuance of NNG common stock upon conversion of the NNG preferred stock. No conversion rights may be exercised until such stockholder approval is obtained. Northrop Grumman and NNG have agreed to seek the necessary stockholder approval at the annual meeting of stockholders in May 2001.

Subject to stockholder approval, each share of NNG preferred stock will be convertible, at any time, at the option of the holder into the right to receive shares of NNG common stock, par value $1.00 per share. Initially, each share of NNG preferred stock will be convertible into the right to receive the number of shares of NNG common stock equal to the liquidation value of $100.00 per share divided by 127% of the average closing price of Northrop Grumman common stock for the five trading days ending two full trading days prior to expiration of the offer.

The conversion ratio is subject to adjustment in the event of certain dividends and distributions; a reclassification; a merger, consolidation or sale of substantially all of NNG's assets; liquidation or distribution and certain other events.

If any adjustment in the number of shares of common stock into which each share of NNG preferred stock may be converted would result in an increase or decrease of less than 1% in the number of shares of NNG common stock into which each share of NNG preferred stock is then convertible, the amount of the adjustment will be carried forward and the adjustment will be made at the time of and together with any subsequent adjustment, which, together with any amounts so carried forward, will aggregate at least 1% of the number of shares of NNG common stock into which each share of NNG preferred stock is then convertible.

Liquidation

In any liquidation of NNG, each share of the NNG preferred stock will be entitled to a liquidation preference of $100.00 plus accrued but unpaid dividends, whether or not declared, before any distribution may be made on the NNG common stock or any other class or series of NNG stock which is junior to the NNG preferred stock. In any liquidation of NNG, no distribution may be made on any NNG stock ranking on a parity with the NNG preferred stock as to dividends, redemption payments and rights upon liquidation dissolution or winding up of NNG, unless the holders of NNG preferred stock participate ratably in the distribution along with the holders of any NNG stock ranking on a parity with the NNG preferred stock as to such matters. In the event stockholder approval has not occurred, the amount payable in liquidation will be the greater of the amount described above and the amount that would be distributed if such share of NNG preferred stock had been converted into NNG common stock pursuant to the provision for conversion.

Reacquired Shares

Any shares of NNG preferred stock converted, redeemed, purchased or otherwise acquired by NNG will be retired and canceled. The reacquired shares will become authorized but unissued shares of NNG preferred stock, which NNG may reissue at a later date.

Full Payment and Nonassessability

The shares of NNG's Series B Preferred Stock (referred to as the "NNG preferred stock") issued pursuant to the offer will be duly authorized, validly issued, fully paid and nonassessable when issued and delivered against payment for the shares.

Rank

The NNG preferred stock ranks with respect to payment of dividends, redemption payments and rights upon liquidation, dissolution or winding up, prior to the NNG common stock and any class or series of preferred stock which by its terms ranks junior to the NNG preferred. The NNG preferred stock ranks on parity with each other class or series of preferred stock.

Voting Rights

Holders of NNG preferred stock have no voting rights except in certain specified circumstances described below or as required by applicable law. The affirmative vote of the holders of two-thirds of the aggregate number of outstanding shares of the NNG preferred stock is required for an amendment of the NNG restated certificate of incorporation, merger or other action which would:

- authorize any class or series of stock ranking prior to the NNG preferred stock as to dividends, redemption payments or rights upon liquidation, dissolution or winding up;
- adversely alter the preferences, special rights or powers given to the NNG preferred stock; or
- cause or permit the purchase or redemption of less than all of the NNG preferred stock unless all dividends to which such shares are entitled have been declared and paid or provided for.

If accrued dividends on the NNG preferred stock are not paid for six quarterly dividend periods (whether or not consecutive), a majority of the holders of the NNG preferred stock, voting separately as a class, will have the right to elect two directors. If such holders exercise their right to elect two directors to NNG's board, the size of NNG's board will be increased by two members until the dividends in default are paid in full or payment is set aside.

Dividends

Holders of NNG preferred stock will be entitled to cumulative cash dividends, payable quarterly in April, July, October and January of each year. If the NNG preferred stock is issued prior to the 2001 annual meeting of stockholders of Northrop Grumman (scheduled for May 16, 2001), the initial dividend rate per share will be $7.00 per year. Commencing after the dividend payable in October 2001, the dividend rate per share will be $7.00 per year if stockholder approval for the issuance of NNG common stock upon conversion of the NNG preferred stock has been obtained or $9.00 per year if it has not been obtained. The dividend rate per share will be reduced from $9.00 to $7.00 per year after stockholder approval is obtained. If the NNG preferred stock is issued after the Northrop Grumman 2001 annual meeting, the initial dividend rate will be $7.00 per year if stockholder approval for the issuance of the NNG common stock upon conversion has been obtained and $9.00 per year if stockholder approval has not been obtained. If the dividend rate per share is set at $9.00 per year, it will be reduced from $9.00 to $7.00 per year after stockholder approval is obtained. Dividends are cumulative and payable in cash.

If dividends are payable and have not been paid or set apart in full, the deficiency must be fully paid or set apart for payment before:

- distributions or dividends are paid on stock ranking junior to the NNG preferred stock; and
- the redemption, repurchase or other acquisition for consideration of any NNG stock ranking junior to the NNG preferred stock.

Redemption

- Mandatory Redemption For Cash After Twenty Years. NNG is required to redeem all of the shares of NNG preferred stock for cash twenty years and one day from the date of issuance of the NNG preferred stock. The redemption price per share is equal to the liquidation value of $100.00 per share plus accrued but unpaid dividends, whether or not declared, to the mandatory redemption date. In the event that Stockholder Approval has not occurred by the mandatory redemption date, the amount payable for each share of NNG preferred stock will be the greater of (a) the liquidation value of $100.00 per share of NNG preferred stock plus accrued but unpaid dividends to the redemption date, whether or not declared, and (b) the current market price on the redemption date of the number of shares of NNG common stock which would be issued upon conversion of a share of NNG preferred stock into NNG common stock pursuant to the provision for conversion.

- Optional Redemption For Common Stock After Seven Years. NNG has the option to redeem shares of the NNG preferred stock in exchange for NNG common stock seven years from the date of the initial issuance of the NNG preferred. Upon redemption, holders of NNG preferred stock will receive the number of shares of NNG common stock equal to the liquidation value of $100.00 per share plus accrued but unpaid dividends to the redemption date divided by the current market price of the NNG common stock on the redemption date. In the event that stockholder approval has not occurred by the redemption date, the number to be divided in the above calculation will be the greater of the amount described above and the current market price on the redemption date of the number of shares of NNG common stock which would be issued if all shares of NNG preferred stock were converted on the redemption date into NNG common stock pursuant to the provision for conversion.

Change in Control

Upon a fundamental change in control, as defined below, of NNG, holders of NNG preferred stock have the right, which may be exercised during the period of 20 business days following notice from NNG, to exchange their shares of NNG preferred stock for NNG common stock. Each share of NNG preferred stock may be exchanged in such circumstances for that number of shares of NNG common stock determined by dividing the liquidation value of $100.00 per share, plus accrued but unpaid dividends to such date by the current market value of the NNG common stock on the exchange date. In the event stockholder approval has not been obtained for the issuance of NNG common stock upon conversion of the NNG preferred stock, the number to be divided in the above calculation will be the greater of the amount described above or the current market price of the number of shares of NNG common stock which would be issued if such share of NNG preferred stock were converted into NNG common stock pursuant to the provision for conversion.

A "fundamental change in control" is defined as any merger, consolidation, sale of all or substantially all of NNG's assets, liquidation or recapitalization (other than solely a change in the par value of equity securities) of the NNG common stock in which more than one-third of the previously outstanding NNG common stock is exchanged for cash, property or securities other than capital stock of NNG or another corporation.

If the change in control occurred as a result of a transaction (excluding certain dividends or distributions on, and reclassifications of, NNG common stock) in which the previously outstanding NNG common stock is changed into or exchanged for different securities of NNG or securities of another corporation or interests in a noncorporate entity, the NNG common stock that would otherwise have been issued to a holder of NNG preferred stock for each share of NNG preferred stock will be deemed to instead be the kind and amount of securities and property receivable upon completion of such transaction in respect of the NNG common stock that would result in the fair market value of such securities and property, measured as of the exchange date, being equal to the liquidation value plus accrued and unpaid dividends. In the event that the Stockholder Approval has not occurred, the fair market value of the securities and property will instead be calculated to be equal to the greater of the amount described above, and the fair market value of the securities and property which would have been issued if such share of NNG preferred stock had been converted into NNG common stock, if conversion were permitted.

Transfer and Dividend Paying Agent and Registrar

EquiServe Trust Company is the transfer and dividend paying agent and registrar for the NNG common stock.

COMPARISON OF STOCKHOLDERS' RIGHTS

Upon completion of the offer, stockholders of Litton who request NNG stock will become stockholders of NNG. As an NNG stockholder, the rights of former Litton stockholders will be governed by NNG's restated certificate of incorporation and NNG's bylaws, which differ in certain material respects from Litton's restated certificate of incorporation and Litton's bylaws. Set forth on the following pages is a summary comparison of certain material differences between the rights of NNG's stockholders under the NNG restated certificate of incorporation and the NNG bylaws and the rights of a Litton stockholder under the current Litton restated certificate of incorporation and the current Litton bylaws. Delaware is the jurisdiction of incorporation for both NNG and Litton. Therefore, the rights of former Litton stockholders who become NNG stockholders will continue to be governed by the DGCL.

The restated certificate of incorporation and bylaws of NNG are filed as exhibits to the registration statement of which this offer to purchase or exchange is a part. The specific provisions of such documents, and not this summary, determine the rights and obligations of the parties.

Amendments to Certificate of Incorporation

The affirmative vote of a majority of the outstanding shares entitled to vote is required to amend NNG's restated certificate of incorporation. In addition, amendments which make changes relating to the capital stock by increasing or decreasing the par value or the aggregate number of authorized shares of a class or otherwise adversely affect the rights of such class, must be approved by the majority vote of each class of stock affected, unless, in the case of an increase in the number of shares, the restated certificate of incorporation takes away such right, and provided that, if the amendment affects some but not all series, then only those affected series will have a vote. NNG's restated certificate of incorporation provides that certain articles may only be adopted, repealed, rescinded, altered or amended by the affirmative vote of the holders of at least 80% of the voting power of all outstanding shares of voting stock regardless of class and voting together as a single voting class. However, if such action is proposed by an interested stockholder, as defined in NNG's restated certificate of incorporation, or by an associate or affiliate of an interested stockholder, the affirmative vote of a majority of the voting power of all of the outstanding shares of voting stock other than shares held by such interested person is required, voting together as a single class; provided, however, that where such action is approved by a majority of the continuing directors, the affirmative vote of a majority of the voting power of all outstanding shares of voting stock, regardless of class and voting together as a single class shall be required for approval of such action. In general, NNG's restated certificate of incorporation defines an "interested stockholder" as a beneficial owner of 10% or more of the voting power of all outstanding shares of voting stock.

Under the DGCL, the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend Litton's restated certificate of incorporation. In addition, the affirmative vote of the holders of at least two-thirds of the aggregate number of shares of the affected class or series of preferred stock outstanding are entitled to vote on any amendment of Litton's restated certificate of incorporation that would:

- create a new class of stock having rights or preferences with respect to payment of dividends or distribution of assets that are prior to the shares of such class of preferred stock;

- alter or change the preferences, special rights or powers given to any class or series of preferred stock so as to adversely affect such class of stock; or

- effect a purchase or redemption of less than all of the shares of preferred stock then outstanding unless the full dividends to which all shares of the preferred stock of all series then outstanding shall then be entitled shall have been paid or declared and a sum set aside sufficient for the payment thereof.

Amendments to the NNG Bylaws and the Litton Restated Bylaws

Under the NNG restated certificate of incorporation and the NNG bylaws, the NNG bylaws may be adopted, repealed, rescinded, altered or amended by NNG stockholders, but only by the affirmative vote of the holders of at least 80% of the voting power of all outstanding shares of voting stock, regardless of class and voting together as a single class. However, if an interested stockholder or any associate or affiliate of an interested stockholder proposes amending the NNG bylaws, then, approval by the holders of a majority of the voting power of all outstanding shares or voting stock other than the shares held by such interested stockholder is required, regardless of class and voting together as a single class; provided, however, that where such action is approved by a majority of the continuing directors, the affirmative vote of a majority of the voting power of all outstanding shares of voting stock, regardless of class and voting together as a single class shall be required for approval of such action.

The Litton restated certificate of incorporation provides that the Litton board of directors may make, alter, amend, change, add to, or repeal the Litton restated bylaws. The Litton restated bylaws provide that they may be altered or repealed and new bylaws may be adopted either:

- at any annual or special meeting of stockholders by the affirmative vote of a majority of the issued and outstanding voting stock, if notice of the proposed alteration, repeal or adoption of the new provision(s) is contained in the notice of such special meeting; or

- by the affirmative vote of a majority of the directors present at any regular meeting, or at any special meeting of the Litton board of directors, if notice of the proposed alteration, repeal or new provision(s) is contained in the notice of such special meeting.

Vote Required for Merger and Other Business Combinations

Under the DGCL, generally, the approval of a majority of the outstanding shares is needed to adopt a plan of merger or consolidation. Section 203 of the DGCL prohibits a Delaware corporation which has a class of stock which is listed on a national securities exchange or which has 2,000 or more stockholders of record from engaging in a business combination with an interested stockholder (generally, the beneficial owner of 15% or more of the corporation's outstanding voting stock) for three years following the time the stockholder became an interested stockholder, unless, prior to that time, the corporation's board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, or if two-thirds of the outstanding shares not owned by such interested stockholder approve the business combination, or if, upon becoming an interested stockholder, such stockholder owned 85% of the outstanding shares excluding those held by officers, directors and some employee stock plans.

In addition to the DGCL requirements, NNG's restated certificate of incorporation provides that, subject to some exceptions, any business combination between NNG or any NNG subsidiary and an interested stockholder must be approved by at least 80% of the voting power of all outstanding voting stock, regardless of class and voting together as a single class and a majority of the voting power of all outstanding shares of voting stock, other than the shares held by any interested stockholder which is a party to such business combination or by any affiliate or associate of such interested stockholder, regardless of class and voting together as a single class.

The Litton restated certificate of incorporation and the Litton bylaws do not contain any special voting requirements regarding a merger or other business combination.

Directors

Classification of Board of Directors. A classified board is one with respect to which a designated number of directors, but not necessarily all, are elected on a rotating basis each year. Under the DGCL, classification of a board of directors is permitted but not required, pursuant to which the directors can be divided into as many

as three classes with staggered terms of office, with only one class of directors standing for election each year. NNG's restated certificate of incorporation provides that the NNG board of directors be divided into three classes of directors as nearly equal in number as reasonably possible, with staggered three-year terms. Each director will serve until his or her successor is duly elected and qualified or until the director's death, resignation or removal. See "Removal of Directors" below.

Litton does not have a classified board of directors. Each Litton director is elected each year at the annual meeting of stockholders. Each director serves until a successor is duly elected and qualified, or until the director resigns, or is otherwise removed.

Removal of Directors. NNG's restated certificate of incorporation provides that NNG directors may be removed only for cause and only by the affirmative vote of the holders of at least 80% of all outstanding shares of capital stock of NNG having general voting power entitled to vote in connection with the election of such director, regardless of class and voting together as a single voting class; provided, however, that if a proposal to remove a director is approved by a majority of continuing directors, the affirmative vote of a majority of all outstanding shares of voting stock entitled to vote in connection with the election of such director, regardless of class and voting together as a single voting class, is required for approval of such removal.

Pursuant to Litton's bylaws, Litton directors may be removed, either with or without cause, at any time by the affirmative vote of the holders of a majority of all outstanding shares of voting stock entitled to vote at a special meeting of the stockholders called for that purpose.

Newly Created Directorships and Vacancies. Under NNG's restated certificate of incorporation and NNG's bylaws, newly created directorships resulting from death, resignation, disqualification, an increase effected by NNG's board of directors, or any other cause, may be filled solely by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Each director so chosen to fill a vacancy will hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until such director's successor shall have been elected and qualified. No reduction of the authorized number of directors will have the effect of removing any director prior to the expiration of his or her term of office.

Under the Litton restated bylaws, vacancies in the Litton board of directors may be filled by the affirmative vote of a majority of the directors then in office. Each director so chosen to fill a vacancy will hold office for the remainder of the term and until a successor is duly chosen. However, Litton's restated certificate of incorporation provides that the holders of preferred stock, voting separately as class, will be entitled to elect two directors, if and whenever accrued dividends on any series of preferred stock of Litton have not been paid or declared and a sum sufficient for the payment thereof set aside, in an amount equivalent to six quarterly dividends or three semiannual dividends on all shares of such series of preferred stock at the time outstanding.

Size of Board. NNG's bylaws provide that the number of directors will be fixed by resolution of the board of directors, but will not be less than three.

The Litton restated bylaws provide that the number of directors shall be fixed from time to time by resolution of the board of directors but shall not be less than eight nor more than fourteen.

Quorum of the Board. NNG's bylaws provide for a quorum of a majority of the board of directors, except that when the board of directors consists of one director, then that one director will constitute a quorum.

Litton's restated bylaws provide for a quorum of a majority of the board of directors. No more than a minority of the number of directors necessary to constitute a quorum of the board of directors can be non-U.S. citizens.

Stockholders

Annual Meetings. NNG's bylaws provide that the annual meeting of stockholders will be held between May 1 and July 1 of each year on a date and time fixed by the board of directors.

Litton's restated bylaws provide that the annual meeting of stockholders, and all other meetings of the stockholders, will be held on a date fixed by resolution of the board of directors.

Special Meetings. Under NNG's restated certificate of incorporation and NNG's bylaws, special stockholder meetings may be called at any time by a majority of the board of directors, the Chairman of the board of directors or by the President and Chief Executive Officer.

Under Litton's restated bylaws, special stockholder meetings may be called by resolution of the Litton board of directors or the Litton executive committee or at any time by the written request of stockholders of record owning at least 51% of the issued and outstanding voting shares of Litton common stock.

Quorum Requirements. Under both the NNG bylaws and the Litton restated bylaws, the presence in person or by proxy of the holders of record of a majority of the shares issued and outstanding and entitled to vote at the meeting constitutes a quorum for that meeting, except as otherwise provided by the DGCL.

Certain Voting Requirements. Under the NNG bylaws, except as otherwise provided by NNG's restated certificate of incorporation or by applicable law, action by NNG stockholders generally is taken by the affirmative vote, at a meeting at which a quorum is present, of a majority of the outstanding shares entitled to vote thereon, including extraordinary actions, such as mergers, consolidations and amendments to NNG's restated certificate of incorporation. However, NNG's restated certificate of incorporation requires the affirmative vote of at least 80% of the outstanding shares of voting stock to approve an amendment of specified articles in the restated certificate of incorporation. The restated certificate of incorporation also requires the affirmative vote of (i) at least 80% of all outstanding shares entitled to vote and (ii) a majority of all outstanding shares other than shares held by an interested stockholder and its affiliates for the approval of:

- certain business combinations (as defined in the restated certificate of incorporation) and other significant transactions involving the interested stockholder or its affiliate, and

- the amendment of specified provisions of the restated certificate of incorporation if proposed by the interested stockholder. See "Description of NNG Capital Stock--Series B Preferred Stock--Voting Rights" beginning on page 72.

Litton does not have any special voting provisions beyond those described above for holders of Litton preferred stock.

Stockholder Action by Written Consent. Under NNG's restated certificate of incorporation and NNG's bylaws, any action required or permitted to be taken by stockholders must be effected at a duly called annual meeting or at a special meeting of stockholders, unless such action requiring or permitting stockholder approval is approved by a majority of the continuing directors, in which case such action may be authorized or taken by the written consent of the holders of outstanding shares of voting stock having at least the minimum voting power that would be necessary to authorize or take such action at a meeting of stockholders at which all shares entitled to vote thereon were present and voted, provided all other requirements of applicable law and the NNG restated certificate of incorporation have been satisfied.

Under Litton's restated certificate of incorporation and Litton's restated bylaws, stockholder actions may not be taken by written consent, in lieu of a meeting.

Stockholder Proposal Procedures. Under NNG's bylaws, for a matter to be properly brought before an annual meeting by a stockholder, the stockholder generally must have given timely notice thereof in writing to NNG's Secretary not less than 45 days nor more than 75 days prior to the anniversary date of the immediately

preceding annual meeting. A stockholder's notice must state as to each matter the stockholder proposes to bring before the annual meeting: (a) a brief description of the matter desired to be brought, the reasons for conducting such business at the meeting, any material interest in such business of the stockholder and the beneficial owner, if any, on whose behalf the proposal is made, or (b) if the stockholder is nominating an individual as a director (i) information regarding the person whom the stockholder proposes to nominate as a director; (ii) the name and address of the stockholder proposing such action; (iii) the class and number of shares of NNG which are beneficially owned by the stockholder; and (iv) whether the stockholder intends to deliver a proxy statement and form of proxy to a sufficient number of holders of NNG's voting shares to elect such nominee.

Under Litton's restated bylaws, for a matter to be properly brought before an annual meeting by a stockholder, the stockholder generally must have given timely notice thereof in writing to Litton's Secretary not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting. Litton stockholders are subject to the same stockholder notice requirements set forth above for NNG stockholders except that a Litton stockholder is not subject to the requirement of disclosing his or her intention to deliver a proxy statement and form of proxy.

Rights Plan

NNG has adopted a rights plan pursuant to which a preferred share purchase right is attached to each share of NNG common stock that is or becomes outstanding prior to October 31, 2008. The NNG rights become exercisable 10 days after the public announcement that any person or group has (i) acquired 15% or more of the outstanding shares of NNG common stock, or (ii) initiated a tender offer for shares of NNG common stock, which, if consummated, would result in any person or group acquiring 15% or more of the outstanding shares of NNG common stock. Once exercisable, each NNG right will entitle the holder to purchase one one-thousandth of a share of NNG Series A junior participating preferred stock, par value $1.00 per share, at a price of $250.00 per one one-thousandth of a share, subject to adjustment. Alternatively, under certain circumstances involving an acquisition of 15% or more of the NNG common stock outstanding, each NNG right will entitle its holder to purchase, at a fifty percent discount, a number of shares of NNG common stock having a market value of two times the exercise price of the NNG right. NNG may (i) exchange the NNG rights at an exchange ratio of one share of NNG common stock per NNG right, and (ii) redeem the NNG rights, at a price of $0.01 per NNG right, at any time prior to an acquisition of 15% or more of the outstanding shares of NNG common stock by any person or group.

The NNG rights plan will contain provisions to permit the acquisition by Unitrin of NNG common stock (and NNG common stock issuable upon conversion of NNG preferred stock) as contemplated by the offer and the stockholder's agreement. See "Other Agreements--The Stockholder's Agreement" on page 59.

These rights have certain anti-takeover effects and cause substantial dilution to a person or group that attempts to acquire control of the corporation on terms not approved by the corporation's board of directors.

Litton has adopted a rights plan pursuant to which a preferred share purchase right is attached to each share of Litton common stock that is or becomes outstanding prior to August 17, 2004. The terms upon which the Litton rights become exercisable are identical to those for the NNG rights. Once exercisable, each Litton right will entitle the holder to purchase one one-thousandth of a share of Litton Series A participating preferred stock, par value $5.00 per share, at a price of $150.00 per one one-thousandth of a share, subject to adjustment. Under certain circumstances involving an acquisition of 15% or more of the Litton common stock outstanding, each Litton right will entitle its holder to purchase, at a 50% discount, a number of shares of Litton common stock having a market value of two times the exercise price of the Litton right. Litton may (i) exchange the Litton rights at an exchange ratio of one share of Litton common stock per Litton right, and (ii) redeem the Litton rights, at a price of $0.01 per Litton right, at any time prior to an acquisition of 15% or more of the outstanding shares of Litton common stock by any person or group. Litton's board of directors has amended the Litton rights plan so that none of Northrop Grumman, NNG or LII Acquisition will be deemed an acquiring person.

Appraisal Rights

No appraisal rights are available in connection with the offer.

If NNG acquires at least 90% of the shares of Litton common stock and at least 90% of the shares of Litton preferred stock pursuant to the offer, the Litton merger may be consummated without a meeting or vote of the Litton stockholders.

If less than 90% of the shares of Litton preferred stock are acquired pursuant to the offer and a stockholder vote is required to approve the Litton merger, holders of Litton preferred stock may have appraisal rights in connection with the Litton merger under certain circumstances. If the Litton preferred stock is not listed on a national securities exchange or quoted on the NASDAQ National Market System on the record date fixed to determine the stockholders entitled to receive notice of and to vote on the Litton merger, the Litton preferred stock will have appraisal rights pursuant to Section 262 of the DGCL ("Section 262").

In addition, holders of Litton common stock at the effective time of the Litton merger who do not wish to accept the same amount of cash consideration in the Litton merger as was paid to holders of Litton common stock in the offer will have the right to seek an appraisal and to be paid the "fair value" of their shares of Litton common stock at the effective time of the Litton merger (exclusive of any element of value arising from the accomplishment or expectation of the merger) judicially determined and paid to it in cash, provided that such holder complies with the provisions of such Section 262.

The following is a brief summary of the statutory procedures to be followed in order to dissent from the Litton merger and perfect appraisal rights under Delaware law. This summary is not intended to be complete and is qualified in its entirety by reference to Section 262, the text of which is set forth in Annex B to this offer to purchase or exchange. Any Litton stockholder considering demanding appraisal is advised to consult legal counsel. Dissenters' rights, if any, will not be available unless and until the Litton merger (or a similar business combination) is consummated.

Litton stockholders of record who desire to exercise their appraisal rights must fully satisfy all of the following conditions. A written demand for appraisal of Litton common stock or Litton preferred stock must be delivered to the Secretary of Litton (x) before the taking of the vote on the approval and adoption of the amended merger agreement if the Litton merger is not being effected without a vote of stockholders pursuant to Section 253 of the DGCL (a "short-form merger"), but rather is being consummated following approval thereof at a meeting of the Litton stockholders (a "long-form merger") or (y) within twenty days after the date that Litton, as the corporation surviving the Litton merger, mails to the Litton stockholders a notice (the "Notice of Merger") to the effect that the Litton merger is effective and that appraisal rights are available (and includes in such notice a copy of Section 262 and any other information required thereby) if the Litton merger is being effected as a short-form merger without a vote or meeting of the Litton stockholders. If the Litton merger is effected as a long-form merger, this written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or against the approval and adoption of the amended merger agreement, and neither voting against, abstaining from voting, nor failing to vote on the amended merger agreement will constitute a demand for appraisal within the meaning of Section 262. In the case of a long-form merger, any stockholder seeking appraisal rights must hold the Litton common stock or Litton preferred stock for which appraisal is sought on the date the demand is made and, continuously hold such Litton common stock or Litton preferred stock through the effective time of the Litton merger, and otherwise comply with the provisions of Section 262.

In the case of both a short-form merger and a long-form merger, a demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as such stockholder's name appears on the stock certificates. If shares of Litton common stock and Litton preferred stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, such demand must be executed by the fiduciary. If shares

of Litton common stock or Litton preferred stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; provided, however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner.

A record owner, such as a broker, who holds Litton common stock or Litton preferred stock as a nominee for others, may exercise appraisal rights with respect to the Litton common stock or Litton preferred stock held for all or less than all beneficial owners of Litton common stock or Litton preferred stock as to which the holder is the record owner. In such case the written demand must set forth the number of Litton common stock or Litton preferred stock covered by such demand. Where the number of shares of Litton common stock or Litton preferred stock is not expressly stated, the demand will be presumed to cover all shares of Litton common stock or Litton preferred stock outstanding in the name of such record owner. Beneficial owners who are not record owners and who intend to exercise appraisal rights should instruct the record owner to comply strictly with the statutory requirements with respect to the exercise of appraisal rights before the date of any meeting of stockholders of the Company called to approve the Litton merger in the case of a long-form merger and within twenty days following the mailing of the Notice of Merger in the case of a short-form merger.

Stockholders who elect to exercise appraisal rights must mail or deliver their written demands to: Secretary, Litton Industries, Inc., 21240 Burbank Boulevard, Woodland Hills, California 91367. The written demand for appraisal should specify the stockholder's name and mailing address, the number of shares of Litton common stock or Litton preferred stock covered by the demand and that the stockholder is thereby demanding appraisal of such shares. In the case of a long-form merger, Litton must, within ten days after the effective time of the Litton merger, provide notice of the effective time of the Litton merger to all stockholders who have complied with Section 262 and have not voted for approval and adoption of the amended merger agreement.

In the case of a long-form merger, stockholders electing to exercise their appraisal rights under Section 262 must not vote for the approval and adoption of the amended merger agreement or consent thereto in writing. Voting in favor of the approval and adoption of the amended merger agreement, or delivering a proxy in connection with the stockholders meeting called to approve the amended merger agreement (unless the proxy votes against, or expressly abstains from the vote on, the approval and adoption of the amended merger agreement), will constitute a waiver of the stockholder's right of appraisal and will nullify any written demand for appraisal submitted by the stockholder.

Regardless of whether the Litton merger is effected as a long-form merger or a short-form merger, within 120 days after the effective time of the Litton merger, either Litton or any Litton stockholder who has complied with the required conditions of Section 262 and who is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of the dissenting Litton stockholders. If a petition for an appraisal is timely filed, after a hearing on such petition, the Delaware Court of Chancery will determine which stockholders are entitled to appraisal rights and thereafter will appraise the Litton common stock and/or Litton preferred stock owned by such Litton stockholders, determining the fair value of such Litton common stock and/or Litton preferred stock exclusive of any element of value arising from the accomplishment or expectation of the Litton merger, together with a fair rate of interest to be paid, if any, upon the amount determined to be the fair value. In determining fair value, the Delaware Court of Chancery is to take into account all relevant factors. In Weinberger v. UOP, Inc., et al., the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered and that "[f]air price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that in making this determination of fair value the court must consider "market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which were known or which could be ascertained as of the date of merger which throw any light on future prospects of the merged

corporation." The Delaware Supreme Court has construed Section 262 to mean that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered." However, the court noted that Section 262 provides that fair value is to be determined "exclusive of any element of value arising from the accomplishment or expectation of the merger."

Litton stockholders who in the future consider seeking appraisal should have in mind that the fair value of their Litton common stock or Litton preferred stock determined under Section 262 could be more than, the same as, or less than the cash consideration paid for such Litton stock in the offer if they do seek appraisal of their Litton common stock or Litton preferred stock, and that opinions of investment banking firms as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262. Moreover, NNG intends to cause Litton, as the corporation surviving the Litton merger, to argue in any appraisal proceeding that, for purposes thereof, the "fair value" of the Litton common stock or Litton preferred stock, as the case may be, is less than that paid in the offer. The cost of the appraisal proceeding may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable in the circumstances. Upon application of a dissenting stockholder, the Delaware Court of Chancery may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all Litton common stock and/or Litton preferred stock entitled to appraisal. In the absence of such a determination or assessment, each party bears its own expenses.

Any Litton stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the effective time, of the Litton merger, be entitled to vote for any purpose the Litton common stock and/or Litton preferred stock subject to such demand or to receive payment of dividends or other distributions on such Litton common stock or Litton preferred stock, except for dividends or other distributions payable to stockholders of record at a date prior to the effective time of the Litton merger.

At any time within 60 days after the effective time of the Litton merger, any former holder of Litton common stock or Litton preferred stock shall have the right to withdraw his or her demand for appraisal and to accept the merger consideration paid for such Litton stock in the offer. After this period, such holder may withdraw his or her demand for appraisal only with the consent of Litton, as the corporation surviving the Litton merger. If no petition for appraisal is filed with the Delaware Court of Chancery within 120 days after the effective time of the Litton merger, stockholders' rights to appraisal shall cease and all stockholders shall be entitled to receive the cash consideration paid for the same class or series of the offer. Inasmuch as Litton has no obligation to file such a petition, and NNG has no present intention to cause or permit Litton to do so, any stockholder who desires such a petition to be filed is advised to file it on a timely basis. However, no petition timely filed in the Delaware Court of Chancery demanding appraisal shall be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just.

Failure to take any required step in connection with the exercise of appraisal rights may result in the termination or waiver of such rights.

Appraisal rights cannot be exercised at this time. The information set forth above is for informational purposes only with respect to alternatives available to stockholders if the Litton merger is consummated. Stockholders who will be entitled to appraisal rights in connection with the Litton merger will receive additional information concerning appraisal rights and the procedures to be followed in connection therewith before such stockholders have to take any action relating thereto.

Litton stockholders who sell or exchange Litton common stock or sell Litton preferred stock in the offer will not be entitled to exercise appraisal rights in connection with the offer but, rather, will receive the consideration paid in the offer for such shares.

The foregoing summary of the rights of objecting stockholders under the DGCL does not purport to be a complete statement of the procedures to be followed by Litton stockholders desiring to exercise any available dissenters' rights. The foregoing summary is qualified in its entirety by reference to Section 262. The preservation and exercise of dissenters' rights require strict adherence to the applicable provisions of the DGCL. See Annex B attached to this offer to purchase or exchange.

Certain Business Combinations

Delaware law restricts the ability of certain persons to acquire control of a Delaware corporation.

Section 203 of the DGCL limits specified business combinations of Delaware corporations with interested stockholders. Under the DGCL, if a person acquires beneficial ownership of 15% or more of the stock of a Delaware corporation, thereby becoming an interested stockholder, that person generally may not engage in specified transactions with the corporation for a period of three years following the time that such stockholder became an interested stockholder unless:

- the corporation's board of directors approved the acquisition of stock or the transaction prior to the time that the person became an interested stockholder;

- upon consummation of the transaction in which the person became an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding voting stock owned by directors who are also officers and certain employee stock ownership plans; or

- at or subsequent to such time, the transaction is approved by the board of directors and at an annual or special meeting by the affirmative vote of 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Litton has represented to Northrop Grumman, NNG and LII Acquisition in the amended merger agreement that all actions necessary to ensure that Section 203 of the DGCL does not apply to NNG in connection with the offer, the Litton merger and the other transactions contemplated by the amended merger agreement and the stockholder's agreement have been taken.

ADDITIONAL INFORMATION

Northrop Grumman and Litton file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any such report, statement or other information at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549, or at the SEC's public reference rooms in New York, New York or Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from commercial document retrieval services and at the SEC's Internet web site at www.sec.gov. NNG filed a registration statement on Form S-4 with the SEC on February 1, 2001 and amended on March 5, 2001 to register the shares of NNG common stock and NNG preferred stock to be issued in the offer. This offer to purchase or exchange is a part of that registration statement. As allowed by SEC rules, this offer to purchase or exchange does not contain all of the information you can find in the registration statement or the exhibits to the registration statement.

Northrop Grumman and LII Acquisition have also filed with the SEC several amendments to their statement on Schedule TO originally filed on January 5, 2001, as subsequently amended, pursuant to Rule 14d-3 under the Exchange Act furnishing certain information about the offer. You may read and copy the Schedule TO and any amendments to it at the SEC's public reference rooms referred to above.

The SEC allows NNG to "incorporate by reference" certain information into this offer to purchase or exchange, which means that NNG can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this offer to purchase or exchange, except for any information amended or superseded by information contained in this offer to purchase or exchange. This offer to purchase or exchange incorporates by reference the documents set forth below that Northrop Grumman or Litton have previously filed with the SEC. These documents contain important information about Northrop Grumman and Litton and their respective financial condition.

Documents filed by Northrop Grumman and incorporated by reference are available without charge upon request to: Investor Relations, Northrop Grumman Corporation, 1840 Century Park East, Los Angeles, California 90067. Documents filed by Litton and incorporated by reference are available without charge upon request to: Investor Relations, Litton Industries, Inc., 21240 Burbank Boulevard, Woodland Hills, California 91367.

The following documents filed by Northrop Grumman with the SEC are hereby incorporated by reference:

- Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000, filed with the SEC on March 8, 2000; and
- Proxy Statement for the Annual Meeting of Stockholders held on May 17, 2000.

The following documents filed by Litton with the SEC are hereby incorporated by reference:

- Annual Report on Form 10-K for the fiscal year ended July 31, 2000, filed with the SEC on October 11, 2000;
- Proxy Statement for the Annual Meeting of Stockholders held on December 8, 2000, filed with the SEC on October 20, 2000;
- Quarterly Report on Form 10-Q for the period ended January 31, 2001, filed with the SEC on March 6, 2001; and
- Form 8-A12B/A filed with the SEC on January 30, 2001, which amends and restates in their entirety Items 1 and 2 of Litton's registration statement on Form 8-A (File No. 001-03998), filed with the SEC on August 24, 1994 as amended, in connection with the amendment to the terms of the Rights Agreement, dated as of August 17, 1994 between Litton and The Bank of New York.

All documents filed by Northrop Grumman or Litton pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from February 1, 2001 to the date that Litton shares are accepted for exchange in the offer (or the date that the offer is terminated) and, if later, until the earlier of the date of the meeting of the Litton stockholders to approve the Litton merger and the date on which the Litton merger is consummated shall also be deemed to be incorporated in this offer to purchase or exchange by reference.

FORWARD-LOOKING STATEMENTS

Certain of the information included in this offer to purchase or exchange and in the documents incorporated by reference are forward-looking statements within the meaning of the securities laws. These include statements and assumptions with respect to expected future revenues, margins, program performance, earnings and cash flows, acquisitions of new contracts, the outcome of competitions for new programs, the outcome of contingencies including litigation and environmental remediation, the effect of completed and planned acquisitions and divestitures of businesses or business assets, the anticipated costs of capital investments, and anticipated industry trends. Actual results and trends may differ materially from the information, statements and assumptions as described, and actual results could be materially less than planned.

Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include:

- Northrop Grumman and Litton depend on a limited number of customers. Both companies' businesses are heavily dependent on government contracts, many of which are only partially funded. The termination or failure to fund one or more of these contracts could have a negative impact on operations. Northrop Grumman and Litton are suppliers, either directly or as subcontractors or team members, to the U.S. Government and its agencies as well as foreign governments and agencies. These contracts are subject to each customer's political and budgetary constraints, changes in short-range and long-range plans, the timing of contract awards, the congressional budget authorization and appropriation processes, the government's ability to terminate contracts for convenience or for default, as well as other risks such as contractor debarment in the event of certain violations of legal and regulatory requirements.

- Many of the companies' contracts are fixed price contracts. While firm, fixed price contracts allow the companies to benefit from cost savings, they also create exposure to the risk of cost overruns. If adjustments to the estimates used for calculating the contract price are required, losses may result. In addition, some contracts have provisions relating to cost controls and audit rights and failure to meet the terms specified in those contracts can have costly consequences.

- Success or failure in winning new contracts or follow on orders for existing or future products may cause material fluctuations in future revenues and operating results. Failure to meet the terms and conditions specified in those contracts may have adverse consequences.

- Operations are subject to external events which can adversely affect the ability of Northrop Grumman and Litton to meet contract obligations within anticipated cost and time parameters. Problems and delays in delivery may result from issues with respect to design technology, licensing and patent rights, labor or materials and components that prevent achievement of contract requirements. Delivery or performance issues with key suppliers and subcontractors, as well as other factors may arise. Changes in inventory requirements or other production cost increases may also have a negative impact on operating results.

- The businesses of Northrop Grumman and Litton are dependent upon the companies' ability to anticipate changing needs for defense products, military and civilian electronic systems and support, and information technology. Failure to design new products which will respond to such requirements within customers' price limitations would adversely affect the companies' ability to compete.

- In recent periods, Northrop Grumman has realized significant amounts of pension income. Future pension income is based upon market performance of pension assets, which may fluctuate with external economic conditions. As the result, the portion of earnings attributed to pension income could vary significantly.

- Results of operations for Northrop Grumman and Litton require management to make estimates of cost to complete major contracts and other factors which materially affect reported earnings. Changes in such estimates and failures to achieve anticipated levels of performance can result in significant charges against earnings.

See also "Important Considerations Concerning Elections to Receive NNG Stock" beginning on page 11. Readers are cautioned not to put undue reliance on forward-looking statements. NNG disclaims any intent or obligation to update

these forward-looking statements, whether as a result of new information, future events or otherwise.

LEGAL MATTERS

The legality of NNG common stock and preferred stock offered by this offer to purchase or exchange will be passed upon by John H. Mullan, Corporate Vice President, Secretary and Associate General Counsel of NNG. Mr. Mullan is paid a salary by Northrop Grumman, is a participant in various employee benefit plans offered to employees of Northrop Grumman generally and owns and has options to purchase shares of Northrop Grumman common stock.

EXPERTS

The consolidated financial statements and the related financial statement schedule incorporated in this offer to purchase or exchange by reference from Northrop Grumman Corporation's Annual Report on Form 10-K/A for the year ended December 31, 2000 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements incorporated in this offer to purchase or exchange by reference from Litton Industries, Inc.'s Annual Report on Form 10-K for the year ended July 31, 2000 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

ANNEX A

DIRECTORS AND EXECUTIVE OFFICERS

Directors And Executive Officers Of Northrop Grumman and NNG

The name, age, business address, present principal occupation or employment and five-year employment history of each of the directors and executive officers of Northrop Grumman and NNG are set forth below. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Northrop Grumman and each individual has held such occupation(s) for at least the last five years. Each director and executive officer listed below is a citizen of the United States of America. Unless otherwise indicated below, the business address of each person is c/o Northrop Grumman Corporation at 1840 Century Park East, Los Angeles, California 90067.

DIRECTORS
(including executive officers who are directors)

Name	Age	Present Principal and Five Year Employment History
Kent Kresa*.....	62	Kent Kresa is Chairman, President and Chief Executive Officer of Northrop Grumman and Chief Executive Officer of NNG. Before joining Northrop Grumman, Mr. Kresa was associated with the Lincoln Laboratory of M.I.T. and the Defense Advanced Research Projects Agency of the Department of Defense. In 1975, he joined Northrop Grumman as Vice President and Manager of Northrop Grumman's Research and Technology Center. He became General Manager of the Ventura Division in 1976, Group Vice President of the Aircraft Group in 1982 and Senior Vice President for Technology and Development in 1986. Mr. Kresa was elected President and Chief Operating Officer of Northrop Grumman in 1987. He was named Chief Executive Officer in 1989 and Chairman of the Board in 1990. Mr. Kresa is a member of the National Academy of Engineering and is a past Chairman of the Board of Governors of the Aerospace Industries Association. He is also an Honorary Fellow of the American Institute of Aeronautics and Astronautics. He serves on the Board of Directors of the W.M. Keck Foundation and on the Board of Trustees of the California Institute of Technology, and serves as a director of Avery Dennison Corporation, the Los Angeles World Affairs Council, the John Tracy Clinic and Eclipse Aviation. He is also a Member of the corporation, Draper Laboratories, Inc., and serves on the Board of Governors of the Performing Arts Center of Los Angeles. Mr. Kresa became Chief Executive Officer of NNG in January 2001.

Name	Age	Present Principal and Five Year Employment History
Jack R. Borsting*.....	72	E. Morgan Stanley Professor of Business Administration and Director of the Center for Telecommunications Management, University of Southern California. Dr. Jack R. Borsting was at the Naval Postgraduate School in Monterey, California from 1959 to 1980. During his tenure at Monterey, he was professor of Operations Research, Chairman of the Department of Operations Research and Administration Science, and Provost and Academic Dean. Dr. Borsting was Assistant Secretary of Defense (Comptroller) from 1980 to 1983 and Dean of the School of Business at the University of Miami from 1983 to 1988. From 1988 to 1994, he was the Robert R. Dockson professor and Dean of the School of Business Administration at the University of Southern California, Los Angeles. He is past president of both the Operations Research Society of America and the Military Operations Research Society. He is currently Chairman of the Board of Trustees of the Orthopedic Hospital of Los Angeles and serves as a director of Whitman Education Group and TRO Learning, Inc. He is also a trustee of the Rose Hills Foundation.
John T. Chain, Jr.*.....	66	General, United States Air Force (Ret.) and Chairman of the Board, Thomas Group, a management consulting company. During his military career, General John T. Chain held a number of Air Force commands. In 1978, he became military assistant to the Secretary of the Air Force. In 1984, he became the Director of Politico-Military Affairs, Department of State. General Chain has been Chief of Staff of Supreme Headquarters Allied Powers Europe, and Commander in Chief, Strategic Air Command, the position from which he retired in February 1991. In March 1991, he became Executive Vice President for Burlington Northern Railroad, serving in that capacity until February 1996. In December 1996, he assumed the position of President of Quarterdeck Equity Partners, Inc. and in May 1998, he became Chairman of the Board of Thomas Group, Inc. He is also a director of R.J. Reynolds, Inc. and Kemper Insurance Company.

Name	Age	Present Principal and Five Year Employment History
Vic Fazio*.....	58	Senior Partner, Clark & Weinstock, a consulting firm. Vic Fazio served as a Member of Congress for twenty 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 eighteen years. Mr. Fazio was a member of the elected Democratic Leadership in the House from 1991-1998 including four years as Chair of the Democratic Caucus, the third ranking position in the party. 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. Upon leaving Congress in early 1999, he became a Senior Partner at Clark & Weinstock, a strategic communications consulting firm. He is a member of numerous boards including The California Institute, Coro National Board of Governors, the U.S. Capitol Historical Society and the Board of Visitors, The University of California at Davis.
Phillip Frost*.....	64	Chairman of the Board and Chief Executive Officer, IVAX Corporation, a pharmaceutical company. Dr. Phillip Frost has served as Chairman of the Board of Directors and Chief Executive Officer of IVAX Corporation since 1987. He was Chairman of the Department of Dermatology at Mt. Sinai Medical Center of Greater Miami, Miami Beach, Florida from 1972 to 1990. Dr. Frost was Chairman of the Board of Directors of Key Pharmaceuticals, Inc. from 1972 to 1986. He is Chairman of Whitman Education Group and Vice Chairman of the Board of Directors of Continucare Corporation. He is also a Trustee of the Board of the University of Miami and a member of the Board of Governors of the American Stock Exchange.
Charles R. Larson*.....	64	Admiral, United States Navy (Ret.). Charles R. Larson was superintendent of the U.S. Naval Academy from 1983 to 1986. In 1991, he became senior military commander in the Pacific. He returned to the U.S. Naval Academy in 1994, where he served as superintendent until 1998. Currently, he is Chairman of the Board of the U.S. Naval Academy Foundation, Vice Chairman of the Board of Regents of the University System of Maryland and serves on the board of directors of such organizations as Constellation Energy Group, Inc., the White House Fellows Foundation, Edge Technologies, Inc., Fluor Global Services, the Atlantic Council, Military.com and the National Academy of Sciences' Committee on International Security and Arms Control. In addition, he is a member of the Council on Foreign Relations and is a senior fellow of The CNA Corporation. His decorations include the Defense Distinguished Service Medal, seven Navy Distinguished Service Medals, three Legions of Merit, Bronze Star Medal, Navy Commendation and the Navy Achievement Medal.

Name	Age	Present Principal and Five Year Employment History
Robert A. Lutz*.....	69	Chairman and Chief Executive Officer, Exide Corporation, a battery manufacturing company. Robert A. Lutz has served as Chairman and Chief Executive Officer of Exide Corporation since December 1998. Previously, he had joined Chrysler Corporation in 1986 as Executive Vice President of Chrysler Motors Corporation and was elected a director of Chrysler Corporation that same year. He was elected President in 1991 and Vice Chairman of Chrysler Corporation in 1996. He retired from Chrysler Corporation in July 1998. Prior to joining Chrysler Corporation, Mr. Lutz held senior positions with Ford Motor Company, General Motors Corporation Europe and Bavarian Motor Werke. He is an executive director of the National Association of Manufacturers and a member of the National Advisory Council of the University of Michigan School of Engineering, the Board of Trustees of the U.S. Marine Corps University Foundation and the Advisory Board of the University of California-Berkeley, Haas School of Business. Mr. Lutz is also a director of ASCOM Holdings, A.G. and Silicon Graphics, Inc.
Aulana L. Peters*.....	59	Retired Partner, Gibson, Dunn & Crutcher. Aulana L. Peters joined the law firm of Gibson, Dunn & Crutcher in 1973. In 1980, she was named a partner in the firm and continued in the practice of law until 1984 when she accepted an appointment as Commissioner of the SEC. In 1988, after serving four years as a Commissioner, she returned to Gibson, Dunn & Crutcher. Ms. Peters retired from Gibson, Dunn & Crutcher in December 2000. Ms. Peters is a director of Callaway Golf Company, Minnesota Mining and Manufacturing Company, and Merrill Lynch & Co., Inc. She is also a member of the Board of Directors of Community Television for Southern California ("KCET") and of the Legal Advisory Board of the National Association of Securities Dealers. Ms. Peters is a member of the Financial Accounting Standards Board Steering Committee for its Financial Reporting Project and is a member of the Public Oversight Board.
John E. Robson*.....	70	Senior Advisor, Robertson Stephens, a Fleet Boston Financial Company, investment bankers. From 1989 to 1993, John E. Robson served as Deputy Secretary of the United States Treasury. He was Dean and Professor of Management at the Emory University School of Business Administration from 1986 to 1989 and President and Chief Executive Officer and Executive Vice President and Chief Operating Officer of G.D. Searle & Co., a pharmaceutical company, from 1977 to 1986. Previously, he held government posts as Chairman of the U.S. Civil Aeronautics Board, regulator of the airline industry and Under Secretary of the U.S. Department of Transportation, and engaged in the private practice of law as a partner of Sidley and Austin. Mr. Robson is a director of Exide Corporation, Monsanto Company and ProLogis Trust. He is also a Distinguished Visiting Fellow of the Hoover Institution at Stanford University, a Visiting Fellow at the Heritage Foundation and a director of the University of California San Francisco Foundation.

Name	Age	Present Principal and Five Year Employment History
Richard M. Rosenberg*...	70	Chairman of the Board and Chief Executive Officer (Ret.), BankAmerica Corporation and Bank of America NT&SA. Richard M. Rosenberg was the Chairman of the Board and Chief Executive Officer of BankAmerica Corporation ("BAC") and Bank of America ("BofA") from 1990 to 1996. He had served as President since February 1990 and as Vice Chairman of the Board and a director of BAC and the BofA since 1987. Before joining BAC, Mr. Rosenberg served as President and Chief Operating Officer of Seafirst Corporation and Seattle-First National Bank, which he joined in 1986. Mr. Rosenberg is a retired Commander in the U.S. Navy Reserve, a director of Airborne Express Corporation, SBC Communications, Chronicle Publishing, Pacific Life Insurance Company, and Bank of America Corporation and a member of the Board of Trustees of the California Institute of Technology.
John Brooks Slaughter*..	67	President and CEO of the National Action Council for Minorities in Engineering, Inc. Dr. John Brooks Slaughter held electronics engineering positions with General Dynamics Convair and the U.S. Navy Electronics Laboratory. In 1975, he became Director of the Applied Physics Laboratory of the University of Washington. In 1977, he was appointed Assistant Director for Astronomics, Atmospherics, Earth and Ocean Sciences at the National Science Foundation. From 1979 to 1980, he served as Academic Vice President and Provost of Washington State University. In 1980, he returned to the National Science Foundation as Director and served in that capacity until 1982 when he became Chancellor of the University of Maryland, College Park. From 1988 to July 1999, Dr. Slaughter was President of Occidental College in Los Angeles and in August 1999, he assumed the position of Melbo Professor of Leadership in Education at the University of Southern California. In June 2000, Dr. Slaughter was named President and CEO of the National Action Council for Minorities in Engineering, Inc. He is a member of the National Academy of Engineering, a fellow of the American Academy of Arts and Sciences and serves as a director of Avery Dennison Corporation, Solutia, Inc. and International Business Machines Corporation.
Richard J. Stegemeier*..	73	Chairman Emeritus of the Board of Directors, Unocal Corporation, an integrated petroleum company. Richard J. Stegemeier joined Union Oil Company of California, principal operating subsidiary of Unocal Corporation ("Unocal"), in 1951. He became President and Chief Operating Officer of Unocal in 1985, and President and Chief Executive Officer in 1988. In 1989 he was elected Chairman of the Board of Unocal, the position from which he retired in 1995. Mr. Stegemeier is a member of the National Academy of Engineering and a director of Foundation Health Systems, Inc., Halliburton Company, Sempra Energy and Montgomery Watson, Inc.
Lewis W. Coleman*.....	59	Mr. Coleman became President of the Gordon and Betty Moore Foundation in January 2001. In December 2000, he resigned as Chairman of Banc of America Securities, LLC, a subsidiary of Bank of America Corporation. Mr. Coleman joined Banc of America

Name	Age	Present Principal and Five Year Employment History
		Securities, LLC in December 1995. Prior to that, he spent ten years at BankAmerica Corporation where he held various positions including Chief Financial Officer, head of World Banking Group and head of Capital Markets. He is also on the Board of Directors of Chiron Corporation.
Herbert W. Anderson.....	61	Mr. Anderson has been Corporate Vice President of Northrop Grumman and President and Chief Executive Officer, Logicon, Inc. since 1998. Mr. Anderson also became Corporate Vice President of NNG in January 2001. Prior to this, Mr. Anderson was Corporate Vice President and General Manager, Data Systems and Services Division.
Ralph D. Crosby, Jr.....	53	Mr. Crosby has been Corporate Vice President of Northrop Grumman and President, Integrated Systems and Aerostructures Sector since 1998. Prior to this, Mr. Crosby was Corporate Vice President and General Manager, Commercial Aircraft Division. Prior to September 1996, he was Corporate Vice President and Deputy General Manager, Commercial Aircraft Division. Prior to March 1996, he was Corporate Vice President and Deputy General Manager, Military Aircraft Systems Division. Prior to January 1996, he was Corporate Vice President and General Manager, B-2 Division. Mr. Crosby also became Vice President of NNG in January 2001.
J. Michael Hateley.....	54	Mr. Hateley has been Corporate Vice President and Chief Human Resources Administrative Officer of Northrop Grumman since 2000. Prior to January 1999, Mr. Hateley was Vice President, Human Resources, Security and Administration Military Aircraft Systems Division. Prior to 1996, he was Vice President, Human Resources, Security and Administration, B-2 Division. Mr. Hateley also became Corporate Vice President and Chief Human Resources Administrative Officer of NNG in January 2001.
Robert W. Helm.....	49	Mr. Helm has been Corporate Vice President, Government Relations of Northrop Grumman since 1994. Mr. Helm also became Corporate Vice President of NNG in January 2001.
John H. Mullan.....	58	Mr. Mullan has been Corporate Vice President and Secretary of Northrop Grumman since 1999. Prior to this, Mr. Mullan was Acting Secretary. Prior to May 1998, he was Senior Corporate Counsel. Mr. Mullan also became Corporate Vice President, Secretary and Associate General Counsel of NNG in January 2001.
Albert F. Myers.....	55	Mr. Myers has been Corporate Vice President and Treasurer of Northrop Grumman since 1994. Mr. Myers also became Corporate Vice President and Treasurer of NNG in January 2001.
Rosanne P. O'Brien.....	57	Ms. O'Brien has been Corporate Vice President, Communications of Northrop Grumman since August 2000. Prior to this, Ms. O'Brien was Vice President, Communications since January 1999. Ms. O'Brien was Senior Consultant to Alleghany Teledyne, Inc. from 1996 to 1999, and Vice President, Corporate Relations for Teledyne, Inc. from 1993 through 1995.

Name	Age	Present Principal and Five Year Employment History
James G. Roche.....	61	Mr. Roche has been Corporate Vice President of Northrop Grumman and President, Electronic Sensors and Systems Sector since 1998. Prior to this, Mr. Roche was Corporate Vice President and General Manager, Electronic Sensors and Systems Division. Prior to 1996, he was Corporate Vice President and Chief Advanced Development, Planning, and Public Affairs Officer. Mr. Roche also became Corporate Vice President of NNG in January 2001.
W. Burks Terry.....	50	Mr. Terry has been Corporate Vice President and General Counsel of Northrop Grumman since August 2000. Prior to this, Mr. Terry became Vice President, Deputy General Counsel and Sector Counsel in October 1998 and prior to October, 1998 he was Vice President and Assistant General Counsel. Mr. Terry also became Corporate Vice President and General Counsel of NNG in January 2001.
Robert B. Spiker.....	47	Mr. Spiker has been Corporate Vice President and Controller of Northrop Grumman since December 2000. Prior to this, Mr. Spiker was Vice President, Finance and Controller, Electronic Sensors and Systems Sector. Prior to 1999, he was Business Manager for C3&I Naval Systems. Mr. Spiker also became Corporate Vice President and Controller of NNG in January 2001.
Richard B. Waugh, Jr...	57	Mr. Waugh has been Corporate Vice President and Chief Financial Officer of Northrop Grumman since 1993. Mr. Waugh also became Corporate Vice President and Chief Financial Officer of NNG in January 2001.

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* Member of Northrop Grumman's board of directors and NNG's board of directors.

None of the executive officers and directors of Northrop Grumman or LII Acquisition currently is a director of, or holds any position with, Litton or any of its subsidiaries. We believe that none of our directors, executive officers, affiliates or associates beneficially owns any equity securities, or rights to acquire any equity securities, of Litton. We believe no such person has been involved in any transaction with Litton or any of Litton's directors, executive officers, affiliates or associates which is required to be disclosed pursuant to the rules and regulations of the SEC.

Section 262. Appraisal rights

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to (S) 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to (S) 251 (other than a merger effected pursuant to (S) 251(g) of this title), (S) 252, (S) 254, (S) 257, (S) 258, (S) 263 or (S) 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of (S) 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to (S)(S) 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs paragraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under (S) 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to (S) 228 or (S) 253 of this title, each constituent corporation, either before the effective date of the merger or consolidation or within ten days thereafter, shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section; provided that, if the notice is given on or after the effective date of the merger or consolidation, such notice shall be given by the surviving or resulting corporation to all such holders of any class or series of stock of a constituent corporation that are entitled to appraisal rights. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of

uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

The letter of transmittal, certificates of Litton common stock and preferred stock and any other required documents should be sent or delivered by each Litton stockholder or his or her broker, dealer, commercial bank, trust company or other nominee to the depositary at one of its addresses set forth below.

The Depositary for the offer is:

EQUISERVE TRUST COMPANY

By Mail:	By Hand Delivery:	By Overnight Delivery:
EQUISERVE TRUST COMPANY PO Box 842010 Boston, Massachusetts 002284-2010	EQUISERVE TRUST COMPANY c/o Securities Transfer and Reporting Services, Inc. 100 William Street--Galleria New York, New York 10038	EQUISERVE TRUST COMPANY 40 Campanelli Drive Braintree, Massachusetts 02184

By Facsimile Transmission:
(for Eligible Institutions only)
Fax: (781) 575-4826
or
(781) 575-4827

Confirm by Telephone:
(781) 575-4816

Any questions or requests for assistance or additional copies of the offer to purchase or exchange, the letter of transmittal and the notice of guaranteed delivery and related exchange offer materials may be directed to the information agent at its telephone number and location listed below. You may also contact your local broker, commercial bank, trust company or nominee for assistance concerning the offer.

The Information Agent for the offer is:

[LOGO OF GEORGESON SHAREHOLDER COMMUNICATIONS INC.]

17 State Street, 10th Floor
New York, New York

Bankers and Brokers Call Collect: (212) 440-9800
All Others Call Toll Free: (800) 223-2064

The Dealer Manager for the offer is:

Salomon Smith Barney

388 Greenwich Street
New York, New York 10013
(877) 319-4978

Any questions or requests for assistance or additional copies of the offer to purchase or exchange, the letter of transmittal and the notice of guaranteed delivery and related exchange offer materials may be directed to the information agent at its telephone number and location listed above. You may also contact your local broker, commercial bank, trust company or nominee for assistance concerning the offer.

PART II. INFORMATION NOT REQUIRED IN OFFER TO PURCHASE OR EXCHANGE/PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the DGCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with specified actions, suits or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation--a "derivative action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceedings, had no reasonable cause to believe their conduct was unlawful.

A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, bylaws, disinterested director vote, stockholder vote, agreement or otherwise.

As permitted by Section 145 of the DGCL, Article EIGHTEENTH of NNG's restated certificate of incorporation, as amended, provides:

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

NNG plans to purchase insurance on behalf of any person who is or was a director, officer, employee or agent of NNG, or is or was serving at the request of NNG as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not NNG would have the power to indemnify him against such liability under the provisions of NNG's restated certificate of incorporation, as amended.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following Exhibits are filed herewith unless otherwise indicated:

Exhibit Number	Description of Exhibits
**2.1	Agreement and Plan of Merger dated as of December 21, 2000 among Northrop Grumman Corporation, Litton Industries, Inc. and LII Acquisition Corp., filed as exhibit (d)(1) to the Tender Offer Statement on Schedule TO (the "Schedule TO") filed with the SEC on January 5, 2001 and incorporated herein by reference.
**2.2	Amended and Restated Agreement and Plan of Merger dated as of January 23, 2001, among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc. and LII Acquisition Corp.
**3.1	Amended and Restated Certificate of Incorporation of NNG, Inc.
**3.2	Restated Bylaws of NNG, Inc.
**4.1	Registration Rights Agreement dated as of January 23, 2001 by and among Northrop Grumman Corporation, NNG, Inc. and Unitrin, Inc., filed as exhibit (d)(6) to Amendment No. 4 to the Schedule TO filed with the SEC on January 31, 2001 and incorporated herein by reference.
**4.2	Form of Certificate of Designations, Preferences and Rights of Series B Preferred Stock of Northrop Grumman Corporation.
4.3	Rights Agreement dated as of January 31, 2001 between NNG, Inc. and EquiServe Trust Company, N.A.
**5.1	Opinion of John H. Mullan as to the legality of the securities.
**8.1	Opinion of Gibson, Dunn & Crutcher LLP regarding certain tax matters.
**8.2	Opinion of Ivins, Phillips & Barker Chartered regarding certain tax matters.
**10.1	Stockholder's Agreement dated as of January 23, 2001 among Northrop Grumman Corporation, NNG, Inc. and Unitrin, Inc., including form of Stockholder Subsidiary Proxy, filed as exhibit (d)(5) to Amendment No. 4 to the Schedule TO filed with the SEC on January 31, 2001 and incorporated herein by reference.
**10.2	Employment Agreement with Dr. Sugar, filed as exhibit 99(e)(7) to the Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC by Litton on January 5, 2001 and incorporated herein by reference.
**10.3	Form of Change of Control Employment Agreement of Litton Industries, Inc.
**10.4	Confidentiality Agreement dated June 23, 2000, between Northrop Grumman Corporation and Litton Industries, Inc., filed as exhibit (d)(2) to the Schedule TO filed with the SEC on January 5, 2001 and incorporated herein by reference.
**10.5	$6,000,000,000 Senior Credit Facilities Commitment Letter dated January 30, 2001, from Credit Suisse First Boston, The Chase Manhattan Bank and J.P. Morgan, filed as exhibit (b)(ii) to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
10.6	Form of $2,500,000,000 364-Day Revolving Credit Agreement among NNG, Inc., Northrop Grumman Corporation, Litton Industries, Inc., the Lenders party thereto, The Chase Manhattan Bank and Credit Suisse First Boston, as Co-Administrative Agents, Salomon Smith Barney Inc., as Syndication Agent, and The Bank of Nova Scotia and Deutsche Banc Alex. Brown, Inc. as Co-Documentation Agents.
10.7	Form of $2,500,000,000 Five-Year Revolving Credit Agreement among NNG, Inc., Northrop Grumman Corporation, Litton Industries, Inc., the Lenders party thereto, The Chase Manhattan Bank and Credit Suisse

First Boston, as Co-Administrative Agents, Salomon Smith Barney Inc., as Syndication Agent, and The Bank of Nova Scotia and Deutsche Banc Alex. Brown, Inc. as Co-Documentation Agents.

10.8 Letter Agreement dated January 31, 2001 between Northrop Grumman Corporation and Ronald D. Sugar, filed as exhibit 99(e)(16) to Amendment No. 3 to Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC by Litton on February, 1, 2001 and incorporated herein by reference.

Exhibit Number	Description of Exhibits
12.1	Statement regarding computation of earnings to fixed charges ratio.
**15.1	Letter from Independent Accountants Regarding Unaudited Interim Financial Information.
**23.1	Consent of Deloitte & Touche LLP.
**23.2	Consent of Deloitte & Touche LLP.
**23.3	Consent of John H. Mullan (included in opinion filed as Exhibit 5.1).
**23.4	Consent of Gibson, Dunn & Crutcher LLP (included in its opinion filed as Exhibit 8.1).
**23.5	Consent of Ivins, Phillips & Barker Chartered (included in its opinion filed as Exhibit 8.2).
23.6	Consent of Deloitte & Touche LLP.
23.7	Consent of Deloitte & Touche LLP.
**24.1	Power of Attorney for Northrop Grumman Corporation and NNG, Inc.
**24.2	Power of Attorney for Kent Kresa.
**24.3	Power of Attorney for Richard B. Waugh, Jr.
**24.4	Power of Attorney for Jack R. Borsting.
**24.5	Power of Attorney for John T. Chain, Jr.
**24.6	Power of Attorney for Vic Fazio.
**24.7	Power of Attorney for Phillip Frost.
**24.8	Power of Attorney for Charles R. Larson.
**24.9	Power of Attorney for Robert A. Lutz.
**24.10	Power of Attorney for Aulana L. Peters.
**24.11	Power of Attorney for John E. Robson.
**24.12	Power of Attorney for Richard M. Rosenberg.
**24.13	Power of Attorney for Richard J. Stegemeier.
**24.14	Power of Attorney for John Brooks Slaughter.
**99.1	Letter of Transmittal, Common Stock and Preferred Stock, each dated February 1, 2001, filed as exhibit (a)(1)(vi) Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
**99.2	Notice of Guaranteed Delivery, Common Stock and Preferred Stock, each dated February 1, 2001, filed as exhibit (a)(1)(vii) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
**99.3	Notice to Participants in the Litton Industries Employee Stock Purchase Plan prior to December 1, 1993, dated February 1, 2001 and filed as exhibit (a)(1)(viii) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated by reference.
**99.4	Notice to Participants in the Litton Industries Employee Stock Purchase Plan after November 1, 1994, dated January 5, 2001, filed as exhibit (a)(1)(ix) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated by reference.
**99.5	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, dated February 1, 2001, filed as exhibit (a)(5)(x) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1,

2001 and incorporated herein by reference.

**99.6 Letter to Clients, Common Stock and Preferred Stock, each dated February 1, 2001, filed as exhibit (a)(5)(xi) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.

**99.7 Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9, filed as exhibit (a)(1)(xii) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated by reference.

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** previously filed

ITEM 22. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by a person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(d) The registrant undertakes that every prospectus: (i) that is filed pursuant to paragraph (a) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(e) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the

registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(f) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(g) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on March 27, 2001.

NNG, INC.

/s/ John H. Mullan
By: _____
Name: John H. Mullan
Title: Corporate Vice President, Secretary and Associate General Counsel

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Richard B. Waugh, Jr., W. Burks Terry and John H. Mullan with full power to act alone, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any subsequent registration statement filed by the registrant pursuant to Rule 462(b) of the Securities Act, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the date indicated.

Signature	Title	Date
* _____ Kent Kresa	Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer)	March 27, 2001
* _____ Richard B. Waugh, Jr.	Corporate Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 27, 2001
* _____ Jack R. Borsting	Director	March 27, 2001
* _____ John T. Chain, Jr.	Director	March 27, 2001

Signature	Title	Date
	Director	
Lewis W. Coleman		
*	Director	March 27, 2001
Vic Fazio		
*	Director	March 27, 2001
Phillip Frost		
*	Director	March 27, 2001
Charles R. Larson		
*	Director	March 27, 2001
Robert A. Lutz		
*	Director	March 27, 2001
Aulana L. Peters		
*	Director	March 27, 2001
John E. Robson		
*	Director	March 27, 2001
Richard M. Rosenberg		
*	Director	March 27, 2001
John Brooks Slaughter		
*	Director	March 27, 2001
Richard J. Stegemeier		
*By: /s/ John H. Mullan		
John H. Mullan, Attorney-in-fact		

EXHIBIT 4.3

NNG, INC.

and

EQUISERVE TRUST COMPANY, N. A.

Rights Agent

Rights Agreement

Dated as of January 31, 2001

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Defined Term Cross Reference Sheet

RIGHTS AGREEMENT

RIGHTS AGREEMENT, dated as of January 31, 2001 (the "Agreement"), between NNG, Inc., a Delaware corporation (the "Corporation"), and EquiServe Trust Company, N. A., a national association (the "Rights Agent").

The Board of Directors of the Corporation has authorized and declared a dividend of one preferred share purchase right (a "Right") for each Common Share (as hereinafter defined) of the Corporation outstanding at the close of business on January 31, 2001 (the "Record Date"), each Right representing the right to purchase one one-thousandth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date (as such terms are hereinafter defined); provided, however, that Rights may be issued with respect to Common Shares that shall become outstanding after the Distribution Date and prior to the earlier of the Redemption Date and the Final Expiration Date in accordance with the provisions of Section 22 of this Agreement.

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person who or which shall be the Beneficial Owner of 15% or more of the then outstanding Common Shares (other than as a result of a Permitted Offer (as hereinafter defined)) or is such a Beneficial Owner at any time after the date hereof, whether or not such person continues to be the Beneficial Owner of 15% or more of the then outstanding Common Shares. Notwithstanding the foregoing, (A) the term "Acquiring Person" shall not include (i) the Corporation, (ii) any Subsidiary of the Corporation, (iii) any employee benefit plan of the Corporation or of any Subsidiary of the Corporation, (iv) any Person or entity organized, appointed or established by the Corporation for or pursuant to the terms of any such plan, (v) any Person who or which becomes the Beneficial Owner of 15% or more of the then outstanding Common Shares as a result of the acquisition of Common Shares directly from the Corporation or (vi) Unitrin, Inc. or any of its Subsidiaries, considered individually or together, ("Unitrin") in the circumstances set forth below, and (B) no Person shall be deemed to be an "Acquiring Person" as a result of the acquisition of Common Shares by the Corporation which, by reducing the number of Common Shares outstanding, increases the proportional number of shares beneficially owned by such Person. Unitrin shall not be deemed an "Acquiring Person" by reason of (A) the acquisition or ownership of Common Shares issued to Unitrin in exchange for shares of Litton Industries, Inc. capital stock pursuant to the Corporation's offer to purchase or exchange all of the outstanding capital stock of Litton Industries, Inc. for cash or capital stock of the Corporation; (B) the acquisition or ownership of Common Shares issued to Unitrin pursuant to the terms and provisions of the Series B Preferred Stock of the Corporation, provided that such Series B Preferred Stock was acquired by Unitrin pursuant to the foregoing offer to purchase or exchange; (C) the acquisition or ownership of

Common Shares issued to Unitrin pursuant to any stock dividend, stock split or other distribution made ratably to stockholders of the Corporation; (D) the repurchase by the Corporation of its capital stock, by tender offer or otherwise; or (E) any other action on the part of the Corporation. Any Person who is not an "Acquiring Person" by reason of clause (A)(vi) or (B) of the second sentence of this definition, or by reason of the preceding sentence, shall become an "Acquiring Person" if such Person shall thereafter acquire Beneficial ownership of a number of Voting Shares of the Company equal to 1% or more of the Voting Shares of the Company then outstanding (other than pursuant to any stock dividend, stock split or other distribution made ratably to stockholders of the Corporation) and such Person shall Beneficially Own 15% or more of then outstanding Common Shares. In addition, no Person shall be deemed an "Acquiring Person" solely by reason of paragraph (iii) of the definition of "Beneficial Owner" or if such Person has become such through inadvertence, if and for so long as the Board of Directors shall have determined, by resolution, that such Person has acted promptly to reduce its Beneficial Ownership of Common Shares to less than 15% of the then outstanding Common Shares or if such Person has entered into such other arrangements as the Board of Directors shall determine to be adequate and satisfactory to protect the interests of the Company and its stockholders.

(b) "Act" shall mean the Securities Act of 1933, as amended and as in effect on the date of this Agreement.

(c) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended and in effect on the date of this Agreement (the "Exchange Act").

(d) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "Beneficially Own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to Beneficially Own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to Beneficially Own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) relating to the acquisition, holding, voting (except to the extent contemplated by the proviso to Section l(d)(ii)(B)) or disposing of any securities of the Corporation.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Corporation, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(e) "Business Day" shall mean any day other than a Saturday, Sunday or U.S. federal holiday.

(f) "Close of Business" on any given date shall mean 5:00 P.M., New York time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York time, on the next succeeding Business Day.

(g) "Common Shares" when used with reference to the Corporation shall mean the shares of Common Stock, par value $1.00 per share, of the Corporation or, in the event of a subdivision, combination or consolidation with respect to such shares of Common Stock, the shares of Common Stock resulting from such subdivision, combination or consolidation. "Common Shares" when used with reference to any Person other than the Corporation shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(h) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(i) "Final Expiration Date" shall have the meaning set forth in Section 7 hereof.

(j) "Interested Stockholder" shall mean any Acquiring Person or any Affiliate or Associate of an Acquiring Person or any other Person in which any such Acquiring Person, Affiliate or Associate has an interest, or any other Person acting directly or indirectly on behalf of or in concert with any such Acquiring Person, Affiliate or Associate.

(k) "Permitted Offer" shall mean a tender or exchange offer which is for all outstanding Common Shares at a price and on terms determined, prior to the purchase of shares under such tender or exchange offer, by at least a majority of the members of the Board of Directors who are not officers of the Corporation and who are not Acquiring Persons or Persons who would become Acquiring Persons as a result of the offer in question or Affiliates, Associates, nominees or representatives of any such Person, to be adequate (taking into account all factors that such Directors deem relevant including, without limitation, prices that could reasonably be achieved if the Corporation or its assets were sold on an orderly basis designed to

realize maximum value) and otherwise in the best interests of the Corporation and its stockholders (other than the Person or any Affiliate or Associate thereof on whose behalf the offer is being made) taking into account all factors that such directors may deem relevant.

(l) "Person" shall mean any individual, firm, partnership, corporation, limited liability company, trust, association, joint venture or other entity, and shall include any successor (by merger or otherwise) of such entity.

(m) "Preferred Shares" shall mean shares of Series A Junior Participating Preferred Stock, par value $1.00 per share, of the Corporation having the relative rights, preferences and limitations set forth in the Certificate of Designation, Preferences and Rights attached to this Agreement as Exhibit A.

(n) "Redemption Date" shall have the meaning set forth in Section 7 hereof.

(o) "Section 11(a)(ii) Event" shall mean any event described in Section 11(a)(ii) hereof.

(p) "Section 13 Event" shall mean any event described in clause (x), (y) or (z) of Section 13(a) hereof.

(q) "Shares Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to the Exchange Act) by the Corporation or an Acquiring Person that an Acquiring Person has become such; provided, however, that, if such Person is determined not to have become an Acquiring Person pursuant to Section 1(a) hereof, then no Shares Acquisition Date shall be deemed to have occurred.

(r) "Subsidiary" of any Person shall mean any corporation or other Person of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

(s) "Triggering Event" shall mean any Section 11(a)(ii) Event or any Section 13 Event.

Section 2. Appointment of Rights Agent. The Corporation hereby appoints the Rights Agent to act as agent for the Corporation in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such co-Rights Agents as it may deem necessary or desirable, upon 10 days prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall not be liable for, the acts or omissions of any such co-Rights Agent.

Section 3. Issuance of Right Certificates.

(a) Until the earlier of (i) the Shares Acquisition Date or (ii) the Close of Business on the tenth day (or such later date as may be determined by action of the Corporation's Board of Directors) after the date of the commencement by any Person (other than the Corporation, any Subsidiary of the Corporation, any employee benefit plan of the Corporation or

of any Subsidiary of the Corporation or any Person or entity organized, appointed or established by the Corporation for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Corporation, any Subsidiary of the Corporation, any employee benefit plan of the Corporation or of any Subsidiary of the Corporation or any Person or entity organized, appointed or established by the Corporation for or pursuant to the terms of any such plan) to commence (which intention to commence remains in effect for five Business Days after such announcement), a tender or exchange offer the consummation of which would result in any Person becoming an Acquiring Person (including, in the case of both (i) and (ii), any such date which is after the date of this Agreement and prior to the issuance of the Rights), the earlier of such dates being herein referred to as the "Distribution Date," (x) the Rights will be evidenced (subject to the provisions
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of Section 3(b) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of the underlying Common Shares (including a transfer to the Corporation); provided, however, that if a tender or exchange offer is
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terminated prior to the occurrence of a Distribution Date, then no Distribution Date shall occur as a result of such tender offer. As soon as practicable after the Distribution Date, the Corporation will prepare and execute, the Rights Agent will countersign, and the Corporation will send or cause to be sent by first-class, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Corporation, a Right Certificate, substantially in the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right for
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each Common Share so held. As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) As promptly as practicable following the Record Date, the Corporation will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form of Exhibit C hereto (the "Summary of
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Rights"), by first-class, postage-prepaid mail, to each record holder of Common
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Shares as of the Close of Business on the Record Date, at the address of such holder shown on the records of the Corporation. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with such Common Shares. As a result of the execution of this Agreement on January 31, 2001, each share of Common Stock outstanding as of January 31, 2001 shall, subject to the terms and conditions of this Agreement, also represent one Right and shall, subject to the terms and conditions of this Agreement, represent the right to purchase one one-thousandth of a share of Preferred Stock.

(c) Certificates for Common Shares which become outstanding (including, without limitation, reacquired Common Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date, shall be deemed also to be certificates for Rights, and shall bear the following legend:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between NNG, Inc. and EquiServe Trust Company, N. A., dated as of January 31, 2001 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of NNG, Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. NNG, Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and certain related persons, whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Corporation purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Corporation shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. Form of Right Certificate.

(a) The Right Certificates (and the forms of election to purchase and of assignment to be printed on the reverse thereof) shall be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate (which do not affect the duties or responsibilities of the Rights Agent) and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Right Certificates shall entitle the holders thereof to purchase such number of one one-thousandths of a Preferred Share as shall be set forth therein at the price per one one-thousandth of a Preferred Share set forth therein (the "Purchase Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Right Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights which are null and void pursuant to Section 7(e) of this Agreement and any Right Certificate issued pursuant to Section 6 or Section 11(i) hereof upon transfer, exchange, replacement or adjustment of any other Right Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

The Rights represented by this Right Certificate are or were Beneficially Owned by a Person who was or became an Acquiring Person or an Affiliate or Associate

of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Right Certificate and the Rights represented hereby are null and void.

The provisions of Section 7(e) of this Rights Agreement shall be operative whether or not the foregoing legend is contained on any such Right Certificate. The Corporation shall notify the Rights Agent to the extent that this Section 4(b) applies.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Corporation by its Chairman of the Board, its Chief Executive Officer, its President, any of its Vice Presidents, or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Corporation's seal or a facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Corporation, either manually or by facsimile signature. The Right Certificates shall be countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Corporation who shall have signed any of the Right Certificates shall cease to be such officer of the Corporation before countersignature by the Rights Agent and issuance and delivery by the Corporation, such Right Certificates may nevertheless be countersigned by the Rights Agent and issued and delivered by the Corporation with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Corporation; and any Right Certificate may be signed on behalf of the Corporation by any Person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Corporation to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such Person was not such an officer.

Following the Distribution Date and receipt by the Rights Agent of a list of record holders of Rights, the Rights Agent will keep or cause to be kept, at its office designated pursuant to Section 26 hereof or offices designated as the appropriate place for surrender of such Right Certificate or transfer, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the certificate number and the date of each of the Right Certificates.

Section 6. Transfer, Split-Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificate. Subject to the provisions of Section 4(b), Section 7(e) and Section 14 hereof, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-thousandths of a Preferred Share (or, following a Triggering Event, other securities, as the case may be) as the Right Certificate or Right Certificates surrendered then entitled such holder (or former holder, in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Corporation shall be obligated to take any action

whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Right Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Corporation or the Rights Agent shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 7(e) and Section 14 hereof, countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Corporation may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates. If the Corporation requires the payment referred to in the immediately preceding sentence, then the Rights Agent shall not be required to process any transaction until it receives notice from the Corporation that the Corporation has received such payment.

Upon receipt by the Corporation and the Rights Agent of evidence satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Corporation's request, reimbursement to the Corporation and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Corporation will make and deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.

(a) Subject to Section 7(e) hereof, the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the office or offices of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price for the total number of one one-thousandths of a Preferred Share (or other securities, as the case may be) as to which such surrendered Rights are exercised, at or prior to the earliest of (i) the Close of Business on October 31, 2008 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date"); (iii) the time at which the Rights are exchanged as provided in Section 24 hereof, or (iv) the consummation of a transaction contemplated by Section 13(d) hereof.

(b) The Purchase Price for each one one-thousandth of a Preferred Share pursuant to the exercise of a Right shall initially be $250.00, shall be subject to adjustment from time to time as provided in the next sentence and in Sections 11 and 13(a) hereof and shall be payable in accordance with paragraph (c) below. Anything in this Agreement to the contrary notwithstanding, in the event that at any time after the date of this Agreement and prior to the Distribution Date, the Corporation shall (i) declare or pay any dividend on the Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then in any such case, each Common

Share outstanding following such subdivision, combination or consolidation shall continue to have one Right associated therewith and the Purchase Price following any such event shall be proportionately adjusted to equal the result obtained by multiplying the Purchase Price immediately prior to such event by a fraction, the numerator of which shall be the total number of Common Shares outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of Common Shares outstanding immediately following the occurrence of such event. The adjustment provided for in the preceding sentence shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment of the Purchase Price for the Preferred Shares (or other securities, as the case may be) to be purchased and an amount equal to any applicable tax or governmental charge required to be paid by the holder of such Right Certificate in accordance with Section 6 hereof by certified check, cashier's check or money order payable to the order of the Corporation, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares certificates for the number of Preferred Shares to be purchased and the Corporation hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Corporation, in its sole discretion, shall have elected to deposit the Preferred Shares issuable upon exercise of the Rights hereunder into a depositary, requisition from the depositary agent depositary receipts representing such number of one one-thousandths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Corporation will direct the depositary agent to comply with such requests, (ii) when appropriate, requisition from the Corporation the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, and (iv) when appropriate, after receipt thereof, deliver such cash to or upon the order of the registered holder of such Right Certificate. In the event that the Corporation is obligated to issue other securities (including Common Shares) of the Corporation pursuant to Section 11(a) hereof, the Corporation will make all arrangements necessary so that such other securities are available for distribution by the Rights Agent, if and when necessary to comply with this Agreement.

In addition, in the case of an exercise of the Rights by a holder pursuant to Section 11(a)(ii), the Rights Agent shall return such Right Certificate to the registered holder thereof after imprinting, stamping or otherwise indicating thereon that the rights represented by such Right Certificate no longer include the rights provided by Section 11(a)(ii) of the Rights Agreement and if less than all the Rights represented by such Right Certificate were so exercised, the Rights Agent shall indicate on the Right Certificate the number of Rights represented thereby which continue to include the rights provided by Section 11(a)(ii).

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 6 and

Section 14 hereof, or the Rights Agent shall place an appropriate notation on the Right Certificate with respect to those Rights exercised.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights Beneficially Owned by (i) an Acquiring Person or an Affiliate or Associate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any Affiliate or Associate thereof) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any Affiliate or Associate thereof) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has a continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Corporation has determined is part of an agreement, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Corporation shall notify the Rights Agent when this Section 7(e) applies and shall use all reasonable efforts to insure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but neither the Company nor the Rights Agent shall have any liability to any holder of Right Certificates or other Person as a result of the Corporation's failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Corporation shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) properly completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise, and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial owner) or Affiliates or Associates thereof as the Corporation or the Rights Agent shall reasonably request.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Corporation or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Corporation shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Corporation otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Corporation, or shall, at the written request of the Corporation, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Corporation.

Section 9. Reservation and Availability of Preferred Shares. The Corporation covenants and agrees that at all times prior to the occurrence of a Section 11(a)(ii) Event it will cause to be

reserved and kept available out of its authorized and unissued Preferred Shares, or any authorized and issued Preferred Shares held in its treasury, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights and, after the occurrence of a Section 11(a)(ii) Event, shall, to the extent reasonably practicable, so reserve and keep available a sufficient number of Common Shares (and/or other securities) which may be required to permit the exercise in full of the Rights pursuant to this Agreement.

So long as the Preferred Shares (and, after the occurrence of a Section 11(a)(ii) Event, Common Shares or any other securities) issuable upon the exercise of the Rights may be listed on any national securities exchange, the Corporation shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

The Corporation covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares (or Common Shares and/or other securities, as the case may be) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares or other securities (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and non-assessable shares or securities.

The Corporation further covenants and agrees that it will pay when due and payable any and all U.S. federal and state taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares (or Common Shares and/or other securities, as the case may be) upon the exercise of Rights. The Corporation shall not, however, be required to pay any tax or other charge which may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Shares (or Common Shares and/or other securities, as the case may be) in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise, or to issue or to deliver any certificates or depositary receipts for Preferred Shares (or Common Shares and/or other securities, as the case may be) upon the exercise of any Rights, until any such tax or other charge shall have been paid (any such tax or other charge being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Corporation's reasonable satisfaction that no such tax or other charge is due.

The Corporation shall use its best efforts to (i) file, as soon as practicable following the Shares Acquisition Date, a registration statement under the Act, with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing, and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act and the rules and regulations thereunder) until the date of the expiration of the rights provided by Section 11(a)(ii). The Corporation will also take such action as may be appropriate under the blue sky laws of the various states.

Section 10. Preferred Shares Record Date. Each Person in whose name any certificate for Preferred Shares (or Common Shares and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares (or Common Shares and/or other securities, as the case may be)

represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable taxes and governmental charges) was made; provided, however, that, if the date of such surrender and payment is a date
upon which the Preferred Shares (or Common Shares and/or other securities, as the case may be) transfer books of the Corporation are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares (or Common Shares and/or other securities, as the case may be) transfer books of the Corporation are open.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights. The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Corporation shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Corporation is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Corporation were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Corporation issuable upon exercise of one Right. If an event occurs which would require an adjustment under both Section 11(a)(i) and Section 11(a)(ii), the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii).

(ii) In the event any Person, alone or together with its Affiliates and Associates, shall become an Acquiring Person, then proper provision shall be made so that each holder of a Right (except as provided below and in Section 7(e) hereof) shall, for a period of 60 days after the later of the occurrence of any such event or the effective date of an appropriate registration statement under the Act pursuant to Section 9 hereof, have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price, in accordance with the terms of this Agreement, such number of Common Shares (or, in the discretion of the Board of Directors, one one-thousandths of a Preferred Share) as shall equal the result obtained by (x) multiplying the then current Purchase Price by the then number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event, and dividing that product by (y) 50% of the then current per share market price of the Corporation's Common Shares (determined pursuant to Section 11(d) hereof)

on the date of such first occurrence (such number of shares being referred to as the "Adjustment Shares"); provided, however, that if the transaction that would otherwise give rise to the foregoing adjustment is also subject to the provisions of Section 13 hereof, then only the provisions of Section 13 hereof shall apply and no adjustment shall be made pursuant to this Section 11(a)(ii);

(iii) In the event that there shall not be sufficient treasury shares or authorized but unissued (and unreserved) Common Shares to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) and the Rights become so exercisable (and the Board has determined to make the Rights exercisable into fractions of a Preferred Share), notwithstanding any other provision of this Agreement, to the extent necessary and permitted by applicable law, each Right shall thereafter represent the right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, (x) a number of (or fractions of) Common Shares (up to the maximum number of Common Shares which may permissibly be issued) and (y) one-one thousandth of a Preferred Share or a number of, or fractions of other equity securities of the Corporation (or, in the discretion of the Board of Directors, debt) which the Board of Directors of the Corporation has determined to have the same aggregate current market value (determined pursuant to Section 11(d)(i) and (ii) hereof, to the extent applicable,) as one Common Share (such number of, or fractions of, Preferred Shares, debt, or other equity securities or debt of the Corporation) being referred to as a "capital stock equivalent", equal in the aggregate to the number of Adjustment Shares; provided, however, if sufficient Common Shares and/or capital stock equivalents are unavailable, then the Corporation shall, to the extent permitted by applicable law, take all such action as may be necessary to authorize additional Common Shares or capital stock equivalents for issuance upon exercise of the Rights, including the calling of a meeting of stockholders; and provided, further, that if the Corporation is unable to cause sufficient Common Shares and/or capital stock equivalents to be available for issuance upon exercise in full of the Rights, then each Right shall thereafter represent the right to receive the Adjusted Number of Shares upon exercise at the Adjusted Purchase Price (as such terms are hereinafter defined). As used herein, the term "Adjusted Number of Shares" shall be equal to that number of (or fractions of) Common Shares (and/or capital stock equivalents) equal to the product of (x) the number of Adjustment Shares and (y) a fraction, the numerator of which is the number of Common Shares (and/or capital stock equivalents) available for issuance upon exercise of the Rights and the denominator of which is the aggregate number of Adjustment Shares otherwise issuable upon exercise in full of all Rights (assuming there were a sufficient number of Common Shares available) (such fraction being referred to as the "Proration Factor"). The "Adjusted Purchase Price" shall mean the product of the Purchase Price and the Proration Factor. The Board of Directors may, but shall not be required to, establish procedures to allocate the right to receive Common Shares and capital stock equivalents upon exercise of the Rights among holders of Rights.

(b) In case the Corporation shall fix a record date for the issuance of rights (other than the Rights), options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having

a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share market price of the Preferred Shares (as determined pursuant to Section 11(d) hereof) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current per share market price, and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event
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shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Corporation issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be determined in good faith by the Board of Directors of the Corporation, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Preferred Shares owned by or held for the account of the Corporation shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Corporation shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Corporation is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price (as determined pursuant to Section 11(d) hereof) of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Corporation, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such current per share market price of the Preferred Shares; provided, however, that
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in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Corporation to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to and not including such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of 30 Trading Days after and not including the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Corporation. If on any such date no such market maker is making a market in the Security, the fair value of the Security on such date as determined in good faith by the Board of Directors of the Corporation shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Common Shares as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by 1,000. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Corporation, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of

this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one one-thousandth of a Preferred Share or one ten-thousandth of any other share or security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which mandates such adjustment or (ii) the Final Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Corporation other than Preferred Shares, thereafter the number of other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c), inclusive, and the provisions of Sections 7, 9, 10, 13 and 14 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Corporation subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-thousandths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election so provided in Section 11(i) hereof, upon adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and 11(c) hereof, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the Adjusted Purchase Price, that number of one one-thousandths of a Preferred Share (calculated to the nearest one one-thousandth of a Preferred Share) obtained by (i) multiplying (A) the number of Preferred Shares covered by a Right immediately prior to this adjustment of the Purchase Price by (B) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Corporation may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of one one-thousandths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Corporation shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made, a copy of which public announcement shall promptly be delivered to the Rights Agent. This record date may be the date on which the Purchase Price is adjusted or any

day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Corporation shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Corporation, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Corporation, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-thousandths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-thousandths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, of the number of one one-thousandths of a Preferred Share, Common Shares or other securities issuable upon exercise of the Rights, the Corporation shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue such number of fully paid and non-assessable one one-thousandths of a Preferred Share, Common Shares or other securities at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date of the Preferred Shares, Common Shares or other securities of the Corporation, if any, issuable upon such exercise over and above the Preferred Shares, Common Shares or other securities of the Corporation, if any, issuable upon exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, --------
however, that the Corporation shall deliver to such holder a due bill or other - -------
appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Corporation shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Shares, (ii) issuance wholly for cash of Preferred Shares at less than the current market price, (iii) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Corporation to holders of its Preferred Shares shall not be taxable to such stockholders.

(n) The Corporation covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with any other Person (other than a Subsidiary of the Corporation in a transaction which does not violate Section 11(o) hereof), (ii) merge with or into any other Person (other than a Subsidiary of the Corporation in a transaction which does not violate Section 11(o) hereof), or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction, or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Corporation and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Corporation and/or any of its Subsidiaries in one or more transactions each of which does not violate this Section 11(n)), if (x) at the time of or immediately after such consolidation, merger, sale or transfer there are any charter or by-law provisions or any rights, warrants or other instruments or securities outstanding or agreements in effect or other actions taken, which would materially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to, simultaneously with or immediately after such consolidation, merger or sale, the stockholders of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates. The Corporation shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Corporation and such other Person shall have executed and delivered to the Rights Agent a supplemental agreement evidencing compliance with this Section 11(n).

(o) The Corporation covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23 or Section 27 hereof, take (or permit any Subsidiary to take) any action the purpose of which is to, or if at the time such action is taken it is reasonably foreseeable that the effect of such action is to, materially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) The exercise of Rights under Section 11(a)(ii) shall only result in the loss of rights under Section 11(a)(ii) to the extent so exercised and shall not otherwise affect the rights represented by the Rights under this Rights Agreement, including the rights represented by Section 13.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares.

Whenever an adjustment is made as provided in Sections 11 or 13 hereof, the Corporation shall promptly (a) prepare a certificate setting forth such adjustment, and a brief reasonably detailed statement of the facts and computations accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Shares and the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall have no duty with respect to and shall not be deemed to have knowledge of such adjustment unless and until it shall have received such certificate.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning
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Power.
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(a) In the event that, on or following the Shares Acquisition Date, directly or indirectly, (x) the Corporation shall consolidate with, or merge with and into, any Interested

Stockholder or, if in such merger or consolidation all holders of Common Stock are not treated alike, any other Person, (y) the Corporation shall consolidate with, or merge with, any Interested Stockholder or, if in such merger or consolidation all holders of Common Stock are not treated alike, any other Person, and the Corporation shall be the continuing or surviving corporation of such consolidation or merger (other than, in a case of any transaction described in (x) or (y), a merger or consolidation which would result in all of the securities generally entitled to vote in the election of directors ("voting securities") of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into securities of the surviving entity) all of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation and the holders of such securities not having changed as a result of such merger or consolidation), or (z) the Corporation shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Corporation and its Subsidiaries (taken as a whole) to any Interested Stockholder or Stockholders or, if in such transaction all holders of Common Stock are not treated alike, any other Person (other than the Corporation or any Subsidiary of the Corporation in one or more transactions each of which does not violate Section 11(n) hereof), then, and in each such case (except as provided in Section 13(d) hereof), proper provision shall be made so that (i) each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of freely tradable Common Shares of the Principal Party (as hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of one one-thousandths of a Preferred Share for which a Right is then exercisable (without taking into account any adjustment previously made pursuant to Section 11(a)(ii)) and dividing that product by (B) 50% of the then current per share market price of the Common Shares of such Principal Party (determined pursuant to Section 11(d) hereof) on the date of consummation of such Section 13 Event; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Corporation pursuant to this Agreement; (iii) the term "Corporation" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event; and (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights.

(b) "Principal Party" shall mean:

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of Section 13(a), the Person that is the issuer of any securities into which Common Shares of the Corporation are converted in such merger or consolidation, and if no securities are so issued, the Person that is the other party to such merger or consolidation (including, if applicable, the Corporation if it is the surviving corporation); and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions; provided, however, that in any of the foregoing
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cases, (1) if the Common Shares of such Person are not at such time and have not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Shares of which are and have been so registered, "Principal Party" shall refer to such other Person; (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Shares of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Shares having the greatest aggregate market value; and (3) in case such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in (1) and (2) above shall apply to each of the chains of ownership having an interest in such joint venture as if such party were a "Subsidiary" of both or all of such joint venturers and the Principal Parties in each such chain shall bear the obligations set forth in this Section 13 in the same ratio as their direct or indirect interests in such Person bear to the total of such interests.

(c) The Corporation shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have a sufficient number of its authorized Common Shares which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Corporation and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any consolidation, merger, sale or transfer mentioned in paragraph (a) of this Section 13, the Principal Party at its own expense shall:

(i) prepare and file a registration statement under the Act with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Act) until the Final Expiration Date;

(ii) use its best efforts to qualify or register the Rights and the securities purchasable upon exercise of the Rights under the blue sky laws of such jurisdictions as may be necessary or appropriate; and

(iii) deliver to holders of the Rights historical financial statements for the Principal Party which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. The rights under this Section 13 shall be in addition to the rights to exercise Rights and adjustments under Section 11(a)(ii) and shall survive any exercise thereof.

(d) Notwithstanding anything in this Agreement to the contrary, this Section 13 shall not be applicable to a transaction described in subparagraphs (x) and (y) of Section 13(a) if: (i) such transaction is consummated with a Person or Persons who acquired Common Shares pursuant to a Permitted Offer (or a wholly owned Subsidiary of any such Person or Persons); (ii) the price per Common Share offered in such transaction is not less than the price per Common Share paid to all holders of Common Shares whose shares were purchased pursuant to such Permitted Offer; and (iii) the form of consideration offered in such transaction is the same as the form of consideration paid pursuant to such Permitted Offer. Upon consummation of any such transaction contemplated by this Section 13(d), all Rights hereunder shall expire.

Section 14. Fractional Rights and Fractional Shares.

(a) The Corporation shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Corporation. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Corporation shall be used.

(b) The Corporation shall not be required to issue fractions of Preferred Shares (other than fractions which are one one-thousandth or integral multiples of one one-thousandth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are one one-thousandth or integral multiples of one one-thousandth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-thousandth of a Preferred Share may, at the election of the Corporation, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Corporation and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not one one-thousandth or integral

multiples of one one-thousandth of a Preferred Share, the Corporation shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share. For the purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of one of the transactions or events specified in Section 11 giving rise to the right to receive Common Shares, capital stock equivalents (other than Preferred Shares) or other securities upon the exercise of a Right, the Corporation shall not be required to issue fractions of shares or units of such Common Shares, capital stock equivalents or other securities upon exercise of the Rights or to distribute certificates which evidence fractions of such Common Shares, capital stock equivalents or other securities. In lieu of fractional shares or units of such Common Shares, capital stock equivalents or other securities, the Corporation may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of a share or unit of such Common Shares, capital stock equivalents or other securities. For purposes of this Section 14(c), the current market value shall be determined in the manner set forth in Section 11(d) hereof for the Trading Day immediately prior to the date of such exercise and, if such capital stock equivalent is not traded, each such capital stock equivalent shall have the value of one one-thousandth of a Preferred Share.

(d) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional share upon exercise of a Right (except as provided above). The Rights Agent shall not be deemed to have knowledge of, and shall have no duty in respect of, the issuance of fractional Rights or fractional shares until it shall have received instructions from the Corporation concerning the issuance of the fractional Rights or fractional shares upon which instructions the Rights Agent may conclusively rely.

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Corporation and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the office or offices of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate form fully executed;

(c) subject to Section 7(f) hereof, the Corporation and the Rights Agent may deem and treat the Person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the associated Common Shares certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent, subject to the last sentence of Section 7(e) hereof, shall be required to be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or a beneficial interest in a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, judgment, decree or ruling (whether interlocutory or final) issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, the Corporation must use its
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best efforts to have any such order, decree, judgment, or ruling lifted or otherwise overturned as soon as possible.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder,
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as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Corporation which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or other distributions or to exercise any preemptive or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Corporation agrees to pay to
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the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the preparation, execution, delivery, amendment, administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Corporation also agrees to indemnify the Rights Agent for, and to hold it harmless against, any

loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for any action taken, suffered or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including without limitation the costs and expenses of defending against any claim of liability in the premises. The indemnity provided for herein shall survive the expiration of the Rights and the termination of this Agreement.

The Rights Agent shall be authorized and protected and shall incur no liability for, or in respect of, any action taken, suffered or omitted by it in connection with, its acceptance and administration of this Agreement in reliance upon any Right Certificate or certificate for Common Shares or for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document (collectively, "Documents")
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believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons. The Rights Agent shall not be deemed to have knowledge of, and shall have no duty in respect of, any such Documents, until it receives notice or instructions in respect thereof. In no case will the Rights Agent be liable for special, indirect, punitive, incidental or consequential loss or damage of any kind whatsoever, even if the Rights Agent has been advised of the likelihood of such loss or damage.

Section 19. Merger or Consolidation or Change of Name of Rights Agent.
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Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any Person succeeding to the stock transfer or all or substantially all of the shareholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such Person would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement. In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes only
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those duties and obligations expressly imposed by this Agreement (and no implied duties or obligations) upon the

following terms and conditions, by all of which the Corporation and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Corporation), and the advice or opinion of such counsel shall be full and complete authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of, any action taken, suffered or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of an Acquiring Person and the determination of the current market price of any Security) be proved or established by the Corporation prior to taking, suffering or omitting any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Corporation and delivered to the Rights Agent; and such certificate shall be full authorization and protection to the Rights Agent and the Rights Agent shall incur no liability in respect of any action taken, suffered or omitted in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any liability in respect of, of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature on such Right Certificates) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Corporation only.

(e) The Rights Agent shall not be under any liability or responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming null and void pursuant to Section 7(e) hereof) or any adjustment required under the provisions of Section 11 or Section 13 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after receipt of the certificate described in Section 12 hereof); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares or Common Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares or Common Shares will, when issued, be validly authorized and issued, fully paid and non-assessable.

(f) The Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Corporation, and to apply to such officers for advice or instructions in connection with its duties, and instructions shall be full authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken, suffered or omitted by it in good faith or lack of action in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Corporation may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Rights Agreement and the date on or after which such action shall be taken or suffered or such omission shall be effective. The Rights Agent shall not be liable or responsible for any action taken or suffered by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Corporation actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instruction in response to such application specifying the action to be taken, suffered or omitted.

(h) The Rights Agent and any stockholder, affiliate, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other Person or legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation or any other Person resulting from any such act, default, neglect or misconduct, absent gross negligence, bad faith or willful misconduct in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if it believes that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to

purchase, as the case may be, has not been completed, the Rights Agent shall not take any further action with respect to such requested exercise of transfer without first consulting with the Corporation.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Corporation and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Corporation may remove the Rights Agent or any successor Rights Agent upon 60 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be remove d or shall otherwise become incapable of acting, the Corporation shall appoint a successor to the Rights Agent. If the Corporation shall fail to make such appointment within a period of 60 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Corporation), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be a Person organized and doing business under the laws of the United States or of the States of Delaware or New York (or of any other state of the United States so long as such Person is authorized to do business in the States of Delaware or New York), in good standing, having an office in the States of Delaware or New York, which is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50,000,000. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Corporation shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

In addition, in connection with the issuance or sale of Common Shares following the Distribution Date and prior to the earlier of the Redemption Date and the Final Expiration Date, the Corporation (a) shall with respect to Common Shares so issued or sold pursuant to the

exercise of stock options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities, notes or debentures issued by the Corporation, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Corporation, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) the Corporation shall not
be obligated to issue any such Right Certificates if, and to the extent that, the Corporation shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Corporation or the Person to whom such Right Certificate would be issued, and (ii) no Right Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption and Termination.

(a) (i) The Board of Directors of the Corporation may, at its option, redeem all but not less than all of the then outstanding Rights at a redemption price of $.01 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"), at any time prior to the earlier of (x) the occurrence
of a Section 11(a)(ii) Event, or (y) the Final Expiration Date.

(ii) In addition, the Board of Directors of the Corporation may, at its option, at any time following the occurrence of a Section 11(a)(ii) Event and the expiration of any period during which the holder of Rights may exercise the rights under Section 11(a)(ii) but prior to any Section 13 Event redeem all but not less than all of the then outstanding Rights at the Redemption Price (x) in connection with any merger, consolidation or sale or other transfer (in one transaction or in a series of related transactions) of assets or earning power aggregating 50% or more of the earning power of the Corporation and its subsidiaries (taken as a whole) in which all holders of Common Shares are treated alike and not involving (other than as a holder of Common Shares being treated like all other such holders) an Interested Stockholder or (y) (aa) if and for so long as the Acquiring Person is not thereafter the Beneficial Owner of 15% of the Common Shares, and (bb) at the time of redemption no other Persons are Acquiring Persons.

(b) In the case of a redemption permitted under Section 23(a)(i), immediately upon the date for redemption set forth (or determined in the manner specified in) in a resolution of the Board of Directors of the Corporation ordering the redemption of the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. In the case of a redemption permitted only under Section 23(a)(ii), the right to exercise the Rights will terminate and represent only the right to receive the Redemption Price upon the later of ten Business Days following the giving of such notice or the expiration of any period during which the rights under Section 11(a)(ii) may be exercised. The Corporation shall promptly give public notice and notify the Rights Agent of any such redemption; provided, however, that the failure to give, or any defect in, any
such notice shall not affect the validity of such redemption. Within 10 days after such date for redemption set forth in a resolution of the Board of Directors ordering the redemption of the Rights, the Corporation shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry

books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Corporation nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 and other than in connection with the purchase of Common Shares prior to the Distribution Date.

(c) The Corporation may, at its option, discharge all of its obligations with respect to the Rights by (i) issuing a press release announcing the manner of redemption of the Rights in accordance with this Agreement and (ii) mailing payment of the Redemption Price to the registered holders of the Rights at their last addresses as they appear on the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the Transfer Agent of the Common Shares, and upon such action, all outstanding Rights and Right Certificates shall be null and void without any further action by the Corporation.

Section 24. Exchange.

(a) The Board of Directors of the Corporation may, at its option, at any time after the time that any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become null and void pursuant to the provisions of Section 7(e) and Section 11(a)(ii) hereof) for Common Shares of the Corporation at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Corporation's Board of
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Directors shall not be empowered to effect such exchange at any time after any Person (other than the Corporation, any Subsidiary of the Corporation, any employee benefit plan of the Corporation or any such Subsidiary, any Person organized, appointed or established by the Corporation for or pursuant to the terms of any such plan or any trustee, administrator or fiduciary of such a plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Corporation ordering the exchange of any Rights pursuant to subsection (a) of this Section 24 and without any further action and without any notice, the right to exercise such rights shall terminate and the only right thereafter of the holders of such Rights shall be to receive that number of Common Shares equal to the number of such rights held by such holder multiplied by the Exchange Ratio. The Corporation shall promptly give public notice and notify the Rights Agent of any such exchange; provided, however, that the failure to give, or any defect
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in, such notice shall not affect the validity of such exchange. The Corporation promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights

which have become null and void pursuant to the provisions of Section 7(e) and Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Corporation, at its option, may substitute Preferred Shares (or equivalent preferred shares, as such term is defined in Section 11(b) hereof) for some or all of the Common Shares exchangeable for Rights, at the initial rate of one one-thousandth of a Preferred Share (or equivalent preferred share) for each Common Share, as appropriately adjusted to reflect adjustments in the voting rights of the Preferred Shares pursuant to the terms thereof, so that the fraction of a Preferred Share delivered in lieu of each Common Share shall have the same voting rights as one Common Share.

(d) The Board shall not authorize any exchange transaction referred to in Section 24(a) hereof unless at the time such exchange is authorized there shall be sufficient Common Shares or Preferred Shares issued but not outstanding, or authorized but unissued, to permit the exchange of Rights as contemplated in accordance with this Section 24.

Section 25. Notice of Certain Events.

(a) In case the Corporation shall propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regularly quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with any other Person (other than a Subsidiary of the Corporation in a transaction which does not violate Section 11(n) hereof), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer) in one or more transactions, of 50% or more of the assets or earning power of the Corporation and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Corporation and/or any of its Subsidiaries in one or more transactions each of which does not violate Section 11(n) hereof), or (v) to effect the liquidation, dissolution or winding up of the Corporation, then, in each such case, the Corporation shall give to the Rights Agent and to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action and file a certificate with the Rights Agent to that effect, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 20 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 20 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Preferred Shares, whichever shall be the earlier.

(b) In case of a Section 11(a)(ii) Event, then (i) the Corporation shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the

consequences of such event to holders of Rights under Section 11(a)(ii) hereof, and (ii) all references in the preceding paragraph (a) to Preferred Shares shall be deemed thereafter to refer also to Common Shares and/or, if appropriate, other securities of the Corporation.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Corporation shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

NNG, Inc.
1840 Century Park East
Los Angeles, California 90067
Attention: Office of the Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Corporation or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Corporation) as follows:

EquiServe Trust Company, N. A.
P.O. Box 842010
Boston, Massachusetts 002284-2010
Attention: General Counsel

Notices or demands authorized by this Agreement to be given or made by the Corporation or the Rights Agent to the holder of any Right Certificate or, if prior to the Distribution Date, to the holder of certificates representing Common Shares shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Corporation.

Section 27. Supplements and Amendments. Except as set forth in the penultimate sentence of this Section 27, prior to the Distribution Date, the Corporation may and the Rights Agent shall, if the Corporation so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing Common Shares. From and after the Distribution Date, the Corporation may and the Rights Agent shall, if the Corporation so directs, supplement or amend this Agreement without the approval of any holders of Right Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder or (iv) to change or supplement the provisions hereunder in any manner which the Corporation may deem necessary or desirable and which shall not adversely affect the interests of the holders of Right Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, however, that this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless any such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Corporation

which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, and if requested by the Rights Agent an opinion of counsel, the Rights Agent shall execute such supplement or amendment; provided, that such supplement or amendment does not adversely affect the rights or obligations of the Rights Agent under Section 18 or Section 20 of this Agreement. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Shares.

Section 28. Determination and Actions by the Board of Directors, etc. The Board of Directors of the Corporation shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board, or the Corporation, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including, without limitation, a determination to redeem or not redeem the Rights or to amend the Agreement and whether any proposed amendment adversely affects the interests of the holders of Right Certificates). For all purposes of this Agreement, any calculation of the number of Common Shares or other securities outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding Common Shares or any other securities of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement. All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board in good faith (and the Rights Agent shall be able to assume that the Board acted in such good faith), shall (x) be final, conclusive and binding on the Corporation, the Rights Agent, the holders of the Right Certificates and all other Persons, and (y) not subject the Board to any liability to the holders of the Right Certificates.

Section 29. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 30. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Corporation, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

Section 31. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 32. Governing Law. This Agreement, each Right and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware

and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State; except that all provisions regarding the rights, duties and obligations of the Rights Agent shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

Section 33. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the date and year first above written.

NNG, INC.

Attest:

By: /s/ Kathleen M. Salmas
Name: Kathleen M. Salmas
Title: Assistant Secretary

By: /s/ John H. Mullan
Name: John H. Mullan
Title: Corporate Vice President, Secretary and Associate General Counsel

EQUISERVE TRUST COMPANY, N. A.

Attest:

By: /s/ Kevin Laurita
Name: Kevin Laurita
Title: Managing Director

By: /s/ Gregory P. Denman
Name: Gregory P. Denman
Title: Senior Account Manager

Exhibit A

NORTHROP GRUMMAN CORPORATION
(FORMERLY NNG, INC.)
CERTIFICATE OF DESIGNATION, PREFERENCES
AND RIGHTS OF SERIES A JUNIOR PARTICIPATING
PREFERRED STOCK

(Pursuant to Section 151
of the General Corporation Law of the State of Delaware)

We, Albert F. Myers, Corporate Vice President and Treasurer and John H. Mullan, Corporate Vice President, Secretary and Associate General Counsel of NNG, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 103 thereof, do hereby certify:

That pursuant to the authority conferred upon the Board of Directors by the Corporation's Amended and Restated Certificate of Incorporation (as amended from time to time, the "Certificate of Incorporation"), the Board of Directors, by a unanimous written consent dated January 31, 2001, adopted the following resolution creating a series of shares of Preferred Stock designated as Series A Junior Participating Preferred Stock:

WHEREAS, the Certificate of Incorporation provides that the Corporation is authorized to issue 10,000,000 shares of preferred stock, none of which are outstanding, now therefore it is.

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by Article FOURTH of the Certificate of Incorporation, a series of Preferred Stock of the Corporation be, and it hereby is, created out of the authorized but unissued shares of the capital stock of the Corporation, such series to be designated Series A Junior Participating Preferred Stock, par value $1.00 per share (the "Participating Preferred Stock"), to consist of such amounts as may be necessary to permit the issuance of Preferred Shares upon exercise of the Rights, of which the preferences and relative and other rights, and the qualifications, limitations or restrictions thereof, shall be as follows:

1. Future Increase or Decrease. Subject to paragraph 4(e) of this resolution, the number of shares of said series may at any time or from time to time be increased or decreased by the Board of Directors notwithstanding that shares of such series may be outstanding at such time of increase or decrease.

2. Dividend Rate.

(a) The holders of shares of Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for that purpose, quarterly dividends payable in cash on the first day of each November, February, May and August in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Participating Preferred Stock (the "First Issuance"),

in an amount per share (rounded to the nearest cent) equal to the greater of (i) $10.00 or (ii) 1,000 times the aggregate per share amount of all cash dividends and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $1.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Participating Preferred Stock. In the event the Corporation shall at any time after the First Issuance declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Participating Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) On or after the first issuance of any share or fractional share of Participating Preferred Stock, no dividend on Common Stock shall be declared unless concurrently therewith a dividend or distribution is declared on the Participating Preferred Stock as provided in paragraph (a) above; and the declaration of any such dividend on the Common Stock shall be expressly conditioned upon payment or declaration of and provision for a dividend on the Participating Preferred Stock as above provided. In the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10.00 per share on the Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Whenever quarterly dividends or other dividends payable on the Participating Preferred Stock as provided in paragraph (a) above are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Participating Preferred Stock.

(d) Dividends shall begin to accrue and be cumulative on outstanding shares of Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the

determination of holders of shares of Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. The Board of Directors may fix a record date for the determination of holders of shares of Participating Preferred Stock entitled to receive payment of a dividend distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. Dissolution, Liquidation and Winding Up. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation (hereinafter referred to as a "Liquidation"), the holders of Participating Preferred Stock shall receive at least $1,000 per share, plus an amount equal to all accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Participating Preferred Stock shall be entitled to receive at least an aggregate amount per share equal to 1,000 times the aggregate amount to be distributed per share to holders of Common Stock (the "Participating Preferred Liquidation Preference"). In the event the Corporation shall at any time after the First Issuance declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Participating Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

4. Voting Rights. The holders of shares of Participating Preferred Stock shall have the following voting rights:

(a) Each share of Participating Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the First Issuance declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Participating Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, or by law, the Certificate of Incorporation or the Restated By-laws of the Corporation (as amended from time to time, the "By-laws"), the holders of shares of Participating Preferred Stock and the holders of shares of

Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) If and whenever dividends on the Participating Preferred Stock shall be in arrears in an amount equal to six quarterly dividend payments, then and in such event the holders of the Participating Preferred Stock, voting separately as a class (subject to the provisions of subparagraph (d) below), shall be entitled at the next annual meeting of the stockholders or at any special meeting to elect two directors. Each share of Participating Preferred Stock shall be entitled to one vote, and holders of fractional shares shall have the right to a fractional vote. Upon election, such directors shall become additional directors of the Corporation and the authorized number of directors of the Corporation shall thereupon be automatically increased by such number of directors. Such right of the holders of Participating Preferred Stock to elect directors may be exercised until all dividends in default on the Participating Preferred Stock shall have been paid in full, and dividends for the current dividend period declared and funds therefor set apart, and when so paid and set apart, the right of the holders of Participating Preferred Stock to elect such number of directors shall cease, the term of such directors shall thereupon terminate, and the authorized number of directors of the Corporation shall thereupon return to the number of authorized directors otherwise in effect, but subject always to the same provisions for the vesting of such special voting rights in the case of any such future dividend default or defaults. The fact that dividends have been paid and set apart as required by the preceding sentence shall be evidenced by a certificate executed by the President and the Chief Financial Officer of the Corporation and delivered to the Board of Directors. The directors so elected by the holders of Participating Preferred Stock shall serve until the certificate described in the preceding sentence shall have been delivered to the Board of Directors or until their respective successors shall be elected or appointed and qualify.

At any time when such special voting rights have been so vested in the holders of the Participating Preferred Stock, the Secretary of the Corporation may, and upon the written request of the holders of record of 10% or more of the number of shares of the Participating Preferred Stock then outstanding addressed to such Secretary at the principal office of the Corporation in the State of California, shall, call a special meeting of the holders of the Participating Preferred Stock for the election of the directors to be elected by them as hereinabove provided, to be held in the case of such written request within 40 days after delivery of such request, and in either case to be held at the place and upon the notice provided by law and in the By-laws of the Corporation for the holding of meetings of stockholders; provided, however, that the Secretary
-------- -------
shall not be required to call such a special meeting (i) if any such request is received less than 90 days before the date fixed for the next ensuing annual or special meeting of stockholders or (ii) if at the time any such request is received, the holders of Participating Preferred Stock are not entitled to elect such directors by reason of the occurrence of an event specified in the third sentence of subparagraph (d) below.

(d) If, at any time when the holders of Participating Preferred Stock are entitled to elect directors pursuant to the foregoing provisions of this paragraph 4, the holders of any one or more additional series of Preferred Stock are entitled to elect directors by reason of any default or event specified in the Certificate of Incorporation, as in effect at the time of the certificate of designation for such series, and if the terms for such other additional series so permit, the voting rights of the two or more series then entitled to vote shall be combined (with

each series having a number of votes proportional to the aggregate liquidation preference of its outstanding shares). In such case, the holders of Participating Preferred Stock and of all such other series then entitled so to vote, voting as a class, shall elect such directors. If the holders of any such other series have elected such directors prior to the happening of the default or event permitting the holders of Participating Preferred Stock to elect directors, or prior to a written request for the holding of a special meeting being received by the Secretary of the Corporation from the holders of not less than 10% of the then outstanding shares of Participating Preferred Stock, then such directors so previously elected will be deemed to have been elected by and on behalf of the holders of Participating Preferred Stock as well as such other series, without prejudice to the right of the holders of Participating Preferred Stock to vote for directors if such previously elected directors shall resign, cease to serve or fail to stand for reelection while the holders of Participating Preferred Stock are entitled to vote. If the holders of any such other series are entitled to elect in excess of two directors, the Participating Preferred Stock shall not participate in the election of more than two such directors, and those directors whose terms first expire shall be deemed to be the directors elected by the holders of Participating Preferred Stock; provided, --------
however, that, if at the expiration of such terms the holders of Participating - -------
Preferred Stock are entitled to vote in the election of directors pursuant to the provisions of this paragraph 4, then the Secretary of the Corporation shall call a meeting (which meeting may be the annual meeting or special meeting of stockholders referred to in subparagraph (c)) of the holders of Participating Preferred Stock for the purpose of electing replacement directors (in accordance with the provisions of this paragraph 4) to be held on or prior to the time of expiration of the expiring terms referred to above.

(e) Except as otherwise set forth herein or required by law, the Certificate of Incorporation or the By-laws, the holders of Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for the taking of any corporate action. No consent of the holders of outstanding shares of Participating Preferred Stock at any time outstanding shall be required in order to permit the Board of Directors to: (i) increase the number of authorized shares of Participating Preferred Stock or to decrease such number to a number not below the sum of the number of shares of Participating Preferred Stock then outstanding and the number of shares with respect to which there are outstanding rights to purchase; or (ii) to issue Preferred Stock which is senior to the Participating Preferred Stock, junior to the Participating Preferred Stock or on a parity with the Participating Preferred Stock.

5. Consolidation, Merger, etc. In case the Corporation shall enter into ---------------------------
any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each shares of Participating Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the First Issuance declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise then by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such

case the amount set forth in the preceding sentence which respect to the exchange or change of shares of Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

6. Redemption. The shares of Participating Preferred Stock shall not be redeemable.

7. Conversion Rights. The Participating Preferred Stock is not convertible into Common Stock or any other security of the Corporation.

[balance of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned Corporate Vice President and Treasurer and Corporate Vice President, Secretary and Associate General Counsel of the Corporation each declares under penalty or perjury the truth, to the best of his knowledge, of this Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock.

Executed this ___ day of _____, 2001.

By:_____
Name: Albert F. Myers
Title: Corporate Vice President and Treasurer

Attest:

By: _____
Name: John H. Mullan
Title: Corporate Vice President, Secretary and Associate General Counsel

Form of Right Certificate

Certificate No. R- ____ Rights

NOT EXERCISABLE AFTER OCTOBER 31, 2008, OR EARLIER IF REDEEMED BY THE CORPORATION. THE RIGHTS ARE SUBJECT TO REDEMPTION AT $.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

Right Certificate

NNG, Inc.

This certifies that [_____], or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of January 31, 2001 (the "Rights Agreement"), between NNG, Inc., a Delaware corporation (the "Corporation"), and EquiServe Trust Company, N. A., a national association (the "Rights Agent"), to purchase from the Corporation at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., New York time, on October 31, 2008, unless the Rights evidenced hereby shall have been previously redeemed by the Corporation, at the office or offices of the Rights Agent designated for such purpose, or at the office of its successor as Rights Agent, one one-thousandth of a fully paid non-assessable share of Series A Junior Participating Preferred Stock, without par value (the "Preferred Shares"), of the Corporation, at a purchase price of $250.00 per one one-thousandth of Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-thousandths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of [_____, 20__,] based on the Preferred Shares as constituted at such date.

Upon the occurrence of a Section 11(a)(ii) Event (as such term is defined in the Rights Agreement), if the Rights evidenced by this Right Certificate are Beneficially Owned by (i) an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement), (ii) a transferee of any such Acquiring Person, Associate or Affiliate who becomes a transferee after the Acquiring Person becomes such, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of any such Acquiring Person, Associate or Affiliate who becomes a transferee prior to or concurrently with the Acquiring Person becoming such, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a)(ii) Event.

As provided in the Rights Agreement, the Purchase Price and the number of one one-thousandth of a Preferred Share or other securities which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon

the happening of certain events, including Triggering Events (as such term is defined in the Rights Agreement).

This Right Certificate is subject to all of the terms, covenants and restrictions of the Rights Agreement, which terms, covenants and restrictions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Corporation and the holders of the Right Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the principal executive offices of the Corporation and the office or offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares or other securities as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Corporation at a redemption price of $.01 per Right (subject to adjustment as provided in the Rights Agreement) payable in cash.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are one one-thousandth or integral multiples of one one-thousandth of a Preferred Share, which may, at the election of the Corporation, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Corporation which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or other distributions or to exercise any preemptive or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation and its corporate seal. Dated as of [_____, 20__].

[SEAL]
ATTEST:

By: _____
Name: _____
Title: _____

NNG, INC.

By: _____
Name: _____
Title: _____

Countersigned:
[ ]

By: _____
Authorized Signatory
Name: _____
Title: _____

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____ (Please print name and address of transferee) this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Corporation, with full power of substitution.

Dated: _____, 20__

_____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that (1) the Rights evidenced by this Right Certificate are not being sold, assigned or transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Right Agreement) and (2) after due inquiry and to the best knowledge of the undersigned, the undersigned did not acquire the Rights evidenced by this Right Certificate from any Person who is or was an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement).

_____
Signature

FORM OF ELECTION TO PURCHASE

(To be executed by the registered holder if such holder desires to exercise Rights represented by the Right Certificate.)

To the Rights Agent:

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares, Common Shares or other securities issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares, Common Shares or other securities be issued in the name of:

Please insert social security or other identifying number: _____ (Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number: _____ (Please print name and address)

Dated: _____, 20__

_____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

Form of Reverse Side of Right Certificate--continued.

The undersigned hereby certifies that (1) the Rights evidenced by this Right Certificate are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement) and (2) after due inquiry and to the best knowledge of the undersigned, the undersigned did not acquire the Rights evidenced by this Rights Certificate from any Person who is or was an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement).

_____

Signature

NOTICE

The signature on the foregoing Forms of Assignment and Election and certificates must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Corporation and the Rights Agent will deem the Beneficial Owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

Exhibit C

SUMMARY OF RIGHTS TO PURCHASE
PREFERRED SHARES

On January 31, 2001, the Board of Directors of NNG, Inc. (the "Corporation") declared a dividend distribution of one preferred share purchase right (a "Right") for each outstanding share of Common Stock, par value $1.00 per share (the "Common Shares"), of the Corporation. The dividend is payable to the stockholders of record on January 31, 2001 (the "Record Date"), and with respect to Common Shares issued thereafter until the Distribution Date (as defined below) and, in certain circumstances, with respect to Common Shares issued after the Distribution Date. Except as set forth below, each Right, when it becomes exercisable, entitles the registered holder to purchase from the Corporation one one-thousandth of a share of Series A Junior Participating Preferred Stock, $1.00 par value per share (the "Preferred Shares"), of the Corporation at a price of $250.00 per one one-thousandth of a Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Corporation and EquiServe Trust Company, N. A., as Rights Agent (the "Rights Agent"), dated as of January 31, 2001.

Initially, the Rights will be attached to all certificates representing Common Shares then outstanding, and no separate Right Certificates will be distributed. The Rights will separate from the Common Shares upon the earliest to occur of (i) a person or group of affiliated or associated persons having acquired beneficial ownership of 15% or more of the outstanding Common Shares (except pursuant to a Permitted Offer, as hereinafter defined); or (ii) 10 days (or such later date as the Board may determine) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in a person or group becoming an Acquiring Person (as hereinafter defined) (the earliest of such dates being called the "Distribution Date"). A person or group whose acquisition of Common Shares causes a Distribution Date pursuant to clause (i) above is an "Acquiring Person." The date that a person or group becomes an Acquiring Person is the "Shares Acquisition Date."

The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights) new Common Share certificates issued after the Record Date upon transfer or new issuance of Common Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date (and to each initial record holder of certain Common Shares issued after the Distribution Date), and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date and will expire at the close of business on October 31, 2008, unless earlier redeemed by the Corporation as described below.

In the event that any person becomes an Acquiring Person or an affiliate or associate thereof, (except pursuant to a tender or exchange offer which is for all outstanding Common Shares at a price and on terms which a majority of certain members of the Board of Directors determines to be adequate and in the best interests of the Corporation, its stockholders and other relevant constituencies, other than such Acquiring Person, its affiliates and associates (a "Permitted Offer")), each holder of a Right will thereafter have the right (the "Flip-In Right") to receive upon exercise the number of Common Shares or of one one-thousandth of a share of Preferred Shares (or, in certain circumstances, other securities of the Corporation) having a value (immediately prior to such triggering event) equal to two times the exercise price of the Right. Notwithstanding the foregoing, following the occurrence of the event described above, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person or any affiliate or associate thereof will be null and void.

In the event that, at any time following the Shares Acquisition Date, (i) the Corporation is acquired in a merger or other business combination transaction in which the holders of all of the outstanding Common Shares immediately prior to the consummation of the transaction are not the holders of all of the surviving corporation's voting power, or (ii) more than 50% of the Corporation's assets or earning power is sold or transferred, in either case with or to an Acquiring Person or any affiliate or associate or any other person in which such Acquiring Person, affiliate or associate has an interest or any person acting on behalf of or in concert with such Acquiring Person, affiliate or associate, or, if in such transaction all holders of Common Shares are not treated alike, any other person, then each holder of a Right (except Rights which previously have been voided as set forth above) shall thereafter have the right (the "Flip-Over Right") to receive, upon exercise, common shares of the acquiring company (or in certain circumstances, its parent) having a value equal to two times the exercise price of the Right. The holder of a Right will continue to have the Flip-Over Right whether or not such holder exercises or surrenders the Flip-In Right.

The Purchase Price payable, and the number of Preferred Shares, Common Shares or other securities issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares, (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then current market price of the Preferred Shares or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-thousandths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Shares or a stock dividend on the Common Shares payable in Common Shares or subdivisions, consolidations or combinations of the Common Shares occurring, in any such case, prior to the Distribution Date.

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of $10.00 per share but, if greater, will be entitled to an aggregate dividend per share of 1,000 times the dividend declared per Common Share. In the event of liquidation, the holders of the Preferred Shares will be entitled to a minimum preferential liquidation payment of $1,000 per share; provided, however, that the holders will be entitled to an aggregate
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payment per share of at least 1,000 times the aggregate payment made per Common Share. These rights are protected by customary anti-dilution provisions. In the event that the amount of accrued and unpaid dividends on the Preferred Shares is equivalent to six full quarterly dividends or more, the holders of the Preferred Shares shall have the right, voting as a class, to elect two directors in addition to the directors elected by the holders of the Common Shares, until all cumulative dividends on the Preferred Shares have been paid through the last quarterly dividend payment date or until non-cumulative dividends have been paid regularly for at least one year.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional Preferred Shares will be issued (other than fractions which are one one-thousandth or integral multiples of one one-thousandth of a Preferred Share, which may, at the election of the Corporation, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

At any time prior to the earlier to occur of (i) a person becoming an Acquiring Person or (ii) the expiration of the Rights, and under certain other circumstances, the Corporation may redeem the Rights in whole, but not in part, at a price of $.01 per Right (the "Redemption Price") which redemption shall be effective upon the action of the Board of Directors. Additionally, following the Shares Acquisition Date, the Corporation may redeem the then outstanding Rights in whole, but not in part, at the Redemption Price; provided, however,
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that such redemption is in connection with a merger or other business combination transaction or series of transactions involving the Corporation in which all holders of Common Shares are treated alike but not involving an Acquiring Person or its affiliates or associates.

All of the provisions of the Rights Agreement may be amended by the Board of Directors of the Corporation prior to the Distribution Date. After the Distribution Date, the provisions of the Rights Agreement may be amended by the Board in order to cure any ambiguity, defect or inconsistency, to make changes which do not adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person), or, subject to certain limitations, to shorten or lengthen any time period under the Rights Agreement.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Corporation, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders of the Corporation, stockholders may, depending upon the circumstances, recognize taxable income should the Rights become exercisable or upon the occurrence of certain events thereafter.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A dated March [__], 2001. A

copy of the Rights Agreement is available free of charge from the Corporation. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

Exhibit 10.6

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Form of
$2,500,000,000
364-DAY REVOLVING CREDIT AGREEMENT

dated as of

March 30, 2001

among

NNG, INC.,

NORTHROP GRUMMAN CORPORATION,

LITTON INDUSTRIES, INC.,

The Lenders Party Hereto,

THE CHASE MANHATTAN BANK

and

CREDIT SUISSE FIRST BOSTON,
as Co-Administrative Agents

and

THE CHASE MANHATTAN BANK
as Payment Agent

_____

SALOMON SMITH BARNEY INC.,
as Syndication Agent

THE BANK OF NOVA SCOTIA
and
DEUTSCHE BANC ALEX. BROWN, INC.,
as Co-Documentation Agents

JP MORGAN, a division of
CHASE SECURITIES INC.
and
CREDIT SUISSE FIRST BOSTON,
as Joint Lead Arrangers and Joint Bookrunners

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CREDIT AGREEMENT dated as of March 30, 2001, among NNG, INC., a Delaware corporation (the "Company"); NORTHROP GRUMMAN CORPORATION, a Delaware corporation ("Northrop Operating"); at all times after it shall have become a subsidiary of the Company, LITTON INDUSTRIES, INC., a Delaware corporation ("Litton Operating" and, together with the Company and Northrop Operating, the "Borrowers"); the LENDERS party hereto, THE CHASE MANHATTAN BANK and CREDIT SUISSE FIRST BOSTON, as Co-Administrative Agents, SALOMON SMITH BARNEY INC., as Syndication Agent, and THE BANK OF NOVA SCOTIA and DEUTSCHE BANC ALEX. BROWN INC. as Co-Documentation Agents.

The Company intends to acquire (the "Acquisition") Litton Operating pursuant to the Amended and Restated Agreement and Plan of Merger dated as of January 23, 2001 (the "Merger Agreement"), among Northrop Operating, LII Acquisition, Inc. ("Litton Merger Sub") and Litton Operating. Pursuant to the Merger Agreement, Litton Merger Sub has made an offer (the "Exchange Offer") to acquire all the issued and outstanding capital stock of Litton Operating for consideration consisting of (a) in the case of Litton Operating's common stock, at the election of the holders thereof and subject to certain other conditions and adjustments, (i) $80.25 per common share, net to the Seller in cash, and/or (ii) a combination of new common stock of the Company (approximately 13,000,000 shares in the aggregate) and/or new preferred stock of the Company (valued at up to $350,000,000 in the aggregate) and (b) in the case of Litton Operating's preferred stock, $35 per share, net to the Seller in cash. Immediately prior to the consummation of the Exchange Offer, the Company will cause a newly formed, wholly-owned subsidiary ("Northrop Merger Sub") to merge (the "Northrop Merger") with and into Northrop Operating, as consideration for which the existing stockholders of Northrop Operating will receive common stock of the Company. As promptly as practicable following the consummation of the Exchange Offer, (i) Litton Merger Sub will merge with and into Litton Operating (the "Litton Merger" and, together with the Northrop Merger, the "Mergers") in a transaction in which, subject to stockholders' dissent rights, each issued and outstanding share of common stock of Litton Operating not acquired in the Exchange Offer will be converted into the right to receive $80.25 per common share in cash and (ii) Litton Operating will become a party to this Agreement as a Borrower. The aggregate consideration payable to the stockholders of Litton Operating in the Acquisition will be approximately not greater than $4,000,000,000 in cash and stock. In connection and substantially concurrent with the Acquisition, Northrop Operating and Litton Operating will repay all amounts outstanding under, and terminate, their primary existing bank credit agreements (the "Existing Credit Agreements") and repay the Refinanced Debt.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Revolving Loan or Revolving Borrowing, refers to whether such Revolving Loan, or the Revolving Loans comprising such Revolving Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" has the meaning assigned to such term in the preamble to this Agreement.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Revolving Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Payment Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agents" means, collectively, the Co-Administrative Agents and the Payment Agent.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurodollar Revolving Loan or ABR Loan, or with respect to the facility fees payable hereunder, as the case may be, the

applicable rate per annum set forth below under the caption "Eurodollar Spread", "ABR Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Senior Long Term Debt:

Senior Long Term Debt Ratings	Facility Fee Rate	Eurodollar Spread	ABR Spread
Category 1 BBB+ or higher or Baal or higher	0.100%	0.650%	0.000%
Category 2 BBB or Baa2, and no other Category applies	0.125%	0.875%	0.000%
Category 3 BBB- and Baa3	0.175%	1.075%	0.075%
Category 4 BBB- and Ba1 or BB+ and Baa3	0.250%	1.250%	0.250%
Category 5 BB+ and Ba1	0.300%	1.450%	0.450%
Category 6 Lower than BB+ or lower than Ba1	0.375%	1.875%	0.875%

If either Moody's or S&P shall not have in effect a rating for the Senior Long Term Debt, then the Company and the Co-Administrative Agents shall endeavor in good faith to agree upon a Substitute Rating Agency and the ratings of such Substitute Rating Agency corresponding to the ratings of Moody's or S&P, as the case may be, in each of the Categories in the table above, and following such agreement the Applicable Rate shall be determined by substituting the ratings of such Substitute Rating Agency applicable to the Senior Long Term Debt for the ratings of Moody's or S&P, as the case may be, in the table above; provided, that (a) a single Substitute Rating Agency may not be substituted pursuant to this sentence for both Moody's and S&P and (b) until the Company and the Co-Administrative Agents shall have reached agreement on the matters referred to in this sentence, the Applicable Rate shall be determined by reference to the single available rating by Moody's or S&P, as the case may be (or, if there is no available rating, the rating most recently in effect). If the ratings established or deemed to have been established by Moody's and S&P (or a Substitute Rating Agency) for the Senior Long Term Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P (or a Substitute Rating Agency)), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P or an applicable Substitute Rating Agency shall change, the Company and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system and, pending the effectiveness of any

such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect from such rating agency prior to such change.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Payment Agent, in the form of Exhibit A or any other form approved by the Payment Agent and the Borrowers.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Bankruptcy Code" means the Federal Bankruptcy Code of 1978, as amended from time to time.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrowers" means Northrop Operating and the Company and, from and after its execution of this Agreement as provided in Section 10.14, Litton Operating.

"Borrowing" means a group of Loans of the same type, made, converted or continued on the same date and, in the case of Eurodollar Loans or Fixed Rate Loans, as to which a single Interest Period applies.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Expenditures" means, for any period, expenditures (including, without limitation, the aggregate amount of Capital Lease Obligations incurred during such period) made by the Company or any of the Subsidiaries to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) during such period computed in accordance with GAAP.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) Property, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.13(b), by any lending office of such

Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Chase" means The Chase Manhattan Bank and its successors.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Competitive Loans.

"Co-Administrative Agents" means Chase and CSFB, in their capacities as co-administrative agents for the Lenders hereunder, or any successors, thereto appointed in accordance with Article VIII.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder, expressed as an amount representing the maximum aggregate permitted amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Company" has the meaning assigned to such term in the preamble to this Agreement.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by a Borrower for Competitive Bids in accordance with Section 2.04.

"Competitive Loan" means a loan made pursuant to Section 2.04.

"Competitive Loan Exposure" means, with respect to any Lender at any time, the aggregate principal amount of the outstanding Competitive Loans of such Lender.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, without duplication and to the extent deducted in determining such Net Income, the sum of (i) Interest Expense for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization for such period, (iv) any noncash charges for such period and (v) fees and expenses incurred in connection with the Transactions,

minus, without duplication and to the extent included in determining such Net Income, any noncash income for such period.

"Consolidated Net Income" means, for the Company and the Subsidiaries (determined on a consolidated basis in accordance with GAAP) for any fiscal period, an amount equal to the consolidated net income of the Company and its Subsidiaries for such fiscal period.

"Consolidated Net Income Available for Restricted Payments" means an amount equal to (i) the sum of $300,000,000 plus 80% (or minus 100% in case of consolidated net loss) of Consolidated Net Income for the period (taken as one accounting period) commencing January 1, 2001 and terminating on the Fiscal Date immediately preceding the date of any proposed Restricted Payment, less (ii) the sum of (A) the aggregate amount of all dividends (other than dividends payable solely in common stock of the Company) and other distributions paid or declared by the Company (for all periods on or after the Effective Date) or either Northrop Operating or Litton Operating (for the period from January 1, 2001 through the Effective Date) on any class of its stock and (B) the excess (if any) of the aggregate amount expended, directly or indirectly, by the Company (for all periods on or after the Effective Date) or by either Northrop Operating or Litton Operating (for the period from January 1, 2001 through the Effective Date) for the redemption, purchase or other acquisition of any shares of its stock, over the aggregate amount of any cash or cash equivalents received by the Company on and after said date as consideration for the sale of any shares of its stock.

"Consolidated Stockholders' Equity" means the amount of stockholders' equity of the Company and the Subsidiaries (determined on a consolidated basis in accordance with GAAP).

"Consolidating Financial Statements" means, for any fiscal period, the unaudited consolidating statements of financial position and income for the corporate office and principal operating centers of the Company and the Subsidiaries substantially in the form of the consolidating financial statements for such corporate office and principal operating centers as at and for Northrop Operating's fiscal year ended December 31, 1999 heretofore delivered to the Lenders.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"CSFB" means Credit Suisse First Boston and its successors.

"Debt Service" means, for any period, the sum, for the Company and the Subsidiaries (determined on a consolidated basis in accordance with GAAP), of the following: (a) all regularly scheduled payments of principal of Indebtedness (including, without limitation, the principal component of any payments in respect of Capital Lease Obligations but excluding amounts repaid under Working Capital Credit Lines) made during such period plus (b) all Interest Expense for such period.

"Default" means any event or condition which constitutes an Event of Default or which with notice, passage of time or both would become an Event of Default.

"Disbursement Account" means the Company's account (910-2-475762) with the Payment Agent, or, at any time, any other account of the Company with the Payment Agent that shall have been designated in a notice delivered by the Company to the Payment Agent not fewer than three Business Days prior to such time.

"Disposition" means any sale, assignment, transfer or other disposition (or series of related sales, assignments, transfers or other dispositions) of any Property (whether now owned or hereafter acquired) by the Company or any of the Subsidiaries to any other Person (other than the Company or a Subsidiary) that results in Net Cash Payments to the Company and/or one or more Subsidiaries in an aggregate amount greater than $10,000,000, excluding any sales, assignments, transfers or dispositions of inventory in the ordinary course of business.

"Dollars" or "$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.02).

"Environmental Laws" means any and all Federal, state, local and foreign laws, rules or regulations, and any orders or decrees, in each case as now or hereafter in effect, relating to the regulation or protection of human health, safety or the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or toxic or hazardous substances or wastes into the indoor or outdoor environment, including, without limitation, ambient air, soil, surface water, ground water, wetlands, land or subsurface strata, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or toxic or hazardous substances or wastes.

"Equity" means (i) any capital stock or any warrants, options or rights exercisable in respect of capital stock, including any capital stock issued upon the exercise of any such warrants, options or rights (other than any capital stock, warrants, options or rights issued to directors, officers or employees of the Company or any of the Subsidiaries pursuant to employee benefit plans, stock option plans or long-term incentive plans established in the ordinary course of business and any capital stock of the Company issued upon the exercise of such warrants, options or rights) or (ii) any other security or instrument representing an equity interest in the Company or any of the Subsidiaries.

"Equity Issuance" means (a) any issuance or sale (including any issuance or sale as a result of a conversion or exchange of debt securities) by the Company or any Subsidiary of Equity or (b) the receipt by the Company of any capital contribution (whether or not evidenced by any equity security issued by the Company) other than (i) any issuance of Equity of the Company to the former stockholders of Litton Operating in connection with the Acquisition, (ii) any issuance of Equity to, or receipt of any such capital contribution from, the Company or a Subsidiary and (iii) any issuance of Equity of the Company to employees, officers or directors of the Company and

the Subsidiaries pursuant to employee stock options or employee benefit plans in effect from time to time.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company or is under common control (within the meaning of Section 414(c) of the Code) with the Company.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate or, in the case of Competitive Loans, the LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Exchange Act" means the Securities Exchange Act of 1934, together with the Rules and Regulations of the SEC thereunder.

"Exchange Offer" has the meaning assigned to such term in the preamble to this Agreement.

"Excluded Taxes" means, with respect to any Lender or any other recipient of any payment to be made by or on account of any obligation of a Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (a) above and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by a Borrower under Section 2.17(b)), any withholding tax imposed by the United States of America that (i) is in effect and would apply to amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from a Borrower with respect to any withholding tax pursuant to Section 2.15, or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.15(e).

"Existing Credit Agreements" means, with respect to Northrop Operating, the Credit Agreement dated as of April 15, 1994, as amended by an Amended and Restated Credit Agreement dated as of March 1, 1996 and a Second Amended and Restated Credit Agreement dated as of November 1, 1996, as amended, among Northrop Operating, Chase, Chase Securities Inc. and Bank of America National Trust and Savings Association and, with respect to Litton Operating, the 364-Day and Five-Year Credit Agreements dated as of March 22, 2000 among Litton Industries, Inc. and Morgan Guaranty Trust Company of New York.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Payment Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means any of the chief financial officer, principal accounting officer, treasurer, assistant treasurer, or controller of the Company.

"Fiscal Dates" means the last day of each March, June, September and December in each year, the first of which shall be the first such day after the date hereof.

"Five-Year Credit Agreement" means the Five-Year Credit Agreement dated as of the date hereof among the Borrowers, the lenders party thereto and Chase and CSFB, as the co-administrative agents.

"Fixed Charge Coverage Ratio" means, at any Fiscal Date, the ratio of (a) the sum of (i) Consolidated EBITDA for the period of four consecutive fiscal quarters of the Company ending on such date minus (ii) Capital Expenditures during such period to (b) the sum of (i) Interest Expense for such period plus (ii) Restricted Payments made by the Company or, prior to the Northrop Merger, by Northrop Operating during such period.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than the United States of America, a State thereof or the District of Columbia.

"Funded Debt" means any Indebtedness of the Company or any Subsidiary for borrowed money or the deferred purchase price of Property which is shown on the consolidated financial statements of the Company as a liability, in any event including (a) Capital Lease Obligations and (b) Guarantees which are deemed Funded Debt under Section 6.03 hereof but excluding (i) items customarily reflected as current liabilities and classified as other than debt (it being understood that progress payments, trade accounts payable, obligations under leases which are not capitalized leases and income taxes payable are excluded from "Funded Debt" under this definition) and (ii) deferred income taxes minus cash and cash equivalents of the Company and its Subsidiaries.

"Funded Debt to Consolidated EBITDA Ratio" means, at any Fiscal Date, the ratio of (a) Funded Debt as at such date to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters of the Company ending on such date.

"GAAP" means generally accepted accounting principles in the United States of America, applied in accordance with Section 1.04.

"Government" means the United States of America or any department or agency thereof.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Granting Lender" has the meaning assigned to such term in Section 10.04.

"Guarantee" means, with respect to any Person, a guarantee, an endorsement, a contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, the Indebtedness, other obligations, net worth, working capital or earnings of any other Person, or a guarantee of the payment of dividends or other distributions upon the stock or equity interests of any other Person, or an agreement to purchase, sell or lease (as lessee or lessor) Property, products, materials, supplies or services primarily for the purpose of enabling any other Person to make payment of its obligations or an agreement to assure a creditor of such Person against loss, and including, without limitation, causing a bank or other financial institution to issue a standby letter of credit or other similar instrument supporting the obligations of another Person, but excluding endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee in respect of Indebtedness shall be deemed to be an amount equal to the stated or determinable amount of the related Indebtedness (unless the Guarantee is limited by its terms to a lesser amount, in which case, to the extent of such amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The terms "Guarantee" and "Guaranteed" used as a verb shall have a correlative meaning.

"Indebtedness" means, for any Person: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within 180 days of the date the respective goods are delivered or the respective services are rendered; (c) indebtedness of others secured by a Lien on the Property of such Person, whether or not the respective Indebtedness so secured has been assumed by such Person (but only to the extent of the fair market value of such Property if not assumed by such Person); (d) obligations (contingent or otherwise) in respect of letters of credit, banker's acceptances and similar instruments issued or accepted for the account of such Person; (e) Capital Lease Obligations of such Person; and (f) Guarantees by such Person of Indebtedness of others.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.03.

"Information Memorandum" means the Confidential Information Memorandum dated January 2001 relating to the Borrowers and the Acquisition.

"Interest Election Request" means a request by a Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.06.

"Interest Expense" means, for any period, the sum, without duplication, for the Company and the Subsidiaries (determined on a consolidated basis in accordance with GAAP), of the following: (a) all interest in respect of Funded Debt (including, without limitation, the interest component of any payments in respect of Capital Lease Obligations) accrued or capitalized during such period (whether or not actually paid during such period) plus (b) the net amount payable (or minus the net amount receivable) under Interest Rate Protection Agreements during such period (whether or not actually paid or received during such period) minus (c) all interest income accrued during such period (whether or not actually received during such period).

"Interest Payment Date" means (a) with respect to any ABR Loan, each Fiscal Date, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the applicable Borrower may elect, or any other period agreed to by such Borrower and each Lender, and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the immediately preceding Business Day, and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date

of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interest Rate Protection Agreement" means, for any Person, an interest rate swap, cap or collar agreement or similar arrangement between such Person and one or more financial institutions providing for the transfer or mitigation of interest rate risks either generally or under specific contingencies and entered into as bona fide hedges (and not for speculative purposes) against such interest rate risks.

"Investment" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures or other debt obligations, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including, any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 180 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business; or (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person.

"Investment Grade Rating Period" means, after (i) the consummation of the Acquisition (or the express statement by Moody's and S&P that the same has been taken into account in reaffirming or announcing the ratings referred to in clause (ii) below) and (ii) the date after the date hereof on which both Moody's and S&P shall have first either reaffirmed or announced revised ratings for the Senior Long Term Debt, any period during which the rating of the Senior Long Term Debt is BBB- or higher by S&P (or a Substitute Rating is at the corresponding rating level or higher) and Baa3 or higher by Moody's (or a Substitute Rating is at the corresponding rating level or higher).

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance in compliance with Section 10.04, other than any such Person that shall have ceased to be a party hereto pursuant to an Assignment and Acceptance.

"Leverage Ratio" means, at any Fiscal Date, the ratio of (a) the aggregate amount (determined without duplication on a consolidated basis) of all Funded Debt outstanding at such time to (b) the sum of (i) Consolidated Stockholders' Equity at such time plus (ii) all Funded Debt outstanding at such time.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the

Payment Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Payment Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. The term "Lien" shall not include the ownership interests in receivables acquired by a purchaser under a Permitted Receivables Sale Agreement.

"Litton Operating" means Litton Industries, Inc.

"Litton Merger" has the meaning assigned to such term in the preamble to this Agreement.

"Litton Merger Sub" has the meaning assigned to such term in the preamble to this Agreement.

"Litton Operating Senior Indentures" means the Indenture dated as of December 15, 1991, between Litton Operating and The Bank of New York, as trustee and the Indenture dated as of April 13, 1998, between Litton Operating and The Bank of New York, as trustee.

"Loan" means a Revolving Loan or a Competitive Loan.

"Loan Documents" means this Agreement and each promissory note, if any, delivered pursuant to this Agreement, as such documents may be amended, modified, supplemented or restated from time to time.

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Margin Stock" means "margin stock" as defined in Regulation U of the Board.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiaries taken as a whole, (b) the consummation of the Acquisition, (c) the ability of the Borrowers to perform their material obligations under any of the Loan Documents, (d) the validity or enforceability of any of the Loan Documents, (e) the rights and remedies of the Lenders and the

Co-Administrative Agents under any of the Loan Documents or (f) the timely payment of the principal of or interest on the Loans or other amounts payable in connection therewith.

"Material Subsidiary" means, at any time, (a) each Borrower and (b) any other Subsidiary if, at such time, such Subsidiary would qualify as a "significant subsidiary" under Regulation S-X of the SEC as in effect on the date hereof.

"Maturity Date" means March 29, 2002.

"Merger Agreement" has the meaning assigned to such term in the preamble to this Agreement.

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns.

"Multiemployer Plan" means a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been made by the Borrowers or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Net Available Proceeds" means:

(a) in the case of any Disposition, the amount of Net Cash Payments received in connection with such Disposition;

(b) in the case of any Equity Issuance, the aggregate amount of any cash or cash equivalents received by the Company and the Subsidiaries in respect of such Equity Issuance net of all reasonable fees and expenses incurred by the Company and the Subsidiaries in connection therewith; and

(c) in the case of the incurrence by the Company or any Subsidiary of any Funded Debt (but excluding Funded Debt under the Five-Year Credit Agreement and Funded Debt under Working Capital Credit Lines), the aggregate amount of all cash or cash equivalents received by the Company and the Subsidiaries in respect of such incurrence of Indebtedness, net of all reasonable fees and expenses incurred by the Company and the Subsidiaries in connection therewith.

"Net Cash Payments" means, with respect to any Disposition, the aggregate amount of all cash payments, and the fair market value of any non-cash consideration, received by the Company and the Subsidiaries directly or indirectly in connection with such Disposition; provided that (a) Net Cash Payments shall be net of (i) the amount of any legal, title and recording tax expenses, commissions and other fees and expenses paid by the Company and the Subsidiaries in connection with such Disposition and (ii) any Federal, state and local income or other taxes estimated in good faith to be payable by the Company and the Subsidiaries as a result of such Disposition and (b) Net Cash Payments shall be net of any required repayments by the Company or any of the Subsidiaries of Indebtedness related to the Property disposed of in such Disposition.

"Northrop Merger" has the meaning assigned to such term in the preamble to this Agreement.

"Northrop Merger Sub" has the meaning assigned to such term in the preamble to this Agreement.

"Northrop Operating Senior Indenture" means the Indenture dated as of October 15, 1994 between Northrop Operating and Chase, as trustee, as supplemented by the Officers Certificate dated February 27, 1996 pursuant to Sections 201, 301 and 303 of such Indenture, and as the same shall be further modified and supplemented and in effect from time to time.

"Northrop Operating Subordinated Indenture" means the form of Indenture filed as Exhibit 4-6 to Northrop Operating's Registration Statement on Form S-3 filed with the SEC on August 19, 1994, as amended by the Northrop Operating's Form 8-K filed with the SEC on February 28, 1996.

"Obligations" means (i) the obligations of the Borrowers under this Agreement and the other Loan Documents with respect to the payment of the principal of and interest on the Loans when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations of the Borrowers hereunder and thereunder.

"Other Taxes" means any and all present or future recording, stamp, documentary, excise, transfer, sales, property or similar taxes, charges or levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"Participant" has the meaning assigned to such term in Section 10.04.

"Payment Agent" means Chase, in its capacity as paying agent for the Lenders hereunder, or any successor thereto appointed in accordance with Article VIII.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any office located in the United States of America of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) investments purchased for cash management purposes by offices or other establishments of the Company and the Subsidiaries located outside the United States of America, to the extent the credit quality of such investments is comparable to that of the investments described in clauses (a) through (d) above.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means an employee benefit or other plan established or maintained by the Company or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Prepayment Event" means:

(a) any Disposition that results in Net Available Proceeds of $25,000,000 or more; or

(b) any series of Dispositions, whether or not related, that have not yet been deemed to constitute a Prepayment Event under this clause (b) and that have resulted in aggregate Net Available Proceeds of $100,000,000 or more (it being agreed that, for purposes of Section 2.07(c), the Net Available Proceeds of any such Prepayment Event shall be deemed to have been received on the date on which the aggregate Net Available Proceeds received by the Company and/or one or more Subsidiaries in respect thereof shall equal or exceed $100,000,000); or

(c) any Equity Issuance that results in Net Available Proceeds, or

(d) the incurrence by the Company or any Subsidiary of any Funded Debt after the date hereof, but excluding Funded Debt under this Agreement and the Five-Year Credit Agreement (and replacement Indebtedness referred to in Section 6.07(a)(i)) and Funded Debt under Working Capital Credit Lines.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in

the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Quarterly Period" means the period from but excluding one Fiscal Date through and including the next succeeding Fiscal Date.

"Refinanced Debt" means the Indebtedness of the Borrowers and their respective subsidiaries listed in Schedule 1.01(a).

"Register" has the meaning set forth in Section 10.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the total Revolving Credit Exposures and unused Commitments at such time; provided that, in connection with the exercise of remedies under Article VII and for all purposes after the Loans become due and payable or the Commitments expire or terminate, "Required Lenders" will mean, at any time, Lenders having Revolving Credit Exposures and outstanding Competitive Loans representing more than 50% of the total Revolving Credit Exposures and outstanding Competitive Loans at such time.

"Restricted Payment" means any dividend (other than dividends payable solely in stock of the Company) or any other distribution with respect to any stock of the Company, whether now or hereafter outstanding, or any payment on account of the purchase, acquisition, redemption or other retirement, directly or indirectly, of any shares of such stock.

"Revolving Borrowing" means a Borrowing consisting of Revolving Loans.

"Revolving Borrowing Request" means a request by a Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Revolving Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Exposure hereunder, as such commitment may be reduced from time to time pursuant to Article II and reduced or increased from time to time pursuant to Article X. The initial amount of each Lender's Revolving Commitment is set forth on Schedule 2.01. The initial aggregate amount of the Lenders' Revolving Commitments is $2,500,000,000.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans at such time.

"Revolving Loan" means a loan made pursuant to Section 2.10 and 2.03.

"SEC" means the Securities and Exchange Commission or any successor.

"Senior Long Term Debt" means Indebtedness of the Company that (a) is not contractually subordinated to any other Indebtedness of the Company, (b) is considered as of the date of its incurrence under GAAP to be "long-term" debt, (c) is not secured by a Lien on any Property of the Company or any of the Subsidiaries or, if secured, is secured only by a pledge of the capital stock of one or more Subsidiaries on a pari passu basis with the Indebtedness of the Company hereunder and (d) upon which no other Person is liable, under a Guarantee or otherwise, or if another Person is so liable, such Person is liable on a pari passu basis for the Indebtedness of the Company hereunder.

"Senior Securities" means $750,000,000 of Northrop Operating's 7 1/8% Senior Notes due 2011 and $750,000,000 of Northrop Operating's 7 3/4% Senior Notes due 2031 issued under the Northrop Operating Senior Indenture and guaranteed concurrently with the Effective Date by the Company and Litton Operating.

"S&P" means Standard & Poor's Rating Group, a division of McGraw Hill, Inc., and its successors and assigns.

"SPC" has the meaning assigned to such term in Section 10.04.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Payment Agent is subject, for eurodollar funding (currently referred to as "Eurodollar Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Revolving Loans shall be deemed to constitute Eurodollar funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Indebtedness" means, with respect to any of the Borrowers, (a) Indebtedness issued pursuant to the Northrop Operating Subordinated Indenture (i) that does not have any principal or sinking fund payment due prior to the Maturity Date and (ii) in respect of which interest is payable not more often than semiannually and (b) Indebtedness (i) for which one or more of the Company, Northrop Operating or Litton Operating is directly and primarily liable, (ii) in respect of which none of the Subsidiaries (other than Northrop Operating or Litton Operating) is contingently or otherwise obligated, (iii) that does not have any principal or sinking fund payment due prior to the Maturity Date, (iv) in respect of which interest is payable not more often than semi-annually, (v) that is subordinated to the obligations of the Borrowers to pay principal of and interest on the Loans and fees and other amounts payable hereunder on terms no less favorable, taken as a whole, to the Lenders than those contained in the Northrop Operating Subordinated Indenture, (vi) that does not in any event contain financial covenants or events of default more restrictive than those in the Northrop Operating

Subordinated Indenture and (vii) the documentation for which contains other terms that, taken as a whole, are no less favorable to the Lenders than those contained in the Northrop Operating Subordinated Indenture.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held.

"Subsidiary" means any direct or indirect subsidiary of the Company.

"Substitute Rating Agency" means any rating agency (other than Moody's or S&P) proposed by the Company and reasonably acceptable to the Co-Administrative Agents.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Termination Event" shall mean any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan and which involves a liability of the Company to the PBGC in excess of $50,000,000.

"Transactions" means the execution, delivery and performance by the Borrowers of this Agreement and the other Loan Documents, the borrowing of the Loans and the use of the proceeds thereof, the Acquisition (including the making and consummation of the Exchange Offer and the Mergers), the refinancing of the Existing Credit Agreements and the Refinanced Debt and the other transactions in connection therewith.

"Type", when used in reference to any Revolving Loan or Revolving Borrowing, refers to whether the rate of interest on such Revolving Loan, or on the Revolving Loans comprising such Revolving Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Wholly-Owned Subsidiary" shall mean any Subsidiary of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors' qualifying shares) are owned by the Company or one or more Wholly-Owned Subsidiaries.

"Working Capital Credit Lines" means short-term credit facilities (including commercial paper facilities and facilities providing for the issuance of letters of credit or similar instruments but excluding the facilities established by this Agreement and the Five-Year Credit Agreement) extended to the Borrowers and Subsidiaries for working capital purposes.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Co-Administrative Agents that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Co-Administrative Agents notify the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.05. Certain Financial Covenant Calculations. For purposes of determining the Funded Debt to Consolidated EBITDA Ratio and the Consolidated Fixed Charge Coverage Ratio for the four quarter periods ending June 30, 2001, September 30, 2001 and December 31, 2001, the fiscal quarter ending March 31, 2001, shall be excluded and:

(a) Consolidated EBITDA and Capital Expenditures shall be determined on a pro forma basis combining, as applicable to reflect the then four most recently completed fiscal quarters (excluding the fiscal quarter ending March 31, 2001), (i) the balance sheet information

and results of Litton Operating at and for the quarter ended July 31, 2000 set forth in Litton's public filings with the SEC as of the Effective Date, and the actual balance sheet information and results of Northrop operating at and for the quarter ended June 30, 2000; (ii) the balance sheet information and results of Litton operating at and for the quarter ended October 31, 2000 set forth in Litton's public filings with the SEC as of the Effective Date, and the actual balance sheet information and results of Northrop Operating at and for the quarter ended September 30, 2000; and (iii) the balance sheet information and results of Litton Operating at and for the quarter ended January 31, 2001 set forth in Litton's public filings with the SEC as of the Effective Date, and the actual balance sheet information and results of Northrop Operating at and for the quarter ended December 31, 2000; and

(b) Interest Expense shall be determined on a pro forma basis by annualizing, as applicable to reflect the fiscal quarters then most recently completed since the Effective Date, (i) as of June 30, 2001, by multiplying the actual consolidated Interest Expense of the Company for the fiscal quarter then ended by four, (ii), as of September 30, 2001, by multiplying the actual consolidated Interest Expense of the Company for the two fiscal quarter period then ended by two, and (iii) as of December 31, 2001, by multiplying the actual consolidated Interest Expense of the Company for the three fiscal quarter period then ended by four thirds.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures plus the total Competitive Loan Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Revolving Loans and Revolving Borrowings. (a) Each Revolving Loan shall be made as part of a Revolving Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Revolving Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.13, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the applicable Borrower may request in accordance herewith and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of

such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrowers to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Revolving Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $25,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $10,000,000. Notwithstanding the foregoing, any Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Commitments. Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $25,000,000. Revolving Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of 15 Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request, or to elect to convert or continue, any Revolving Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date, or to request any Competitive Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrowers (or any of them) shall notify the Payment Agent of such request by telephone or by telecopy (a) in the case of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Revolving Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the same day as the date of the proposed Revolving Borrowing. Each such Revolving Borrowing Request shall be irrevocable and, if telephonic, shall be confirmed promptly by hand delivery or telecopy to the Payment Agent of a written Revolving Borrowing Request in a form agreed to by the Payment Agent and signed by the applicable Borrower. Each such telephonic and written Revolving Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Revolving Borrowing;

(ii) the date of such Revolving Borrowing, which shall be a Business Day;

(iii) whether such Revolving Borrowing is to be an ABR Borrowing or a Eurodollar Revolving Borrowing; and

(iv) in the case of a Eurodollar Revolving Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period".

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the applicable Borrower shall be deemed to have

selected an Interest Period of one month's duration. Promptly following receipt of a Revolving Borrowing Request in accordance with this Section, the Payment Agent shall advise each Lender of the details thereof and of the amount of such Lender's Revolving Loan to be made as part of the requested Revolving Borrowing.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period any Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that after giving effect to any Borrowing of Competitive Loans the sum of the total Revolving Credit Exposures plus the total Competitive Loan Exposure shall not exceed the total Commitments. To request Competitive Bids, the Borrower shall notify the Payment Agent of such request by telephone or by telecopy, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City Time, one Business Day before the date of the proposed Borrowing; provided that the Borrower may submit up to (but not more than) five Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Payment Agent of a written Competitive Bid Request in a form approved by the Payment Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.03:

(i) the aggregate principal amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing; and

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period" and shall end no later than the Maturity Date.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Payment Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Payment Agent and must be received by the Applicable Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City Time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City Time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not

conform substantially to the form approved by the Payment Agent may be rejected by the Payment Agent, and the Payment Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be an amount at least equal to $5,000,000 and an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Payment Agent shall notify the Borrower by telecopy, not later than 45 minutes after the applicable deadline for receipt of Competitive Bids, of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Payment Agent by telecopy or by telephone, confirmed by telecopy in a form approved by the Payment Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of at least $5,000,000 that is an integral multiple of $1,000,000; provided further that if a Competitive Loan must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of $1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Payment Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Payment Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Payment Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Funding of Revolving Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, to the account of the Payment Agent most recently designated by it for such purpose by notice to the Lenders. The Payment Agent will make such Loans available to the Borrowers by promptly crediting the amounts so received, in like funds, to Disbursement Account.

(b) Unless the Payment Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Payment Agent such Lender's share of such Borrowing, the Payment Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Payment Agent, then the applicable Lender and the Borrowers severally agree to pay to the Payment Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrowers to but excluding the date of payment to the Payment Agent, at (i) in the case of such Lender, the greater of (x) the Federal Funds Effective Rate and (y) a rate determined by the Payment Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrowers, the interest rate for the applicable Borrowing. If such Lender pays such amount to the Payment Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Revolving Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Revolving Borrowing Request. Thereafter, the applicable Borrower may elect to convert such Borrowing to a different Type or to continue such Revolving Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The applicable Borrower may elect different options with respect to different portions of the affected Revolving Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Revolving Loans comprising such Revolving Borrowing, and the Revolving Loans comprising each such portion shall be considered a separate Revolving Borrowing. This Section shall not apply to Competitive Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, a Borrower shall notify the Payment Agent of such election by telephone or by telecopy by the time that a Revolving Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such Interest Election Request shall be irrevocable and, if telephonic, shall be

confirmed promptly by hand delivery or telecopy to the Payment Agent of a written Interest Election Request in a form approved by the Payment Agent and signed by such Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Revolving Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Revolving Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Revolving Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Revolving Borrowing; and

(iv) if the resulting Revolving Borrowing is a Eurodollar Revolving Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Revolving Borrowing but does not specify an Interest Period, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Payment Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Revolving Borrowing.

(e) If a Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Revolving Borrowing is repaid as provided herein, at the end of such Interest Period such Revolving Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Payment Agent, at the request of the Required Lenders, so notifies the Borrowers, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Revolving Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrowers may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $5,000,000 and not less than $25,000,000 and (ii) the Borrowers shall not

terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.09, the total Revolving Credit Exposures and Competitive Loan Exposures would exceed the total Commitments.

(c) In the event and on each occasion that any Net Available Proceeds are received by or on behalf of the Company or any Subsidiary in respect of any Prepayment Event, the Borrowers shall, within three Business Days after such Net Available Proceeds are received, permanently reduce the Commitments hereunder (and prepay any outstanding Revolving Loans hereunder) by an aggregate amount equal to the amount of such Net Available Proceeds. Amounts to be applied pursuant to this paragraph to the prepayment of Revolving Loans shall be applied first to reduce outstanding ABR Loans and then to prepay Eurodollar Revolving Loans. Notwithstanding the foregoing, in the event the amount of any prepayment required to be made pursuant to this paragraph shall exceed the aggregate principal amount of the ABR Loans outstanding (the amount of any such excess being called the "Excess Amount") and the immediate prepayment of Eurodollar Loans would result in amounts becoming due under Section 2.14, the Borrowers shall have the right to prepay all the outstanding ABR Loans and to prepay Eurodollar Loans in an aggregate amount equal to the Excess Amount at the ends of the current Interest Periods applicable thereto.

(d) Immediately upon completion of the Acquisition, the Commitments will be reduced by an aggregate amount equal to the number of common and preferred shares of Litton Operating acquired in the Acquisition for consideration consisting of stock of the Company multiplied by (i)$80.25 per share in the case of the common shares of Litton Operating and (ii) $35 per share in the case of preferred shares of Litton Operating. The Commitments will also be reduced, on the Effective Date, by $500,000,000 as a result of the issuance of the Senior Securities.

(e) The Borrowers shall notify the Payment Agent of any election to terminate, or of any optional or mandatory reduction of, the Commitments under paragraph (b) or (c) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election or requirement and the effective date thereof. Promptly following receipt of any notice, the Payment Agent shall advise the Lenders of the contents thereof. Each notice delivered by a Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by a Borrower under paragraph (b) of this Section may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by a Borrower (by notice to the Payment Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.08. Repayment of Loans; Evidence of Debt. (a) The Borrowers hereby unconditionally jointly and severally promise to pay (i) to the Payment Agent for the account of each Lender the unpaid principal amount of each Loan on the Maturity Date and (ii) to the Payment Agent for the account of each Lender the unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Payment Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period, if any, applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder and (iii) the amount of any sum received by the Payment Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Payment Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of a Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, each Borrower shall execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) in substantially the form attached hereto as Exhibit C. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09. Prepayment of Revolving Loans. (a) The Borrowers shall have the right at any time and from time to time to prepay any Revolving Borrowing in whole or in part, subject to prior notice in accordance with paragraph (c) of this Section and payment of any amounts required under Section 2.14; provided that the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) In the event and on each occasion that the total Revolving Credit Exposures and Competitive Loan Exposures exceed the total Commitments, the Borrowers shall promptly prepay Revolving Borrowings in an aggregate amount sufficient to eliminate such excess.

(c) The Borrowers shall notify the Payment Agent by telephone (confirmed by telecopy) or by telecopy of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of such prepayment, or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the Business Day of such prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Revolving Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07. Promptly following receipt of any such notice, the

Payment Agent shall advise the Lenders of the contents thereof. Each partial prepayment, other than a mandatory prepayment, of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Revolving Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.11.

SECTION 2.10. Fees. (a) The Borrowers agree, jointly and severally, to pay to the Payment Agent for the account of each Lender a facility fee, which shall accrue at the relevant Facility Fee Rate specified in the definition of Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from the date of this Agreement to but excluding the Maturity Date; provided that, if such Lender continues to have any Revolving Credit Exposure or Competitive Loan Exposure after the Maturity Date or other termination of all the Commitments, then such facility fee shall continue to accrue on the daily aggregate amount of such Lender's Revolving Credit Exposure and Competitive Loan Exposure from and including the Maturity Date or other termination of all the Commitments to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure or Competitive Loan Exposure. Accrued facility fees shall be payable in arrears on June 30, 2001 and on the last day of each subsequent September, December, March and June of each year, on any date prior to the Maturity Date on which the Commitments terminate and on the Maturity Date, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the Maturity Date or other termination of all the Commitments shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrowers agree, jointly and severally, to pay to the Payment Agent, for the accounts of the Lenders, on the date hereof, the upfront fees separately agreed upon in the Fee Letter dated January 29, 2001, between the Borrowers and the Co-Administrative Agents.

(c) The Borrowers agree, jointly and severally, to pay to each of the Co-Administrative Agents, for their own accounts, fees payable in the amounts and at the times separately agreed upon between the Borrowers and the Co-Administrative Agents.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Payment Agent for distribution to the Persons entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest (i) in the case of a Eurodollar Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Revolving Borrowing plus the Applicable Rate or (ii) in the case of a Eurodollar Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrowers hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Revolving Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Payment Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Payment Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Payment Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders or such Lender of making or maintaining the Eurodollar Loans included in such Borrowing or its Eurodollar Loan for such Interest Period;

then the Payment Agent shall give notice thereof to the Borrowers and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Payment Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of

any Revolving Borrowing as, a Eurodollar Revolving Borrowing shall be ineffective, and such Revolving Borrowing shall be converted to or continued as an ABR Borrowing on the last day of the Interest Period applicable thereto, (ii) if any Revolving Borrowing Request requests a Eurodollar Revolving Borrowing, such Revolving Borrowing shall be made as an ABR Borrowing (or such Revolving Borrowing shall not be made if the Borrowers revoke (and in such circumstances, such Revolving Borrowing Request may be revoked notwithstanding any other provision of this Agreement) such Revolving Borrowing Request by telephonic notice, confirmed promptly in writing, not later than one Business Day prior to the proposed date of such Revolving Borrowing) and (iii) any request by the Borrowers for a Eurodollar Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrowers for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.13. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except to the extent any such reserve requirement is reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar or Fixed Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), in each case by an amount deemed by such Lender in good faith to be material, then the Borrowers will pay to such Lender, within ten Business Days following a demand therefor accompanied by the certificate referred to in paragraph (c) below, such additional amount or amounts as will compensate such Lender on an after-tax basis for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender, within ten Business Days following a demand therefor accompanied by the certificate referred to in paragraph (c) below, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered. It is acknowledged that this Agreement is being entered into by the Lenders on the understanding that the Lenders will not be required to maintain capital against their Commitments under currently applicable laws, regulations and regulatory guidelines. In the event Lenders shall be advised by any Governmental Authority or shall otherwise determine on the basis

of pronouncements of any Governmental Authority that such understanding is incorrect, it is agreed that a Change in Law will be deemed to have occurred and that the Lenders will be entitled to make claims under this paragraph based upon market requirements prevailing on the date hereof for commitments under comparable credit facilities against which capital is required to be maintained.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section, together with supporting documentation or computations, shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender notifies the Borrowers of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Revolving Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar or Fixed Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.07(d) or 2.09 and is revoked in accordance therewith), (d) the failure to borrow any Competitive Loan after acceptance of the Competitive Bid to make such Loan or (e) the assignment of any Eurodollar or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrowers pursuant to Section 2.17, then, in any such event, the Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event (which loss, cost or expense will not be deemed to include lost profit). In the case of a Eurodollar or Fixed Rate Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate or LIBO Rate (without adding thereto the Applicable Rate or the Margin, as the case may be) that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits of a comparable amount and period from other banks in the eurodollar market or, in the case of Fixed Rate Loans, other market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section, together

with supporting documentation or computations, shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

SECTION 2.15. Taxes. (a) Any and all payments by or on account of any obligations of the Borrowers hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if a Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions of Indemnified Taxes or Other Taxes (including deductions applicable to additional sums payable under this Section) the Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrowers shall indemnify each Agent and each Lender, within 10 Business Days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Agent or such Lender on or with respect to any payment by or on account of any obligation of the Borrowers hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate setting forth in reasonable detail the amount and nature of such payment or liability delivered to the Borrowers by a Lender, or by an Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrowers to a Governmental Authority, the Borrowers shall deliver to the Payment Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Payment Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrowers (with copies to the Co-Administrative Agents), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrowers as will permit such payments to be made without withholding or at a reduced rate.

(f) If an Agent or a Lender determines in good faith, that it has received a refund of any Taxes or Other Taxes as to all or a portion of which it has been indemnified by a Borrower

or with respect to all or a portion of which a Borrower has paid additional amounts pursuant to this Section 2.15, it shall pay over such refund to such Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.15 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that such Borrower, upon the request of such Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Agent or such Lender in the event such Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require any Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to any Borrower or any other Person.

SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Setoffs. (a) Each Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest or fees, or of amounts payable under Section 2.13, 2.14 or 2.15, or otherwise) prior to 2:00 p.m., New York City time, on the date when due, in immediately available funds, without setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Payment Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Payment Agent at its offices at 270 Park Avenue, New York, New York, except that payments pursuant to Sections 2.13, 2.14, 2.15 or 10.03 shall be made directly to the Persons entitled thereto. The Payment Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars. Any payment required to be made by the Payment Agent hereunder shall be deemed to have been made by the time required if the Payment Agent shall, at or before such time, have taken the necessary steps to make such payment in accordance with the regulations or operating procedures of the clearing or settlement system used by the Payment Agent to make such payment.

(b) If at any time insufficient funds are received by and available to the Payment Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by

the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by a Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to a Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower's rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless the Payment Agent shall have received notice from the applicable Borrower prior to the date on which any payment is due to the Payment Agent for the account of the Lenders hereunder that such Borrower will not make such payment, the Payment Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, the amount due. In the event, if such Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Payment Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Payment Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Payment Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(b) or 2.16(d), then the Payment Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Payment Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.13, or if a Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15; then such Lender shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15 as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Each Borrower hereby agrees, jointly and severally to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.13, or if a Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrowers may upon notice to such Lender and the Payment Agent, require such Lender to assign and delegate, without recourse, all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender if a Lender accepts such assignment); provided that (i) the Borrowers shall have received the prior written consent of the Payment Agent to the identity of the assignee (if not then a Lender), which consent shall not unreasonably be withheld or delayed and (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Revolving Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts).

ARTICLE III

Representations and Warranties

Each of the Borrowers represents and warrants to the Lenders that:

SECTION 3.01. Corporate Existence. Each Borrower and each Material Subsidiary: (a) is a business entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals, necessary to own its assets and carry on its business as now being conducted; and (c) is qualified to do business and is in good standing in all jurisdictions in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect.

SECTION 3.02. Certain Financial Information. (a) Financial Condition of Northrop Operating. The consolidated statement of financial position of Northrop Operating and its subsidiaries (i) as at December 31, 1999, and the related consolidated statements of operations, changes in shareholders' equity and cash flows of Northrop Operating and its subsidiaries for the fiscal year ended on said date, with the opinion thereon of Deloitte & Touche LLP, and (ii) as at September 30, 2000, and the respective related consolidated statements of operations, changes in stockholders' equity and cash flows of Northrop Operating and its subsidiaries for the fiscal quarter and portion of the fiscal year then ended, certified by the chief financial officer of Northrop Operating, in each case as heretofore furnished to each of the Lenders, are complete and present fairly, in all material respects, the consolidated financial condition of Northrop Operating and its subsidiaries as at said dates and the consolidated results of their operations for such periods, all in accordance with GAAP applied on a consistent basis, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above. Neither Northrop Operating nor any of its subsidiaries had on said dates any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said statements of financial position as at said dates. Except as expressly disclosed in writing to the Lenders prior to

the date hereof, since December 31, 1999, there has been no material adverse change in the consolidated financial condition or operations, or the prospects or business, taken as a whole, of Northrop Operating and its subsidiaries from that set forth in said financial statements as at said date.

(b) Financial Condition of Litton Operating. The consolidated statement of financial position of Litton Operating and its subsidiaries (i) as at July 31, 2000, and the respective related consolidated statements of income, stockholders' equity and cash flows of Litton Operating and its subsidiaries for the period ended on such date, with the opinion thereon of Deloitte & Touche LLP, and (ii) as at October 31, 2000, and the related consolidated statements of income, stockholders' equity and cash flows of Litton Operating and its subsidiaries for the fiscal quarter and portion of the fiscal year then ended, certified by the chief financial officer of Litton Operating, in each case as heretofore furnished to each of the Lenders, are complete and present fairly, in all material respects, the consolidated financial condition of Litton Operating and its subsidiaries as at said dates and the consolidated results of their operations for such periods, all in accordance with GAAP applied on a consistent basis, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above, except, in each case, for matters not known to the Company or Northrop Operating that would not, individually or in the aggregate, be material and adverse to the consolidated financial condition or operations, or the prospects or business, of the Company and the Subsidiaries (including Litton Operating and its subsidiaries) taken as a whole, giving pro forma effect to the Transactions. As of the date hereof, except as expressly disclosed in writing to the Lenders prior to the date hereof, since July 31, 2000, there has been no material adverse change in the consolidated financial condition or operations, or the prospects or business, taken as a whole, of Litton Operating and its subsidiaries from that set forth in said financial statements as at July 31, 2000.

(c) Projections. The Company has heretofore furnished to each of the Lenders projected consolidated financial statements of the Company and the Subsidiaries (including Litton Operating), on an annual basis through and including 2007. Such projected financial statements set forth projected consolidated balance sheets of the Company and such Subsidiaries and projected consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and such Subsidiaries (giving effect to the Acquisition and the related financing thereof, as if they had occurred on January 1, 2001) for the respective fiscal periods covered thereby. Such projected financial statements are based upon assumptions believed by the Company to be reasonable as of the date hereof (it being understood that such projections are subject to uncertainty).

SECTION 3.03. Litigation. There are no legal or arbitral proceedings or any proceedings by or before any Governmental Authority, now pending or (to the knowledge of any of the Borrowers) threatened against the Company or any Material Subsidiary which, if adversely determined, would be reasonably likely to result in any Material Adverse Effect, except as heretofore disclosed to the Lenders in Northrop Operating's Annual Report on Form 10-K for the year ended December 31, 1999, Litton Operating's Annual Report on Form 10-K for the year ended July 31, 2000, Northrop Operating's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2000 and Litton Operating's Quarterly Reports on

Form 10-Q for the quarters ended January 31, April 30, and October 31, 2000, copies of which have been furnished to the Lenders, or in Schedule 3.03.

SECTION 3.04. No Breach. Except as expressly disclosed in writing to the Lenders on or before the date hereof, none of the Transactions will conflict with or result in a breach of, or require any consent under, the charters or by-laws of any of the Borrowers, or any applicable law or regulation, or any order, writ, injunction or decree of any court or Governmental Authority, or any material agreement or instrument to which the Company or any Material Subsidiary (including Litton Operating and any of its subsidiaries that are Material Subsidiaries) is a party or by which any of them is bound or to which any of them is subject, or constitute a material default under any such material agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Company or any such Subsidiary pursuant to the terms of any such material agreement or instrument.

SECTION 3.05. Corporate Action. Each of the Borrowers has all necessary corporate power and authority to execute, deliver and perform its obligations under the Loan Documents and, in the case of the Borrower, to borrow the Loans hereunder; and the execution, delivery and performance by each of the Borrowers of the Loan Documents and the borrowing of the Loans hereunder have been duly authorized by all necessary corporate action on its part; and this Agreement has been duly and validly executed and delivered by each of the Borrowers and constitutes, and each of the other Loan Documents (assuming in the case of any promissory notes issued hereunder, execution and delivery thereof for value) will constitute, legal, valid and binding obligations of each of the Borrowers, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3.06. Approvals. No authorizations, approvals, consents or licenses of, and no filings or registrations with, any Governmental Authority are necessary to authorize or are necessary in connection with (i) the execution, delivery and performance of any Loan Document or the Merger Agreement, (ii) the legality, validity, binding effect or enforceability of any Loan Document or the Merger Agreement or (iii) the borrowing of the Loans hereunder or the consummation of the other Transactions, in each case other than those which have been or concurrently with the effectiveness hereof shall be duly obtained, given or made, except consents of the Government set forth in Schedule 3.06, which are required with respect to the transfer to Northrop Operating of contracts between Litton Operating or its subsidiaries and the Government and which none of the Borrowers has any reason to believe will not be obtained in due course.

SECTION 3.07. Use of Proceeds, Etc. Neither the making of any Loan hereunder, nor the use of the proceeds thereof, will violate the provisions of Regulation U or X of the Board of Governors of the Federal Reserve System and no part of the proceeds of any Loan will be used to purchase or carry any Margin Stock in violation of Regulation U or X or to extend credit for the purpose of purchasing or carrying any Margin Stock in violation of Regulation U or X. Neither the Company nor any of the Subsidiaries is engaged principally, or as one of its

primary activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

SECTION 3.08. ERISA. Each of the Company and the ERISA Affiliates has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan, is in compliance in all material respects with the applicable provisions of ERISA and the Code and has not incurred any liability to the PBGC or any Plan or Multiemployer Plan (other than a liability to make payments or contributions in the ordinary course of business). No Termination Event has occurred and is continuing.

SECTION 3.09. Taxes. United States Federal income tax returns of Northrop Operating and its subsidiaries and Litton Operating and its subsidiaries have been filed through 1999 and examined and reported on by the Internal Revenue Service or closed by applicable statutes and satisfied through the fiscal year of Northrop Operating ended December 31, 1991 and the fiscal year of Litton Operating ended October 31, 1985, respectively. Each of Northrop Operating and its subsidiaries, and Litton Operating and its subsidiaries has filed all United States Federal and State income tax returns which are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessment received by Northrop Operating and its subsidiaries, or Litton Operating and its subsidiaries, to the extent that such taxes have become due (except as to such taxes which are being contested in good faith by appropriate proceedings). The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of taxes and other governmental charges are, in the opinion of each of the Borrowers, adequate. The California Franchise tax returns of Northrop Operating have been examined and reported on by the California Franchise Tax Board or closed by applicable statutes and satisfied for all fiscal years prior to, and including, the fiscal year ended December 31, 1999.

SECTION 3.10. Funded Debt. As of the Effective Date, after giving effect to the Transactions, no default exists under the provisions of any instrument evidencing Funded Debt in an outstanding principal amount in excess of $50,000,000 or of any agreement relating thereto.

SECTION 3.11. Properties. The Company has, and each of the Material Subsidiaries has, good and marketable title to its respective material properties and assets, including the properties and assets reflected in the balance sheet as at December 31, 1999 herein above described in Section 3.02 (a) (other than Properties disposed of in the ordinary course of business), subject to no Lien of any kind except Liens permitted by Section 6.05.

SECTION 3.12. Environmental Matters. (a) Except as disclosed in Northrop Operating's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and Litton Operating's Annual Report on Form 10-K for the fiscal year ended July 31, 2000, neither the Company nor any Subsidiary (including Litton Operating and its subsidiaries) (i) has received notice or otherwise obtained knowledge of any claim, demand, action, event, condition, report or investigation indicating or concerning any potential or actual liability which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect arising in connection with: (1) any non-compliance with or violation of the requirements of any applicable Federal, state and local environmental health and safety statutes and regulations or (2) the release or threatened release of toxic or hazardous waste, substance or constituent, or other substance into the

environment, (ii) to the best knowledge of each of the Borrowers, has any threatened or actual liability in connection with the release or threatened release of any toxic or hazardous waste, substance or constituent, or other substance into the environment which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (iii) has received notice or otherwise obtained knowledge of any Federal or state investigation evaluating whether any remedial action is needed to respond to a release or threatened release of any toxic or hazardous waste, substance or constituent or other substance into the environment for which the Company or any such Subsidiary, is or may be liable, which remedial action would have a Material Adverse Effect or (iv) has received notice that the Company or any such Subsidiary, is or may be liable to any Person under the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. (S)9601 et seq. ("CERCLA"), or any analogous state law, which liability would have a material Adverse Effect.

(b) Each of the Company and each Subsidiary (including Litton Operating and each of its subsidiaries) is in compliance in all material respects with the financial responsibility requirements of all Environmental Laws, including, those contained in 40 C.F.R., Parts 264 and 265, Subpart H, and any similar state law requirements.

SECTION 3.13. True and Complete Disclosure. All factual information (taken as a whole) furnished on or before the Effective Date by or on behalf of the Company or the Subsidiaries in writing to any Co-Administrative Agent or Lender (including, all factual information contained in the Information Memorandum) for purposes of or in connection with this Agreement or any transaction contemplated herein is, and all other such factual information (taken as a whole) furnished after the Effective Date by or on behalf of the Company or the Subsidiaries in writing to the Co-Administrative Agents or any Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. There is no fact known to any of the Borrowers which has, or is reasonably likely to have, a Material Adverse Effect which has not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders for use in connection with the transactions contemplated hereby.

SECTION 3.14. Acquisition. On and as of the Effective Date, all material consents and approvals of, and filings and registrations with, and all other actions in respect of, all Governmental Authorities required in order to make or consummate the Acquisition, or otherwise required in connection with the Acquisition, will have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto will have been obtained) (except with respect to any vote of the stockholders of Litton Operating that may be required to effect the Litton Merger, in the event that less than 90% of the outstanding common stock of Litton Operating shall have been acquired by Litton Merger Sub in the Exchange Offer). All actions pursuant to or in furtherance of the Acquisition have been and will be taken in compliance with all applicable laws.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.02 or provided for, in the case of the conditions set forth in paragraphs (a), (b), (c) and (e) below insofar as they relate to Litton Operating, in the manner described in Section 10.14):

(a) Execution of Agreement. The Co-Administrative Agents (or their counsel) shall have received from each party hereto (including Litton Operating, as provided in Section 10.14) either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Co-Administrative Agents (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) Corporate Documents. Certified copies of the certificates of incorporation and the by-laws of each of the Borrowers and of all corporate action taken by each of the Borrowers approving each Loan Document and the borrowings by the Borrowers hereunder (including, a certificate setting forth the resolutions of the Board of Directors of each of the Borrowers adopted in respect of the transactions contemplated thereby).

(c) Incumbency Certificate. A certificate of the Secretary of each of the Borrowers, dated the Effective Date, in respect of the incumbency and specimen signature of each of the officers (i) who is authorized to sign the Loan Documents on such Borrower's behalf and (ii) who will, until replaced by another officer or officers duly authorized for that purpose, act as such Borrower's representative for the purposes of signing documents and giving notices and other communications in connection with the Loan Documents and the transactions contemplated thereby. The Co-Administrative Agents and each of the Lenders may conclusively rely on such certificates until it receives notice in writing from the applicable Borrower to the contrary.

(d) Officer's Certificate. A certificate of a senior officer of the Company, dated the Effective Date, to the effect set forth in clauses (a) and (b) of Section 4.02 hereof (after giving effect to the consummation of the Acquisition).

(e) Opinions. (i) An opinion of Sheppard, Mullin, Richter & Hampton LLP, counsel for the Company and Northrop Operating, dated the Effective Date, substantially in the form of Exhibit B-1 hereto, (ii) an opinion of John Mullan, Esq., Assistant General Counsel of Northrop Operating, dated the Effective Date, substantially in the form of Exhibit B-2 hereto, (iii) an opinion of W. Burks Terry, General Counsel of Litton Operating, dated the Effective Date, substantially in the form of Exhibit B-3 hereto, (iv) an opinion of Kaye, Scholer LLP, special New York counsel for the Borrowers, dated the Effective Date, substantially in the form of Exhibit B-4 hereto (and each Borrower hereby instructs each such counsel to deliver such opinions to the Lenders and the Co-Administrative Agents).

(f) Promissory Notes. To the extent requested by any Lenders, promissory notes evidencing the Loans of such Lenders, duly completed and executed and delivered.

(g) Merger Agreement. (i) A true and complete copy of the Merger Agreement (which shall include copies of all amendments, schedules, exhibits and other attachments thereto), together with true and complete copies of each material document, certificate and opinion referred to in or delivered in connection therewith, and (ii) a certificate of a senior officer of the Company, dated the Effective Date, to the effect that (x) the Merger Agreement and all related documentation have been duly executed and delivered by each of the parties thereto and are in full force and effect on the Effective Date and (y) the provisions of the Merger Agreement and such related documentation have not been amended, waived or otherwise modified, or executed and delivered in forms other than the forms delivered to the Co-Administrative Agents prior to the date hereof.

(h) Consummation of the Exchange Offer. A certificate of a senior officer of the Company, dated the Effective Date, to the effect that (i) the Exchange Offer shall have been consummated and there shall have been validly tendered thereunder and not withdrawn a majority of the capital stock of Litton Operating, such that Litton Merger Sub would be able to consummate the Litton Merger without the vote of any other stockholder of Litton Operating, in each case in accordance with applicable law; (ii) all conditions to the consummation of the Exchange Offer as set forth in the Merger Agreement have been (or will concurrently be) fulfilled or waived by the parties thereto (which waiver, in the case of any waiver by the Company or Northrop Operating, shall be given only with the consent of the Lenders, and which conditions, in the case of conditions to be fulfilled to the satisfaction of the Company or Northrop Operating, shall be fulfilled to the satisfaction of the Co-Administrative Agents); and (iii) the Northrop Merger shall have been consummated and Northrop Operating shall be a Wholly Owned Subsidiary of the Company.

(i) Terms of Acquisition. A certificate of a senior officer of the Company, dated the Effective Date, to the effect that (i) the cash portion of the purchase price paid by the Company in the Acquisition will not exceed $4,000,000,000 and (ii) the fees and expenses relating to the Acquisition will be substantially consistent with the amount set forth in the table of sources and uses heretofore furnished to the Co-Administrative Agents.

(j) Payment of Fees and Expenses. Evidence that (i) all principal of and interest on the loans under the Existing Credit Agreements and the Refinanced Debt shall have been (or will concurrently be) paid in full and (ii) all fees and expenses payable under the Existing Credit Agreements and the Refinanced Debt accrued to the Effective Date and unpaid and all costs, fees and expenses, and all other compensation contemplated by the Loan Documents and by the Fee Letter dated January 29, 2001 among the Borrowers and the Co-Administrative Agents (including, legal fees and expenses) shall have been (or will concurrently be) paid by the Borrowers to the extent due.

(k) Senior Securities; Other Indebtedness and Preferred Stock. After giving effect to the Transactions and the other transactions contemplated hereby, the Company and its Subsidiaries shall have outstanding no Indebtedness or preferred stock other than the Loans under the Loan Documents, Indebtedness under Working Capital Credit Lines, Indebtedness under the Five-Year Credit Agreement, the Senior Securities, the preferred stock issued by the Company in

connection with the Exchange Offer and any Indebtedness disclosed in [refer to pro forma financial statements included in Exchange Offer documents].

(l) Litigation. Except as set forth on Schedule 3.03, no litigation
administrative or procedural action by any entity (private or governmental) shall be pending or threatened against any of the Borrowers (a) with respect to this Agreement or any other Loan Document, (b) that could reasonably be expected to restrain, prevent or impose burdensome conditions on the Transactions or (c) which the Required Lenders shall reasonably determine would be likely to have a Material Adverse Effect.

(m) Miscellaneous. The Co-Administrative Agents shall have received
such other documents as the Co-Administrative Agents or any Lender shall reasonably have requested.

The Payment Agent shall promptly notify each Lender of the occurrence of the Effective Date.

SECTION 4.02. Initial and Subsequent Loans. The obligation of any Lender to make any Loan to the Borrowers upon the occasion of each borrowing hereunder is subject to the further conditions precedent that, as of the date of such Loan and after giving effect thereto:

(a) no Default shall have occurred and be continuing; and

(b) the representations and warranties made by the Borrowers in Article III hereof shall be true in all material respects on and as of the date of the making of such Loan with the same force and effect as if made on and as of such date (except to the extent such representations or warranties expressly relate to an earlier date, in which case they shall be true in all material respects as of such earlier date).

Each notice of or request for a Borrowing by a Borrower hereunder shall constitute a certification by the Borrowers to the effect set forth in the preceding sentence (both as of the date of such notice and, unless any of the Borrowers otherwise notifies the Payment Agent prior to the date of such borrowing, as of the date of such borrowing).

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, each of the Borrowers covenants and agrees with the Lenders as to itself and its subsidiaries that:

SECTION 5.01. Financial Statements. The Company shall deliver to each of the Lenders and to the Co-Administrative Agents:

(a) within 105 days after the end of each fiscal year of the Company, (i) a consolidated statement of financial position of the Company and the Subsidiaries as at the

close of such fiscal year and consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and the Subsidiaries for such year, certified by Deloitte & Touche LLP or by other independent public accountants selected by the Company and reasonably satisfactory to the Co-Administrative Agents and (ii) the Consolidating Financial Statements for such year;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, (i) an unaudited consolidated statement of financial position of the Company and the Subsidiaries as at the end of such quarter and unaudited consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and the Subsidiaries for such quarter and for the period from the beginning of the fiscal year to the end of such quarter, certified by an authorized financial or accounting officer of the Company and (ii) the Consolidating Financial Statements for such fiscal quarter;

(c) promptly upon becoming available, copies of all financial statements, reports, notices, proxy statements and final prospectuses sent by the Company to stockholders or by any of the Borrowers to the SEC;

(d) subject to Government restrictions, such other statement or statements of the position and affairs of the Company and of the Subsidiaries and the status of their contracts, open accounts and budgets or forecasts, and other financial information, as may be reasonably requested by the Co-Administrative Agents;

(e) with each of the audited financial statements required to be delivered under Section 5.01(a), a certificate by the independent public accountants certifying such statements to the effect that they are familiar with the provisions of this Agreement and that, in making the examination necessary for their opinion on such financial statements, nothing came to their attention that caused them to believe that the Company was not in compliance with this Agreement insofar as it relates to accounting matters or, if the contrary is the case, specifying the nature of such non-compliance;

(f) with each of the financial statements required to be delivered under Section 5.01(a) or Section 5.01(b), a statement by an authorized financial or accounting officer of the Company to the effect that no Default has occurred and is continuing, or if any Default has occurred and is continuing, describing such Default and the action taken or proposed to be taken by the Company with respect thereto, and a detailed computation, in form and substance satisfactory to the Co-Administrative Agents, of the financial calculations required in Sections 6.08, 6.09 and 6.10;

(g) (x) promptly after each of Moody's and S&P first either reaffirms or announces revised ratings for the Senior Long Term Debt after the consummation of the Acquisition and (y) thereafter, promptly after (1) either Moody's or S&P first announces or publishes a revised rating for the Senior Long Term Debt or (2) either Moody's or S&P ceases to rate the Senior Long Term Debt, notice thereof; and

(h) promptly after the Company knows or has reason to know that any Default has occurred, a notice of such Default describing the same in reasonable detail and, together with such notice or as soon thereafter as is reasonably practicable, a description of the action that the Company has taken or proposes to take with respect thereto in such detail as the Company reasonably believes to be appropriate.

For the purposes of this section, the Company's obligation to deliver the items referred to in clauses (a), (b) and (c) above will be deemed satisfied by the posting of such items on a web site to which the Lenders have access, and which shall have been designated in a notice delivered to the Lenders and the Co-Administrative Agents.

SECTION 5.02. Existence, Payment of Taxes, ERISA, Etc. Each Borrower shall, and shall cause each of the Material Subsidiaries to:

(a) preserve and maintain its legal existence and all of its material rights, privileges, licenses and franchises (provided that nothing in this Section 5.02 shall prohibit any transaction expressly permitted under Section 6.02 or 6.04 hereof);

(b) comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities if failure to comply with such requirements is reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect;

(c) promptly pay and discharge all taxes, assessments and governmental charges prior to the date on which material penalties attach thereto, but only to the extent that such taxes, assessments and charges shall not be contested in good faith and by appropriate proceedings by the Company or such Material Subsidiary; and

(d) maintain all of its Properties used or useful in its business in good working order and condition, ordinary wear and tear excepted.

The Company shall furnish to the Payment Agent the following:

(i) As soon as possible and in any event within 30 days after the Company know or has reason to know that any Termination Event has occurred, a statement of a senior financial or accounting officer of the Company describing such Termination Event and the action, if any, which the Company proposes to take with respect thereto;

(ii) Promptly after receipt thereof by the Company, copies of each notice received from the PBGC of its intention to terminate any Plan or to have a trustee appointed to administer any Plan; and

(iii) Promptly after request therefor, such other documents and information relating to any Plan as the Co-Administrative Agents may reasonably request from time to time.

SECTION 5.03. Notice of Litigation. The Company shall promptly give notice in writing to the Co-Administrative Agents (which shall promptly notify the Lenders) of any litigation or proceeding against the Company or any Subsidiary if in the opinion of the General Counsel of the Company (or any individual acting in such capacity) such action or proceeding is reasonably likely to have a Material Adverse Effect. Without limiting the generality of the foregoing, the Company shall give notice in writing to the Co-Administrative Agents (which will promptly notify each Lender) of the assertion of any claim by any Person of violation of or non-compliance with any Environmental Laws against, or with respect to the activities of, the Company or any Subsidiary, and notice of any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations under Environmental Laws if in the opinion of the General Counsel of the Company (or any individual acting in such capacity) such claim or violation or non-compliance is reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect.

SECTION 5.04. Insurance. The Company shall maintain, and cause each Subsidiary to maintain, insurance with responsible companies in such amounts and against such risks as is usually carried by owners of similar businesses and Property in the same general area in which the Company or such Subsidiary operates, including reasonable war, comprehensive and commercial risk insurance, when and if available, subject to such deductibles, receptions and self insurance programs as the Company deems appropriate.

SECTION 5.05. Access to Books and Properties. The Company shall:

(a) keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied; and

(b) as may be reasonably requested, give any representatives of the Lenders reasonable access, subject to restrictions imposed by Governmental Authorities and customer confidentiality agreements, during normal business hours to, and permit them to examine, copy or make extracts from, any and all books, records and documents in the possession of the Company or any Subsidiary relating to its affairs and to inspect any Properties of the Company or any Subsidiary.

SECTION 5.06. Ratings by Moody's and S&P. The Company will at all times use commercially reasonable efforts to cause Moody's and S&P (or, if applicable, a Substitute Rating Agency) to have in effect ratings for the Senior Long Term Debt.

SECTION 5.07. Consummation of Merger. The Company will cause (a) the Northrop Merger to be consummated on or prior to the Effective Date and (b) the Litton Merger to be consummated as promptly as practicable following the Effective Date.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full each of the Borrowers covenants and agrees with the Lenders as to itself and its subsidiaries that:

SECTION 6.01. Restricted Payments. The Company shall not declare, pay or authorize any Restricted Payment if (a) any such Restricted Payment is not paid out of Consolidated Net Income Available for Restricted Payments, (b) at the time of, and immediately after, the making of any such Restricted Payment (or the declaration of any dividend except a stock dividend) a Default has occurred and remains continuing or (c) the making of any such Restricted Payment would cause the Leverage Ratio to exceed the percentage which the Company will be required to maintain as of the next Fiscal Date pursuant to Section 6.08.

SECTION 6.02. Asset Dispositions. The Company shall not, and shall not permit any of its Subsidiaries to, sell, transfer, lease or otherwise dispose of any asset, including any Equity owned by it in any other Person, nor shall the Company permit any of its Subsidiaries to issue any additional Equity in such Subsidiary, except:

(a) sales of inventory, used or surplus equipment, surplus real estate and Permitted Investments in the ordinary course of business;

(b) sales, transfers and dispositions to the Company or a Subsidiary;

(c) sales, transfers and dispositions for which the Company and the Subsidiaries receive consideration with a value of less than $10,000,000 in the aggregate for any individual transaction or series of related transactions; and

(d) sales, transfers and other dispositions of assets (other than Equity in a Subsidiary) that are not permitted by any other clause of this Section; provided that the aggregate fair market value of all assets sold, transferred or otherwise disposed of in reliance upon this clause (d) after the date hereof shall not exceed 20% of the consolidated assets of the Company as at December 31, 2000, after giving pro forma effect to the Transactions;

provided that all sales, transfers, leases and other dispositions permitted under clauses (a) and (d) of this Section (other than those resulting in the receipt by the Company and the Subsidiaries of consideration with a fair market value of less than $25,000,000 in the aggregate for any individual transaction or series of related transactions) shall be made for fair value.

SECTION 6.03. Guarantees. The Company shall not, and shall not permit any Subsidiary to, Guarantee any obligation of any Person, or suffer to exist any such Guarantee, except that:

(a) the Company may Guarantee any obligation of any Subsidiary;

(b) any Subsidiary may Guarantee any obligation of the Company or any other Subsidiary; and

(c) the Company or any Subsidiary may issue a Guarantee of any obligation of a Person other than the Company or any Subsidiary, or assume an obligation of any such Person; provided that (i) the excess (if any) of (x) the aggregate amount of all obligations referred to in this clause (c) (to the extent said obligations do not otherwise constitute Funded Debt) over (y) 5% of Consolidated Shareholders' Equity shall be deemed Funded Debt for the purposes of this Agreement.

SECTION 6.04. Fundamental Changes and Acquisitions. The Company will not, nor will it permit any of the Subsidiaries to, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). The Company will not, nor will it permit any of the Subsidiaries to, acquire any business from or all or any significant part of the Property of, or all or any significant part of the capital stock of, or be a party to any acquisition of, any Person.

Notwithstanding the foregoing:

(a) any Subsidiary may be merged or consolidated with or into: (i) any Borrower if such Borrower shall be the continuing or surviving corporation or (ii) any other Subsidiary; provided that if any such transaction shall be between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) during any Investment Grade Rating Period, any Borrower or any Subsidiary may merge or consolidate with any other Person if (i) in the case of a merger or consolidation of any Borrower, such Borrower is the surviving corporation and, in any other case, the surviving corporation is a Wholly-Owned Subsidiary and (ii) after giving effect thereto no Default would exist;

(c) the Borrowers may consummate the Acquisition and the related Transactions; and

(d) the Company or any of the Subsidiaries may acquire the business of, or all or any significant part of the Property of, or all or any significant part of the capital stock of, or be a party to any acquisition of, any Person engaged in the same line of business as the Company and its Subsidiaries, taken as a whole, or a related line of business (whether directly or through the merger of a Wholly-Owned Subsidiary with that Person) subject to the following:

(i) at the time of such acquisition, and after giving effect thereto, no Default shall exist; and

(ii) if the sum of (A) the aggregate value of the consideration to be paid in such acquisition and (B) the aggregate value of the consideration paid in all prior acquisitions that shall have been completed since the most recent fiscal quarter end of the Company shall exceed $150,000,000, the Company shall have delivered a certificate of a senior accounting or financial officer of the Company to the

Co-Administrative Agents prior to such acquisition demonstrating compliance with Sections 6.08, 6.09 and 6.10 on a pro forma basis as if such acquisition and all such prior acquisitions had occurred at the beginning of the most recently ended period of four consecutive fiscal quarters of the Company;

provided that, during any period which is not an Investment Grade Rating Period, and notwithstanding the provisions of clause (i) above, the consideration for any such acquisition shall consist exclusively of Equity of the Company.

SECTION 6.05. Limitation on Liens. The Company shall not, and shall not permit any Subsidiary to, create, assume or suffer to exist any Lien on any of its Property, whether now owned or hereafter acquired, except:

(a) deposits or pledges to secure payments of workers' compensation, unemployment insurance, old age pensions or other social security, or in connection with or to secure the performance of bids, tenders, contracts (other than contracts for the repayment of borrowed money) or leases, or to secure statutory obligations or surety or appeal bonds, or other pledges or deposits for purposes of like nature in the ordinary and normal operation of its business;

(b) Liens created in favor of the United States of America or any department or agency thereof or any other contracting party or customer in connection with advance or progress payments or similar forms of vendor financing or incentive arrangements;

(c) mechanics', carriers', workers', repairmen's or other like Liens arising in the ordinary course of business in respect of obligations which are not overdue;

(d) Liens for taxes which at the particular time are not due, or remain payable without penalty, or which are being contested in good faith and by proper proceedings;

(e) Liens already existing on Property acquired after the date hereof, and securing obligations assumed in connection with a transaction permitted by Section 6.04 hereof (and not created in anticipation thereof);

(f) purchase money Liens on fixed assets (including trust deeds or first mortgages) given substantially concurrently with (or within 180 days after) the acquisition of the fixed assets and Liens existing on such fixed assets at the time of acquisition thereof, conditional sales agreements or other title retention agreements with respect to fixed assets hereafter acquired, and extensions and renewals of any of the same; provided that (i) the Indebtedness secured by any such Lien shall be reasonably related to the fair market value of the related asset acquired by the Company or a Subsidiary, as the case may be, and (ii) no such Lien shall extend to any Property other than that then being acquired; and

(g) Liens existing on the Effective Date, as set forth in Schedule 6.05(g).

provided that the aggregate amount of Indebtedness or obligations (whether or not assumed by the Company or a Subsidiary) secured by all Liens and agreements permitted by clauses (e) and (f) of this Section 6.05 shall not at any time exceed $375,000,000.

SECTION 6.06. Investments. The Company shall not, and shall not permit any Subsidiary to, make any Investment except:

(a) the Acquisition, and other acquisitions expressly permitted by Section 6.04;

(b) Investments existing on the date hereof in any Person;

(c) Permitted Investments;

(d) Investments made in the ordinary and normal operation of its business as presently conducted;

(e) reasonable advances to its subcontractors and suppliers in anticipation of deliveries;

(f) Investments in any Person or Persons, whether domestic or foreign, to the extent covered by Guarantees or insurance covering all political and credit risks issued by the Overseas Private Investment Corporation or another agency of the United States acceptable to the Administrative Agent or by an agency of a foreign government which is rated investment grade by Moody's or S&P; and

(g) other Investments in any Person or Persons, whether domestic or foreign, in amounts which do not exceed in the aggregate at any time outstanding 5% of the consolidated total assets of the Company and the Subsidiaries as at the last day of the most recently completed Quarterly Period, so long as the aggregate amount of Investments in Person(s) that are not Wholly-Owned Subsidiaries does not as at such day exceed 2% of the consolidated total assets of the Company and the Subsidiaries.

SECTION 6.07. Indebtedness. (a) The Company will not, nor will it permit any of its Subsidiaries to, create, incur or suffer to exist any Indebtedness except:

(i) Indebtedness to the Lenders hereunder and under the Five-Year Credit Agreement and unsecured Indebtedness replacing in whole or in part the facility established by this Agreement or by the Five-Year Credit Agreement; provided that (a) the Loans outstanding under this Agreement or the Five-Year Credit Agreement will be repaid, and the Commitments under such Agreements shall be reduced, by amounts equal to the aggregate net proceeds of such replacement Indebtedness at the time of the issuance thereof, (b) the weighted average life to maturity of such replacement Indebtedness shall not be less than that of the Indebtedness under this Agreement or the Five-Year Credit Agreement, as the case may be, and (c) the obligors in respect of any such replacement Indebtedness shall be limited to the Borrowers;

(ii) the Senior Securities and the Guarantees thereof by the Company and Litton Operating;

(iii) Indebtedness outstanding on the date hereof and reflected in Schedule 6.07, and refinancings and extensions of any thereof that do not increase the outstanding principal amount of such Indebtedness;

(iv) Subordinated Indebtedness;

(v) Indebtedness of (x) Subsidiaries to the Company to the extent the Company is permitted by Section 6.06 to make Investments in Subsidiaries, (y) Subsidiaries to other Subsidiaries or (z) the Company to Subsidiaries;

(vi) Guarantees permitted by Section 6.03;

(vii) Indebtedness under Working Capital Credit Lines, provided that the Working Capital Credit Lines of Subsidiaries other than Northrop Operating and Litton Operating shall be in an aggregate principal amount not greater than $300,000,000;

(viii) Indebtedness in respect of letters of credit, banker's acceptances and similar instruments issued or accepted for the account of the Company or any Subsidiary in the ordinary course of its business;

(ix) Indebtedness issued pursuant to the Northrop Operating Senior Indenture or the Litton Operating Senior Indenture;

(x) Indebtedness under Interest Rate Protection Agreements permitted or required by Section 6.13;

(xi) Indebtedness under the Existing Credit Agreements and the Refinanced Debt, but only until the Effective Date; and

(xii) additional Indebtedness of the Company and the Subsidiaries (including Capital Lease Obligations and other Indebtedness secured by Liens permitted under clauses (e) and (f) of Section 6.05 hereof) up to but not exceeding $375,000,000 in the aggregate at any one time outstanding.

(b) The Borrowers will not permit the Indebtedness of all of the Subsidiaries that are not Borrowers (other than Indebtedness owing to the Company or another Subsidiary) to exceed $425,000,000 in the aggregate at any one time outstanding.

SECTION 6.08. Leverage Ratio. The Company will not permit the Leverage Ratio as of any Fiscal Date set forth below to exceed the percentage set forth below opposite such Fiscal Date:

Fiscal Date	Percentage
June 30, 2001	60.0%
September 30, 2001	60.0%
December 31, 2001 and each Fiscal Date thereafter	57.5%

SECTION 6.09. Funded Debt to Consolidated EBITDA Ratio. The Company will not permit the Funded Debt to Consolidated EBITDA Ratio as of any Fiscal Date set forth below to exceed the percentage set forth below opposite such Fiscal Date:

Fiscal Date	Ratio
June 30, 2001	4.75x
September 30, 2001	4.75x
December 31, 2001 and each Fiscal Date thereafter	4.25x

SECTION 6.10. Fixed Charge Coverage Ratio. The Company will not permit the Fixed Charge Coverage Ratio as of any Fiscal Date set forth below to be less than the ratio set forth below opposite such Fiscal Date:

Fiscal Date	Ratio
June 30, 2001	1.25x
September 30, 2001	1.25x

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Fiscal Date	Ratio
December 31, 2001 and each Fiscal Date thereafter	1.25x

SECTION 6.11. Use of Proceeds. The proceeds of the Loans hereunder will be used (a) to pay the cash consideration payable in the Exchange Offer and the Litton Merger, (b) to refinance the Existing Credit Agreements and Refinanced Debt, (c) to pay related fees and expenses and (d) for working capital, to finance capital expenditures and permitted acquisitions and for other general corporate purposes. All borrowings will be in compliance with all applicable legal and regulatory requirements, including Regulations U and X.

SECTION 6.12. Margin Stock. The Company shall not permit more than 25% of the value (as determined by any reasonable method) of the Property of the Company and the Subsidiaries subject to the restrictions of Section 6.02, 6.04 or 6.05 hereof (or any similar restriction) to be represented by margin stock (within the meaning of Regulation U or X).

SECTION 6.13. Interest Rate Protection Agreements. (a) The Company will not permit any of its Subsidiaries to enter into or become obligated in respect of any Interest Rate Protection Agreement, other than, in the case of any Subsidiary, any Interest Rate Protection Agreement entered into with respect to Indebtedness of such Subsidiary permitted under Section 6.07.

(b) Not later than 120 days after the Effective Date, the Company shall cause, and thereafter maintain, through a combination of Interest Rate Protection Agreements and fixed rate Funded Debt, the effective fixed rate component of its Funded Debt to be approximately equal to or greater than 50%.

SECTION 6.14. Modifications of Certain Documents. The Company will not consent to any modification, supplement or waiver of any of the provisions of the Northrop Operating Senior Indenture the Northrop Operating Subordinated Indenture or the Litton Operating Senior Indenture or any agreement, instrument or other document evidencing or relating to Subordinated Indebtedness, in each case to the extent that the same would adversely affect in any material respect the rights or interests of the Agents and the Lenders, without the prior written consent of the Co-Administrative Agents.

SECTION 6.15. Subsidiary Equity Issuance. The Company shall not permit any Subsidiary to issue Equity to any Person other than the Company or a Wholly-Owned Subsidiary except (a) directors' qualifying shares and (b) in connection with the establishment or capitalization of a bona fide joint venture with the Person or Persons to whom such Equity is issued.

ARTICLE VII

Events of Default

If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) the Borrowers shall default in the payment of any principal of any Loan when due; or the Borrowers shall default in the payment of any interest on any Loan or any other amount payable by them hereunder to any Lender or any Agent when due which nonpayment shall have continued for a period of two Business Days or more; or

(b) (i) default by the Company or any Subsidiary in the payment of any Indebtedness of the Company or any Subsidiary after any applicable period of grace, (ii) any event specified in any note, agreement, indenture or other document evidencing or relating to any of the Company or any Subsidiary Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due prior to its stated maturity or (iii) any event specified in any Interest Rate Protection Agreement of the Company or any Subsidiary shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit, any termination or liquidation payment or payments to become due thereunder; except for a default in respect of Indebtedness, (in the case of clauses (i) or (ii) of this paragraph), or payments (in the case of clause (iii) of this paragraph) not exceeding $50,000,000 in aggregate amount; or

(c) any representation, warranty or certification made or deemed made in any of the Loan Documents by the Borrowers or any certificate furnished to any Lender or Agent pursuant to the provisions hereof shall prove to have been false or misleading as of the time made or deemed made or furnished in any material respect; or

(d) any of the Borrowers shall default in the performance of any of its obligations under Section 5.01(h), Section 10.14 or Article VI hereof (other than Section 6.15); any of the Borrowers shall default in the performance of any of its other obligations in this Agreement and such default shall continue unremedied for a period of 30 days after notice thereof to the Borrowers by the Co-Administrative Agents or any Lender (through the Co-Administrative Agents); or

(e) any Borrower or any Subsidiary having total assets of $100,000,000 or more shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(f) any Borrower or any Subsidiary having total assets of $100,000,000 or more shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under any law relating to bankruptcy, insolvency, reorganization (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an

involuntary case under any law relating to bankruptcy, insolvency, reorganization, or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) a proceeding or case shall be commenced, without the application or consent of any Borrower or any Subsidiary having total assets of $100,000,000 or more, in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of such Borrower or such Subsidiary or of all or any substantial part of its assets, or (iii) similar relief in respect of such Borrower or such Subsidiary under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 days; or an order for relief against such Borrower or such Subsidiary shall be entered in an involuntary case under any law relating to bankruptcy, insolvency, reorganization; or

(h) if (i) a final judgment which, with other outstanding final judgments against the Company and all Subsidiaries, exceeds an aggregate of $100,000,000, excluding (A) any amounts covered by insurance as to which the insurance company shall have acknowledged coverage and (B) the amount of any judgment against a Subsidiary other than a Borrower that exceeds the fair market value of the assets of such Subsidiary (but only if neither the Company nor any other Subsidiary is directly or contingently liable therefor), shall be rendered against the Company or any Subsidiary and (ii) within 60 days after entry thereof, such judgment shall not have been discharged, vacated or reversed or execution thereof stayed pending appeal or within 60 days after the expiration of any such stay, such judgment shall not have been discharged, vacated or reversed; or

(i) an event or condition (i) which might constitute grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan or Multiemployer Plan and which involves a liability of the Company or any Subsidiary having total assets of $100,000,000 or more to PBGC in excess of $100,000,000 or (ii) leading to the receipt by the Company or any Subsidiary having total assets of $100,000,000 or more from the PBGC of a notice of its intention to terminate any Plan or Multiemployer Plan or to have a trustee appointed to administer any such Plan or Multiemployer Plan shall occur or exist and, as a result of such event or condition, together with all other such events or conditions, the Company or any ERISA Affiliate shall incur or in the opinion of the Required Lenders shall be reasonably likely to incur a liability to a Plan, a Multiemployer Plan or PBGC (or any combination of the foregoing) which is, in the determination of the Required Lenders, material in relation to the consolidated financial position of the Company and the Subsidiaries; or

(j) (i) any person or group of persons (within the meaning of Section 13 or 14 of the Exchange Act, it being agreed that an employee of the Company or any Subsidiary for whom shares are held under an employee stock ownership, employee retirement, employee savings or similar plan and whose shares are voted in accordance with the instructions of such employee shall not be a member of a group of persons within the meaning of said Section 13 or 14 solely because such employee's shares are held by a trustee under said plan) shall acquire, directly or

indirectly, beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act, as amended) of more than 50% of the outstanding shares of stock of the Company having by the terms thereof ordinary voting power to elect (whether immediately or ultimately) a majority of the board of directors of the Company (irrespective of whether or not at the time stock of any other class or classes of stock of the Company shall have or might have voting power by reason of the happening of any contingency) or (ii) the Company shall cease to own, directly or indirectly, beneficially and of record, shares representing 100% of the issued and outstanding capital stock of (x) Northrop Operating or (y) after the Litton Merger, Litton Operating; or

(k) at any time during any period of 25 consecutive calendar months following the date hereof, a majority of the Board of Directors of the Company shall not be composed of individuals (i) who were members of the Board of the Company or the Board of Northrop Operating (in each case after giving effect to the consummation of the Exchange Offer) on the first day of such period, (ii) whose election or nomination to said Board was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of said Board or (iii) whose election or nomination to said Board was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of said Board; or

(l) the joint liability of any Borrower for any of the Obligations shall cease to be, or shall be asserted by any Borrower not to be, valid and enforceable;

Thereupon, (i) in the case of an Event of Default other than one referred to in clause (f) or (g) of this Article VII, (x) the Co-Administrative Agents, upon request of the Required Lenders, shall, by notice to the Borrowers, (x) cancel the Commitments and/or (y) declare the principal amount then outstanding of and the accrued interest on the Loans and all other amounts payable by the Borrowers hereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrowers; and (ii) in the case of the occurrence of an Event of Default referred to in clause (f) or (g) of this Article VII, the Commitments shall be automatically canceled and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrowers hereunder shall become automatically immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrowers.

Without limiting Section 10.02, the Required Lenders may, on behalf of all the Lenders, waive, for the period and on the conditions (if any) specified in such waiver, any Event of Default arising from the failure by any Borrower to perform any of its obligations under Articles V and VI hereof and any consequences thereof (including any termination of the Commitments and/or any declaration that the principal of and interest on the Loans and all other amounts payable by the Borrowers hereunder shall be forthwith due and payable). In the case of any such waiver, the Borrowers, the Lenders and the Co-Administrative Agents, for said period and on said conditions, shall be restored to their respective former positions and rights hereunder, and any Event of Default so waived shall, for said period and on said conditions, be deemed not to be continuing for the

purposes of this Agreement; provided that no such waiver shall extend to any subsequent or other Event of Default or impair any other right of any Lender or Agent hereunder.

ARTICLE VIII

The Agents

In order to expedite the transactions contemplated by this Agreement, Chase and CSFB are hereby appointed to act as Co-Administrative Agents and Chase is hereby appointed to act as Payment Agent. Each of the Lenders hereby irrevocably authorizes the Co-Administrative Agents and the Payment Agent to take such actions on its behalf and to exercise such powers as are delegated to the Co-Administrative Agents and the Payment Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Any bank serving as Co-Administrative Agent or Payment Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not such Co-Administrative Agent or Payment Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrowers, any Subsidiary or other Affiliate thereof as if it were not such Co-Administrative Agent or Payment Agent hereunder.

The Co-Administrative Agents and the Payment Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) no Co-Administrative Agent or Payment Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) no Co-Administrative Agent or Payment Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Co-Administrative Agent or Payment Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02), and (c) except as expressly set forth in the Loan Documents, no Co-Administrative Agent or Payment Agent shall have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any Subsidiary that is communicated to or obtained by the bank serving as Co-Administrative Agent or Payment Agent or any of its Affiliates in any capacity. No Co-Administrative Agent or Payment Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02) or in the absence of its own gross negligence or wilful misconduct. No Co-Administrative Agent or Payment Agent shall be deemed to have knowledge of any Default unless and until written notice thereof is given to such Co-Administrative Agent or Payment Agent by the Borrowers or a Lender, and no such Co-Administrative Agent or Payment Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set

forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Co-Administrative Agent or Payment Agent.

Each Co-Administrative Agent or Payment Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Co-Administrative Agent or Payment Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each Co-Administrative Agent or Payment Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Each Co-Administrative Agent or Payment Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by such Co-Administrative Agent or Payment Agent. Each Co-Administrative Agent or Payment Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs and the provisions of Section 10.03 shall apply to any such sub-agent and to the Related Parties of the Co-Administrative Agents or Payment Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Co-Administrative Agent or Payment Agent.

Subject to the appointment and acceptance of a successor Co-Administrative Agent or Payment Agent as provided in this paragraph, any Co-Administrative Agent or the Payment Agent may resign at any time by notifying the Lenders and the Company. Upon any such resignation, the Required Lenders shall have the right (in consultation with, and with the consent of (unless an Event of Default has occurred and is continuing pursuant to clause (f) or (g) of Article VII) the Company, which shall not be unreasonably withheld) to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Co-Administrative Agent or Payment Agent gives notice of its resignation, then the retiring Co-Administrative Agent or Payment Agent may (in consultation with, and with the consent of (unless an Event of Default has occurred and is continuing pursuant to clause (f) or (g) of Article VII), the Company, which shall not unreasonably withhold such consent and which shall, if the retiring Co-Administrative Agent or Payment Agent shall so request, designate and approve a successor Co-Administrative Agent or Payment Agent) on behalf of the Lenders, appoint a successor Co-Administrative Agent or Payment Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Co-Administrative Agent or Payment Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Co-Administrative Agent or Payment Agent, and the retiring Co-Administrative Agent or Payment Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrowers to a successor Co-Administrative Agent or the Payment Agent shall be the same as those payable to its predecessor unless otherwise agreed

among the Borrowers and such successor. After a Co-Administrative Agent's or the Payment Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for the benefit of such retiring Co-Administrative Agent or Payment Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Co-Administrative Agent or Payment Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Co-Administrative Agents or the Payment Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Co-Administrative Agents or the Payment Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

None of the institutions named as Syndication Agent or Co-Documentation Agents in the heading of this Agreement shall, in their capacities as such, have any duties or responsibilities of any kind under this Agreement.

ARTICLE IX

Joint and Several Liability of Borrowers

In order to induce the Lenders to extend credit hereunder, each Borrower agrees that it will be jointly and severally liable for all the Obligations, including the principal of and interest on all Loans requested by and made to either of the other Borrowers. Each Borrower further agrees that the due and punctual payment of the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound hereunder notwithstanding any such extension or renewal of any Obligation.

Each Borrower waives presentment to, demand of payment from and protest to any other Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Borrowers hereunder shall not be affected by (a) the failure of any Lender or Agent to assert any claim or demand or to enforce or exercise any right or remedy against any other Borrower under the provisions of this Agreement or otherwise or (b) any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement or any other agreement.

Each Borrower further agrees that its agreement under this Article IX constitutes a promise of payment when due (whether or not any bankruptcy or similar proceeding shall have stayed the accrual or collection of any of the Obligations or operated as a discharge thereof) and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of any Borrower or any other Person.

The obligations of each Borrower under this Article IX shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Borrowers under this Article IX shall not be discharged or impaired or otherwise affected by the failure of any Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification in respect of any thereof, by any default, failure or delay, willful or otherwise, in the performance of any of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of such Borrower or otherwise operate as a discharge of such Borrower or any Borrower as a matter of law or equity.

Each Borrower further agrees that its obligations under this Article IX shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the any Agent or any Lender upon the bankruptcy or reorganization of any other Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Agent or any Lender may have at law or in equity against any Borrower by virtue of this Article IX, upon the failure of any other Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Borrower hereby promises to and will, upon receipt of written demand by any Agent, forthwith pay, or cause to be paid, in cash the amount of such unpaid Obligation.

If by virtue of the provisions set forth herein, either Northrop Operating or Litton Operating is required to repay and shall repay Loans the proceeds of which were received by the other, the Borrower that received such proceeds agrees to reimburse the Borrower that shall have repaid such Loans. Upon payment by any Borrower of any sums as provided above, all rights of such Borrower against any Borrower arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations owed by the Borrowers to the Lenders.

ARTICLE X

Miscellaneous

SECTION 10.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any of the Borrowers, to it at 1840 Century Park East, Los Angeles, CA 90067-2199, Attention of Albert F. Myers, Corporate Vice President and Treasurer and David H. Strode, Assistant Treasurer (both at Telecopy No. (310) 201-3088);

(b) if to the Agents:

(1) to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Richard Smith (Telecopy No. (212) 270-5150), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York, NY 10017, Attention of Doris Mesa (Telecopy No. (212) 552-5650); and

(2) to Credit Suisse First Boston, 11 Madison Avenue, New York, NY 10010, Attention of [ ] Telecopy No. [ ]); and

(c) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 10.02. Waivers; Amendments. (a) No failure or delay by any Agent or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents and the Lenders hereunder and under any other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by the Borrowers therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether any Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers party thereto and the Required Lenders or by the Borrowers party thereto and the Co-Administrative Agents with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable to any Lender hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.15 in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender affected thereby, (v) change any of the provisions of this Section or the definition of

"Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder or (vi) release any Borrower from its joint and several liability for the Obligations hereunder, or limit its liability in respect of such joint and several liability, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of any Agent hereunder without the prior written consent of such Agent.

SECTION 10.03. Expenses; Indemnity; Damage Waiver. (a) The Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Agents and their Affiliates named on the cover of this Agreement, including the reasonable fees, charges and disbursements of one outside counsel for the Agents, in connection with the syndication, prior to the date hereof, of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers (requested by or for the benefit of the Borrowers) of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all reasonable out-of-pocket expenses incurred by any Agent or any Lender, including the fees, charges and disbursements of any counsel for any Agent or any Lender, (A) related to the enforcement of its rights in connection with the Loan Documents (including its rights under this Section) or (B) incurred during any workout, restructuring or related negotiations in respect of the Loan Documents or the Loans.

(b) The Borrowers shall indemnify each Agent, each Lender, each of their Affiliates and each officer, director, employee or agent of the foregoing Persons involved directly or indirectly in the Transactions (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and reasonable related expenses (other than Excluded Taxes), including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, except, as to each Indemnitee, for losses, claims, damages, liabilities and related expenses determined by a court of competent jurisdiction to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrowers fail to pay any amount required to be paid by them to any Agent under paragraph (a) or (b) of this Section each Lender severally agrees to pay to such Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against such Agent in its capacity as such.

(d) To the extent permitted by applicable law, the Borrowers shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect,

consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor setting forth the amount and the nature of the expense or claim, as applicable.

SECTION 10.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that none of the Borrowers may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any of the Borrowers without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Agents and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, the Company and the Payment Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment is delivered to the Payment Agent) shall not be less than $10,000,000 unless the Company and the Payment Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to its rights in respect of outstanding Competitive Loans, (iv) the parties to each assignment shall execute and deliver to the Co-Administrative Agents an Assignment and Acceptance, together with (except in the case of an assignment by or to a Co-Administrative Agent) a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Payment Agent an Administrative Questionnaire; and provided further that any consent of the Company otherwise required under this paragraph shall not be required if an Event of Default under clause (f) or (g) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obliga tions under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 and 10.03. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for

purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Payment Agent, acting for this purpose as agent of the Borrowers, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Co-Administrative Agents and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Payment Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrowers or the Payment Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Co-Administrative Agents, and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (f) of this Section, each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.15 unless the Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 2.15(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Co-Administrative Agents and the Borrowers, the option to provide to the Borrowers all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrowers pursuant to Section 2.01; provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall be deemed to utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any payment under this Agreement for which a Lender would otherwise be liable, for so long as, and to the extent, the related Granting Lender makes such payment. In furtherance of the foregoing, each party hereto hereby agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 10.04, any SPC may (i) with notice to, but without the prior written consent of, the Borrowers and the Co-Administrative Agents and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or (if consented to by the Borrowers and Co-Administrative Agents) to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans (but not relating to any of the Borrowers or their Affiliates, except with such Borrower's consent) to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 10.05. Survival. All covenants, agreements, representations and warranties made by the Borrowers herein, in the other Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Co-Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.13, 2.14, 2.15 and 10.03 and Article VIII shall survive and remain in full force and effect regardless of the

consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Co-Administrative Agents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Co-Administrative Agents and when the Co-Administrative Agents shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto (other than Litton Operating, which shall execute a counterpart of this Agreement as provided in Section 10.14), and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions of such Loan Document; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Borrower against any of and all the obligations of the Borrowers now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement. The rights of each Lender under this Section are in addition to and shall not limit other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of the Borrowers hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by

law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that any Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrowers or their properties in the courts of any jurisdiction.

(c) Each of the Borrowers hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. Confidentiality. Each Lender and each of the Co-Administrative Agents agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to keep confidential, in accordance with their customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Borrowers pursuant to this Agreement which is identified by the Borrowers as being proprietary, private and/or confidential at the time the same is delivered to the Lenders or the Co-Administrative Agents, provided that nothing herein shall limit the disclosure of any such information (a) to the extent required by statute, rule, regulation or judicial process, (b) to counsel for any of the Lenders or the Co-Administrative Agents, (c) to bank examiners, auditors or accountants, (d) to the Co-Administrative Agents or any other Lender, (e) in connection with any litigation to which any one or more of the Lenders or the Co-Administrative Agents is a party or (f) to any assignee or participant (or prospective assignee or participant) SO LONG AS SUCH ASSIGNEE OR PARTICIPANT (OR PROSPECTIVE ASSIGNEE OR PARTICIPANT) FIRST EXECUTES AND DELIVERS TO THE RESPECTIVE LENDER A

CONFIDENTIALITY AGREEMENT SUBSTANTIALLY IN THE FORM OF EXHIBIT D (WHEREUPON SUCH BANK SHALL PROMPTLY DELIVER A COPY OF SUCH CONFIDENTIALITY AGREEMENT TO THE COMPANY); provided, further, that (i) unless specifically prohibited by applicable law or court order, each Lender and the Co-Administrative Agents shall, prior to disclosure thereof, notify the Borrowers of any request for disclosure of any such non-public information (x) by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) or (y) pursuant to legal process and (ii) in no event shall any Lender or the Co-Administrative Agents be obligated or required to return any materials furnished by the Borrowers; and, provided, finally, that no Lender shall, without the applicable Borrower's prior consent, provide any information relating to projections of that Borrower's financial performance to any participant or any prospective assignee or participant (other than any bank or other financial institution identified to the Borrowers as a participant under the Existing Credit Agreement in a notice given to the Borrowers prior to the Restatement Date), and, in lieu thereof, each of the Borrowers shall, promptly following the request of any Lender and at the Borrowers' expense, provide to a participant the projections of each of the Borrowers' financial performance that has been made available to such Lender. Each Lender agrees that money damages would not be a sufficient remedy for any breach of such Lender's obligations under this Section 10.12 and that, in addition to all other remedies available to the Borrowers at law or in equity, the Borrowers shall be entitled to injunctive relief against such Lender as a remedy for such breach.

SECTION 10.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 10.14. Execution by Litton Operating. At such time as Litton Operating shall have become a Subsidiary, the Company will forthwith cause Litton Operating to execute this Agreement in the space provided below, to deliver a counterpart hereof to the Co-Administrative Agents and to deliver such other documents as shall be required to satisfy the conditions set forth in Section 4.01(a), (b), (c) and (e), insofar as they relate to Litton Operating, and upon such execution and delivery, Litton Operating shall become a party to and a Borrower under this Agreement with the same effect as if it had originally been a party hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NNG, INC.,

by

_____
Name:
Title:

NORTHROP GRUMMAN CORPORATION,

by

_____
Name:
Title:

THE CHASE MANHATTAN BANK,
individually and as Co-Administrative Agent and Payment Agent,

by

_____
Name:
Title:

CREDIT SUISSE FIRST BOSTON,
individually and as Co-Administrative Agent,

by

_____
Name:
Title:

by

_____
Name:
Title:

CITIBANK, N.A.,

by _____
Name:
Title:

THE BANK OF NOVA SCOTIA,

by _____
Name:
Title:

DEUTSCHE BANC ALEX. BROWN
SECURITIES INC.

by _____
Name:
Title:

[LENDERS],

by _____
Name:
Title:

In accordance with Section 10.14 of the foregoing Agreement, Litton Industries, Inc., by its execution hereof, hereby becomes a party to and a Borrower under such Agreement with the same effect as if it had originally been a party thereto.

LITTON INDUSTRIES, INC.,

by _____
Name:
Title:

Exhibit 10.7

Form of
$2,500,000,000
FIVE-YEAR REVOLVING CREDIT AGREEMENT

dated as of

March 30, 2001

among

NNG, INC.,

NORTHROP GRUMMAN CORPORATION,

LITTON INDUSTRIES, INC.,

The Lenders Party Hereto,

THE CHASE MANHATTAN BANK

and

CREDIT SUISSE FIRST BOSTON,
as Co-Administrative Agents

and

THE CHASE MANHATTAN BANK
as Payment Agent

SALOMON SMITH BARNEY INC.,
as Syndication Agent

THE BANK OF NOVA SCOTIA
and
DEUTSCHE BANC ALEX. BROWN, INC.,
as Co-Documentation Agents

JP MORGAN, a division of
CHASE SECURITIES INC.
and
CREDIT SUISSE FIRST BOSTON,
as Joint Lead Arrangers and Joint Bookrunners

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ARTICLE X

Miscellaneous

SCHEDULES:
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EXHIBITS:
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FIVE-YEAR CREDIT AGREEMENT dated as of March 30, 2001, among NNG, INC., a Delaware corporation (the "Company"); NORTHROP GRUMMAN CORPORATION, a Delaware corporation ("Northrop Operating"); at all times after it shall have become a subsidiary of the Company, LITTON INDUSTRIES, INC., a Delaware corporation ("Litton Operating" and, together with the Company and Northrop Operating, the "Borrowers"); the LENDERS party hereto, THE CHASE MANHATTAN BANK and CREDIT SUISSE FIRST BOSTON, as Co-Administrative Agents, SALOMON SMITH BARNEY INC., as Syndication Agent, and THE BANK OF NOVA SCOTIA and DEUTSCHE BANC ALEX. BROWN INC. as Co-Documentation Agents.

The Company intends to acquire (the "Acquisition") Litton Operating pursuant to the Amended and Restated Agreement and Plan of Merger dated as of January 23, 2001 (the "Merger Agreement"), among Northrop Operating, LII Acquisition, Inc. ("Litton Merger Sub") and Litton Operating. Pursuant to the Merger Agreement, Litton Merger Sub has made an offer (the "Exchange Offer") to acquire all the issued and outstanding capital stock of Litton Operating for consideration consisting of (a) in the case of Litton Operating's common stock, at the election of the holders thereof and subject to certain other conditions and adjustments, (i) $80.25 per common share, net to the Seller in cash, and/or (ii) a combination of new common stock of the Company (approximately 13,000,000 shares in the aggregate) and/or new preferred stock of the Company (valued at up to $350,000,000 in the aggregate) and (b) in the case of Litton Operating's preferred stock, $35 per share, net to the Seller in cash. Immediately prior to the consummation of the Exchange Offer, the Company will cause a newly formed, wholly-owned subsidiary ("Northrop Merger Sub") to merge (the "Northrop Merger") with and into Northrop Operating, as consideration for which the existing stockholders of Northrop Operating will receive common stock of the Company. As promptly as practicable following the consummation of the Exchange Offer, (i) Litton Merger Sub will merge with and into Litton Operating (the "Litton Merger" and, together with the Northrop Merger, the "Mergers") in a transaction in which, subject to stockholders' dissent rights, each issued and outstanding share of common stock of Litton Operating not acquired in the Exchange Offer will be converted into the right to receive $80.25 per common share in cash and (ii) Litton Operating will become a party to this Agreement as a Borrower. The aggregate consideration payable to the stockholders of Litton Operating in the Acquisition will be approximately not greater than $4,000,000,000 in cash and stock. In connection and substantially concurrent with the Acquisition, Northrop Operating and Litton Operating will repay all amounts outstanding under, and terminate, their primary existing bank credit agreements (the "Existing Credit Agreements") and repay the Refinanced Debt.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Revolving Loan or Revolving Borrowing, refers to whether such Revolving Loan, or the Revolving Loans comprising such Revolving Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" has the meaning assigned to such term in the preamble to this Agreement.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Revolving Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Payment Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agents" means, collectively, the Co-Administrative Agents and the Payment Agent.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurodollar Revolving Loan or ABR Loan, or with respect to the facility fees payable hereunder, as the case may be, the

applicable rate per annum set forth below under the caption "Eurodollar Spread", "ABR Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Senior Long Term Debt:

Senior Long Term Debt Ratings	Facility Fee Rate	Eurodollar Spread	ABR Spread
Category 1 BBB+ or higher or Baal or higher	0.150%	0.600%	0.000%
Category 2 BBB or Baa2, and no other Category applies	0.175%	0.825%	0.000%
Category 3 BBB- and Baa3	0.225%	1.025%	0.025%
Category 4 BBB- and Ba1 or BB+ and Baa3	0.375%	1.125%	0.125%
Category 5 BB+ and Ba1	0.425%	1.325%	0.325%
Category 6 Lower than BB+ or lower than Ba1	0.500%	1.750%	0.750%

If either Moody's or S&P shall not have in effect a rating for the Senior Long Term Debt, then the Company and the Co-Administrative Agents shall endeavor in good faith to agree upon a Substitute Rating Agency and the ratings of such Substitute Rating Agency corresponding to the ratings of Moody's or S&P, as the case may be, in each of the Categories in the table above, and following such agreement the Applicable Rate shall be determined by substituting the ratings of such Substitute Rating Agency applicable to the Senior Long Term Debt for the ratings of Moody's or S&P, as the case may be, in the table above; provided, that (a) a single Substitute Rating Agency may not be substituted pursuant to this sentence for both Moody's and S&P and (b) until the Company and the Co-Administrative Agents shall have reached agreement on the matters referred to in this sentence, the Applicable Rate shall be determined by reference to the single available rating by Moody's or S&P, as the case may be (or, if there is no available rating, the rating most recently in effect). If the ratings established or deemed to have been established by Moody's and S&P (or a Substitute Rating Agency) for the Senior Long Term Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P (or a Substitute Rating Agency)), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P or an applicable Substitute Rating Agency shall change, the Company and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system and, pending the effectiveness of any

such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect from such rating agency prior to such change.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Payment Agent, in the form of Exhibit A or any other form approved by the Payment Agent and the Borrowers.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Bankruptcy Code" means the Federal Bankruptcy Code of 1978, as amended from time to time.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrowers" means Northrop Operating and the Company and, from and after its execution of this Agreement as provided in Section 10.14, Litton Operating.

"Borrowing" means a group of Loans of the same type, made, converted or continued on the same date and, in the case of Eurodollar Loans or Fixed Rate Loans, as to which a single Interest Period applies.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Expenditures" means, for any period, expenditures (including, without limitation, the aggregate amount of Capital Lease Obligations incurred during such period) made by the Company or any of the Subsidiaries to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) during such period computed in accordance with GAAP.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) Property, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.13(b), by any lending office of such

Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Chase" means The Chase Manhattan Bank and its successors.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Competitive Loans.

"Co-Administrative Agents" means Chase and CSFB, in their capacities as co-administrative agents for the Lenders hereunder, or any successors, thereto appointed in accordance with Article VIII.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder, expressed as an amount representing the maximum aggregate permitted amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Company" has the meaning assigned to such term in the preamble to this Agreement.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by a Borrower for Competitive Bids in accordance with Section 2.04.

"Competitive Loan" means a loan made pursuant to Section 2.04.

"Competitive Loan Exposure" means, with respect to any Lender at any time, the aggregate principal amount of the outstanding Competitive Loans of such Lender.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, without duplication and to the extent deducted in determining such Net Income, the sum of (i) Interest Expense for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization for such period, (iv) any noncash charges for such period and (v) fees and expenses incurred in connection with the Transactions,

minus, without duplication and to the extent included in determining such Net Income, any noncash income for such period.

"Consolidated Net Income" means, for the Company and the Subsidiaries (determined on a consolidated basis in accordance with GAAP) for any fiscal period, an amount equal to the consolidated net income of the Company and its Subsidiaries for such fiscal period.

"Consolidated Net Income Available for Restricted Payments" means an amount equal to (i) the sum of $300,000,000 plus 80% (or minus 100% in case of consolidated net loss) of Consolidated Net Income for the period (taken as one accounting period) commencing January 1, 2001 and terminating on the Fiscal Date immediately preceding the date of any proposed Restricted Payment, less (ii) the sum of (A) the aggregate amount of all dividends (other than dividends payable solely in stock of the Company) and other distributions paid or declared by the Company (for all periods on or after the Effective Date) or either Northrop Operating or Litton Operating (for the period from January 1, 2001 through the Effective Date) on any class of its stock and (B) the excess (if any) of the aggregate amount expended, directly or indirectly, by the Company (for all periods on or after the Effective Date) or by either Northrop Operating or Litton Operating (for the period from January 1, 2001 through the Effective Date) for the redemption, purchase or other acquisition of any shares of its stock, over the aggregate net amount of any cash or cash equivalents received by the Company on and after said date as consideration for the sale of any shares of its stock.

"Consolidated Stockholders' Equity" means the amount of stockholders' equity of the Company and the Subsidiaries (determined on a consolidated basis in accordance with GAAP).

"Consolidating Financial Statements" means, for any fiscal period, the unaudited consolidating statements of financial position and income for the corporate office and principal operating centers of the Company and the Subsidiaries substantially in the form of the consolidating financial statements for such corporate office and principal operating centers as at and for Northrop Operating's fiscal year ended December 31, 1999 heretofore delivered to the Lenders.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"CSFB" means Credit Suisse First Boston and its successors.

"Debt Service" means, for any period, the sum, for the Company and the Subsidiaries (determined on a consolidated basis in accordance with GAAP), of the following: (a) all regularly scheduled payments of principal of Indebtedness (including, without limitation, the principal component of any payments in respect of Capital Lease Obligations but excluding amounts repaid under Working Capital Credit Lines) made during such period plus (b) all Interest Expense for such period.

"Default" means any event or condition which constitutes an Event of Default or which with notice, passage of time or both would become an Event of Default.

"Disbursement Account" means the Company's account (910-2-475762) with the Payment Agent, or, at any time, any other account of the Company with the Payment Agent that shall have been designated in a notice delivered by the Company to the Payment Agent not fewer than three Business Days prior to such time.

"Dollars" or "$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.02).

"Environmental Laws" means any and all Federal, state, local and foreign laws, rules or regulations, and any orders or decrees, in each case as now or hereafter in effect, relating to the regulation or protection of human health, safety or the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or toxic or hazardous substances or wastes into the indoor or outdoor environment, including, without limitation, ambient air, soil, surface water, ground water, wetlands, land or subsurface strata, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or toxic or hazardous substances or wastes.

"Equity" means (i) any capital stock or any warrants, options or rights exercisable in respect of capital stock, including any capital stock issued upon the exercise of any such warrants, options or rights (other than any capital stock, warrants, options or rights issued to directors, officers or employees of the Company or any of the Subsidiaries pursuant to employee benefit plans, stock option plans or long-term incentive plans established in the ordinary course of business and any capital stock of the Company issued upon the exercise of such warrants, options or rights) or (ii) any other security or instrument representing an equity interest in the Company or any of the Subsidiaries.

"Equity Issuance" means (a) any issuance or sale (including any issuance or sale as a result of a conversion or exchange of debt securities) by the Company or any Subsidiary of Equity or (b) the receipt by the Company of any capital contribution (whether or not evidenced by any equity security issued by the Company) other than (i) any issuance of Equity of the Company to the former stockholders of Litton Operating in connection with the Acquisition, (ii) any issuance of Equity to, or receipt of any such capital contribution from, the Company or a Subsidiary and (iii) any issuance of Equity of the Company to employees, officers or directors of the Company and the Subsidiaries pursuant to employee stock options or employee benefit plans in effect from time to time.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company or is under common control (within the meaning of Section 414(c) of the Code) with the Company.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate or, in the case of Competitive Loans, the LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Exchange Act" means the Securities Exchange Act of 1934, together with the Rules and Regulations of the SEC thereunder.

"Exchange Offer" has the meaning assigned to such term in the preamble to this Agreement.

"Excluded Taxes" means, with respect to any Lender or any other recipient of any payment to be made by or on account of any obligation of a Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (a) above and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by a Borrower under Section 2.17(b)), any withholding tax imposed by the United States of America that (i) is in effect and would apply to amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from a Borrower with respect to any withholding tax pursuant to Section 2.15, or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.15(e).

"Existing Credit Agreements" means, with respect to Northrop Operating, the Credit Agreement dated as of April 15, 1994, as amended by an Amended and Restated Credit Agreement dated as of March 1, 1996 and a Second Amended and Restated Credit Agreement dated as of November 1, 1996, as amended, among Northrop Operating, Chase, Chase Securities Inc. and Bank of America National Trust and Savings Association and, with respect to Litton Operating, the 364-Day and Five-Year Credit Agreements dated as of March 22, 2000 among Litton Industries, Inc. and Morgan Guaranty Trust Company of New York.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if

necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Payment Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means any of the chief financial officer, principal accounting officer, treasurer, assistant treasurer, or controller of the Company.

"Fiscal Dates" means the last day of each March, June, September and December in each year, the first of which shall be the first such day after the date hereof.

"Fixed Charge Coverage Ratio" means, at any Fiscal Date, the ratio of (a) the sum of (i) Consolidated EBITDA for the period of four consecutive fiscal quarters of the Company ending on such date minus (ii) Capital Expenditures during such period to (b) the sum of (i) Interest Expense for such period plus (ii) Restricted Payments made by the Company or, prior to the Northrop Merger, by Northrop Operating during such period.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than the United States of America, a State thereof or the District of Columbia.

"Funded Debt" means any Indebtedness of the Company or any Subsidiary for borrowed money or the deferred purchase price of Property which is shown on the consolidated financial statements of the Company as a liability, in any event including (a) Capital Lease Obligations and (b) Guarantees which are deemed Funded Debt under Section 6.03 hereof but excluding (i) items customarily reflected as current liabilities and classified as other than debt (it being understood that progress payments, trade accounts payable, obligations under leases which are not capitalized leases and income taxes payable are excluded from "Funded Debt" under this definition) and (ii) deferred income taxes minus cash and cash equivalents of the Company and its Subsidiaries.

"Funded Debt to Consolidated EBITDA Ratio" means, at any Fiscal Date, the ratio of (a) Funded Debt as at such date to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters of the Company ending on such date.

"GAAP" means generally accepted accounting principles in the United States of America, applied in accordance with Section 1.04.

"Government" means the United States of America or any department or agency thereof.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency,

authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Granting Lender" has the meaning assigned to such term in Section 10.04.

"Guarantee" means, with respect to any Person, a guarantee, an endorsement, a contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, the Indebtedness, other obligations, net worth, working capital or earnings of any other Person, or a guarantee of the payment of dividends or other distributions upon the stock or equity interests of any other Person, or an agreement to purchase, sell or lease (as lessee or lessor) Property, products, materials, supplies or services primarily for the purpose of enabling any other Person to make payment of its obligations or an agreement to assure a creditor of such Person against loss, and including, without limitation, causing a bank or other financial institution to issue a standby letter of credit or other similar instrument supporting the obligations of another Person, but excluding endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee in respect of Indebtedness shall be deemed to be an amount equal to the stated or determinable amount of the related Indebtedness (unless the Guarantee is limited by its terms to a lesser amount, in which case, to the extent of such amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The terms "Guarantee" and "Guaranteed" used as a verb shall have a correlative meaning.

"Indebtedness" means, for any Person: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within 180 days of the date the respective goods are delivered or the respective services are rendered; (c) indebtedness of others secured by a Lien on the Property of such Person, whether or not the respective Indebtedness so secured has been assumed by such Person (but only to the extent of the fair market value of such Property if not assumed by such Person); (d) obligations (contingent or otherwise) in respect of letters of credit, banker's acceptances and similar instruments issued or accepted for the account of such Person; (e) Capital Lease Obligations of such Person; and (f) Guarantees by such Person of Indebtedness of others.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.03(b).

"Information Memorandum" means the Confidential Information Memorandum dated January 2001 relating to the Borrowers and the Acquisition.

"Interest Election Request" means a request by a Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.06.

"Interest Expense" means, for any period, the sum, without duplication, for the Company and the Subsidiaries (determined on a consolidated basis in accordance with GAAP), of the following: (a) all interest in respect of Funded Debt (including, without limitation, the interest component of any payments in respect of Capital Lease Obligations) accrued or capitalized during such period (whether or not actually paid during such period) plus (b) the net amount payable (or minus the net amount receivable) under Interest Rate Protection Agreements during such period (whether or not actually paid or received during such period) minus (c) all interest income accrued during such period (whether or not actually received during such period).

"Interest Payment Date" means (a) with respect to any ABR Loan, each Fiscal Date, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the applicable Borrower may elect, or any other period agreed to by such Borrower and each Lender, and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the immediately preceding Business Day, and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interest Rate Protection Agreement" means, for any Person, an interest rate swap, cap or collar agreement or similar arrangement between such Person and one or more financial institutions providing for the transfer or mitigation of interest rate risks either generally or under specific contingencies and entered into as bona fide hedges (and not for speculative purposes) against such interest rate risks.

"Investment" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures or other debt obligations, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including, any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 180 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business; or (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person.

"Investment Grade Rating Period" means, after (i) the consummation of the Acquisition (or the express statement by Moody's and S&P that the same has been taken into account in reaffirming or announcing the ratings referred to in clause (ii) below) and (ii) the date after the date hereof on which both Moody's and S&P shall have first either reaffirmed or announced revised ratings for the Senior Long Term Debt, any period during which the rating of the Senior Long Term Debt is BBB- or higher by S&P (or a Substitute Rating is at the corresponding rating level or higher) and Baa3 or higher by Moody's (or a Substitute Rating is at the corresponding rating level or higher).

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance in compliance with Section 10.04, other than any such Person that shall have ceased to be a party hereto pursuant to an Assignment and Acceptance.

"Leverage Ratio" means, at any Fiscal Date, the ratio of (a) the aggregate amount (determined without duplication on a consolidated basis) of all Funded Debt outstanding at such time to (b) the sum of (i) Consolidated Stockholders' Equity at such time plus (ii) all Funded Debt outstanding at such time.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Payment Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Payment Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. The term "Lien" shall not include the ownership interests in receivables acquired by a purchaser under a Permitted Receivables Sale Agreement.

"Litton Operating" means Litton Industries, Inc.

"Litton Merger" has the meaning assigned to such term in the preamble to this Agreement.

"Litton Merger Sub" has the meaning assigned to such term in the preamble to this Agreement.

"Litton Operating Senior Indentures" means the Indenture dated as of December 15, 1991, between Litton Operating and The Bank of New York, as trustee and the Indenture dated as of April 13, 1998, between Litton Operating and The Bank of New York, as trustee.

"Loan" means a Revolving Loan or a Competitive Loan.

"Loan Documents" means this Agreement and each promissory note, if any, delivered pursuant to this Agreement, as such documents may be amended, modified, supplemented or restated from time to time.

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Margin Stock" means "margin stock" as defined in Regulation U of the Board.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiaries taken as a whole, (b) the consummation of the Acquisition, (c) the ability of the Borrowers to perform their material obligations under any of the Loan Documents, (d) the validity or enforceability of any of the Loan Documents, (e) the rights and remedies of the Lenders and the Co-Administrative Agents under any of the Loan Documents or (f) the timely payment of the principal of or interest on the Loans or other amounts payable in connection therewith.

"Material Subsidiary" means, at any time, (a) each Borrower and (b) any other Subsidiary if, at such time, such Subsidiary would qualify as a "significant subsidiary" under Regulation S-X of the SEC as in effect on the date hereof.

"Maturity Date" means March 30, 2006.

"Merger Agreement" has the meaning assigned to such term in the preamble to this Agreement.

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns.

"Multiemployer Plan" means a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been made by the Borrowers or any ERISA Affiliate and which is covered by Title IV of ERISA

"Northrop Merger" has the meaning assigned to such term in the preamble to this Agreement.

"Northrop Merger Sub" has the meaning assigned to such term in the preamble to this Agreement.

"Northrop Operating Senior Indenture" means the Indenture dated as of October 15, 1994 between Northrop Operating and Chase, as trustee, as supplemented by the Officers Certificate dated February 27, 1996 pursuant to Sections 201, 301 and 303 of such Indenture, and as the same shall be further modified and supplemented and in effect from time to time.

"Northrop Operating Subordinated Indenture" means the form of Indenture filed as Exhibit 4-6 to Northrop Operating's Registration Statement on Form S-3 filed with the SEC on August 19, 1994, as amended by the Northrop Operating's Form 8-K filed with the SEC on February 28, 1996.

"Obligations" means (i) the obligations of the Borrowers under this Agreement and the other Loan Documents with respect to the payment of the principal of and interest on the Loans when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations of the Borrowers hereunder and thereunder.

"Other Taxes" means any and all present or future recording, stamp, documentary, excise, transfer, sales, property or similar taxes, charges or levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"Participant" has the meaning assigned to such term in Section 10.04.

"Payment Agent" means Chase, in its capacity as paying agent for the Lenders hereunder, or any successor thereto appointed in accordance with Article VIII.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any office located in the United States of America of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) investments purchased for cash management purposes by offices or other establishments of the Company and the Subsidiaries located outside the United States of America, to the extent the credit quality of such investments is comparable to that of the investments described in clauses (a) through (d) above.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means an employee benefit or other plan established or maintained by the Company or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Quarterly Period" means the period from but excluding one Fiscal Date through and including the next succeeding Fiscal Date.

"Refinanced Debt" means the Indebtedness of the Borrowers and their respective subsidiaries listed in Schedule 1.01(a).

"Register" has the meaning set forth in Section 10.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the total Revolving Credit Exposures and unused Commitments at such time; provided that, in connection with the exercise of remedies under Article VII and for all purposes after the Loans become due and payable or the Commitments expire or terminate, "Required Lenders" will mean, at any time, Lenders having Revolving Credit Exposures and outstanding Competitive Loans representing more than 50% of the total Revolving Credit Exposures and outstanding Competitive Loans at such time.

"Restricted Payment" means any dividend (other than dividends payable solely in stock of the Company) or any other distribution with respect to any stock of the Company, whether now or hereafter outstanding, or any payment on account of the purchase, acquisition, redemption or other retirement, directly or indirectly, of any shares of such stock.

"Revolving Borrowing" means a Borrowing consisting of Revolving Loans.

"Revolving Borrowing Request" means a request by a Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Revolving Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Exposure hereunder, as such commitment may be reduced from time to time pursuant to Article II and reduced or increased from time to time pursuant to Article X. The initial amount of each Lender's Revolving Commitment is set forth on Schedule 2.01. The initial aggregate amount of the Lenders' Revolving Commitments is $2,500,000,000.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans at such time.

"Revolving Loan" means a loan made pursuant to Section 2.10 and 2.03.

"SEC" means the Securities and Exchange Commission or any successor.

"Senior Long Term Debt" means Indebtedness of the Company that (a) is not contractually subordinated to any other Indebtedness of the Company, (b) is considered as of the date of its incurrence under GAAP to be "long-term" debt, (c) is not secured by a Lien on any Property of the Company or any of the Subsidiaries or, if secured, is secured only by a pledge of the capital stock of one or more Subsidiaries on a pari passu basis with the Indebtedness of the Company hereunder and (d) upon which no other Person is liable, under a Guarantee or otherwise,

or if another Person is so liable, such Person is liable on a pari passu basis for the Indebtedness of the Company hereunder.

"Senior Securities" means the $750,000,000 of Northrop Operating's 7 1/8% Senior Notes due 2011 and $750,000,000 of Northrop Operating's 7 3/4% Senior Notes due 2031 issued under the Northrop Operating Senior Indenture and guaranteed concurrently with the Effective Date by the Company and Litton Operating.

"S&P" means Standard & Poor's Rating Group, a division of McGraw Hill, Inc., and its successors and assigns.

"SPC" has the meaning assigned to such term in Section 10.04.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Payment Agent is subject, for eurodollar funding (currently referred to as "Eurodollar Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Revolving Loans shall be deemed to constitute Eurodollar funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Indebtedness" means, with respect to any of the Borrowers, (a) Indebtedness issued pursuant to the Northrop Operating Subordinated Indenture (i) that does not have any principal or sinking fund payment due prior to the Maturity Date and (ii) in respect of which interest is payable not more often than semiannually and (b) Indebtedness (i) for which one or more of the Company, Northrop Operating or Litton Operating is directly and primarily liable, (ii) in respect of which none of the Subsidiaries (other than Northrop Operating or Litton Operating) is contingently or otherwise obligated, (iii) that does not have any principal or sinking fund payment due prior to the Maturity Date, (iv) in respect of which interest is payable not more often than semi-annually, (v) that is subordinated to the obligations of the Borrowers to pay principal of and interest on the Loans and fees and other amounts payable hereunder on terms no less favorable, taken as a whole, to the Lenders than those contained in the Northrop Operating Subordinated Indenture, (vi) that does not in any event contain financial covenants or events of default more restrictive than those in the Northrop Operating Subordinated Indenture and (vii) the documentation for which contains other terms that, taken as a whole, are no less favorable to the Lenders than those contained in the Northrop Operating Subordinated Indenture.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of

which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held.

"Subsidiary" means any direct or indirect subsidiary of the Company.

"Substitute Rating Agency" means any rating agency (other than Moody's or S&P) proposed by the Company and reasonably acceptable to the Co-Administrative Agents.

"364-Day Credit Agreement" means the 364-Day Credit Agreement dated as of the date hereof among the Borrowers, the lenders party thereto and Chase and CSFB, as the co-administrative agents.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Termination Event" shall mean any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan and which involves a liability of the Company to the PBGC in excess of $50,000,000.

"Transactions" means the execution, delivery and performance by the Borrowers of this Agreement and the other Loan Documents, the borrowing of the Loans and the use of the proceeds thereof, the Acquisition (including the making and consummation of the Exchange Offer and the Mergers), the refinancing of the Existing Credit Agreements and the Refinanced Debt and the other transactions in connection therewith.

"Type", when used in reference to any Revolving Loan or Revolving Borrowing, refers to whether the rate of interest on such Revolving Loan, or on the Revolving Loans comprising such Revolving Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Wholly-Owned Subsidiary" shall mean any Subsidiary of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors' qualifying shares) are owned by the Company or one or more Wholly-Owned Subsidiaries.

"Working Capital Credit Lines" means short-term credit facilities (including commercial paper facilities and facilities providing for the issuance of letters of credit or similar instruments but excluding the facilities established by this Agreement and the 364-Day Credit Agreement) extended to the Borrowers and Subsidiaries for working capital purposes.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by

Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Co-Administrative Agents that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Co-Administrative Agents notify the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.05. Certain Financial Covenant Calculations. For purposes of determining the Funded Debt to Consolidated EBITDA Ratio and the Consolidated Fixed Charge Coverage Ratio for the four quarter periods ending June 30, 2001, September 30, 2001 and December 31, 2001, the fiscal quarter ending March 31, 2001, shall be excluded and:

(a) Consolidated EBITDA and Capital Expenditures shall be determined on a pro forma basis combining, as applicable to reflect the then four most recently completed fiscal quarters (excluding the fiscal quarter ending March 31, 2001), (i) the balance sheet information and results of Litton Operating at and for the quarter ended July 31, 2000 set forth in Litton's public filings with the SEC as of the Effective Date, and the actual balance sheet information and results of Northrop Operating at and for the quarter ended June 30, 2000; (ii) the balance sheet information and results of Litton Operating at and for the quarter ended October 31, 2000 set forth in Litton's public filings with the SEC as of the Effective Date, and the actual balance sheet

information and results of Northrop Operating at and for the quarter ended September 30, 2000; and (iii) the balance sheet information and results of Litton Operating at and for the quarter ended January 31, 2001 set forth in Litton's public filings with the SEC as of the Effective Date, and the actual balance sheet information and results of Northrop Operating at and for the quarter ended December 31, 2000; and

(b) Interest Expense shall be determined on a pro forma basis by annualizing, as applicable to reflect the fiscal quarters then most recently completed since the Effective Date, (i) as of June 30, 2001, by multiplying the actual consolidated Interest Expense of the Company for the fiscal quarter then ended by four, (ii), as of September 30, 2001, by multiplying the actual consolidated Interest Expense of the Company for the two fiscal quarter period then ended by two, and (iii) as of December 31, 2001, by multiplying the actual consolidated Interest Expense of the Company for the three fiscal quarter period then ended by four thirds.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures plus the total Competitive Loan Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Revolving Loans and Revolving Borrowings. (a) Each Revolving Loan shall be made as part of a Revolving Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Revolving Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.13, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the applicable Borrower may request in accordance herewith and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrowers to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Revolving Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $25,000,000. At the time that each ABR Borrowing is made, such

Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $10,000,000. Notwithstanding the foregoing, any Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Commitments. Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $25,000,000. Revolving Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of 15 Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request, or to elect to convert or continue, any Revolving Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date, or to request any Competitive Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrowers (or any of them) shall notify the Payment Agent of such request by telephone or by telecopy (a) in the case of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Revolving Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the same day as the date of the proposed Revolving Borrowing. Each such Revolving Borrowing Request shall be irrevocable and, if telephonic, shall be confirmed promptly by hand delivery or telecopy to the Payment Agent of a written Revolving Borrowing Request in a form agreed to by the Payment Agent and signed by the applicable Borrower. Each such telephonic and written Revolving Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Revolving Borrowing;

(ii) the date of such Revolving Borrowing, which shall be a Business Day;

(iii) whether such Revolving Borrowing is to be an ABR Borrowing or a Eurodollar Revolving Borrowing; and

(iv) in the case of a Eurodollar Revolving Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period".

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Revolving Borrowing Request in accordance with this Section, the Payment Agent shall advise each Lender of the details thereof and of the amount of such Lender's Revolving Loan to be made as part of the requested Revolving Borrowing.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period any Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that after giving effect to any Borrowing of Competitive Loans the sum of the total Revolving Credit Exposures plus the total Competitive Loan Exposure shall not exceed the total Commitments. To request Competitive Bids, the Borrower shall notify the Payment Agent of such request by telephone or by telecopy, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City Time, one Business Day before the date of the proposed Borrowing; provided that the Borrower may submit up to (but not more than) five Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Payment Agent of a written Competitive Bid Request in a form approved by the Payment Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.03:

(i) the aggregate principal amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing; and

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period" and shall end no later than the Maturity Date.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Payment Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Payment Agent and must be received by the Applicable Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City Time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City Time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Payment Agent may be rejected by the Payment Agent, and the Payment Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be an amount at least equal to $5,000,000 and an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or

Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Payment Agent shall notify the Borrower by telecopy, not later than 45 minutes after the applicable deadline for receipt of Competitive Bids, of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Payment Agent by telecopy or by telephone, confirmed by telecopy in a form approved by the Payment Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of at least $5,000,000 that is an integral multiple of $1,000,000; provided further that if a Competitive Loan must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of $1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Payment Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Payment Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Payment Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Funding of Revolving Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, to the account of the Payment Agent most recently designated by it for such purpose by notice to the Lenders. The Payment Agent will make such Loans available to the Borrowers by promptly crediting the amounts so received, in like funds, to Disbursement Account.

(b) Unless the Payment Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Payment Agent such Lender's share of such Borrowing, the Payment Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Payment Agent, then the applicable Lender and the Borrowers severally agree to pay to the Payment Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrowers to but excluding the date of payment to the Payment Agent, at (i) in the case of such Lender, the greater of (x) the Federal Funds Effective Rate and (y) a rate determined by the Payment Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrowers, the interest rate for the applicable Borrowing. If such Lender pays such amount to the Payment Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Revolving Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Revolving Borrowing Request. Thereafter, the applicable Borrower may elect to convert such Borrowing to a different Type or to continue such Revolving Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The applicable Borrower may elect different options with respect to different portions of the affected Revolving Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Revolving Loans comprising such Revolving Borrowing, and the Revolving Loans comprising each such portion shall be considered a separate Revolving Borrowing. This Section shall not apply to Competitive Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, a Borrower shall notify the Payment Agent of such election by telephone or by telecopy by the time that a Revolving Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such Interest Election Request shall be irrevocable and, if telephonic, shall be confirmed promptly by hand delivery or telecopy to the Payment Agent of a written Interest Election Request in a form approved by the Payment Agent and signed by such Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Revolving Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Revolving Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Revolving Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Revolving Borrowing; and

(iv) if the resulting Revolving Borrowing is a Eurodollar Revolving Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Revolving Borrowing but does not specify an Interest Period, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Payment Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Revolving Borrowing.

(e) If a Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Revolving Borrowing is repaid as provided herein, at the end of such Interest Period such Revolving Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Payment Agent, at the request of the Required Lenders, so notifies the Borrowers, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Revolving Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrowers may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $5,000,000 and not less than $25,000,000 and (ii) the Borrowers shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.09, the total Revolving Credit Exposures and Competitive Loan Exposures would exceed the total Commitments.

(c) The Borrowers shall notify the Payment Agent of any election to terminate, or of any optional or mandatory reduction of, the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election or requirement and the effective date thereof. Promptly following receipt of any notice, the Payment Agent shall advise the Lenders of the contents thereof. Each notice delivered by a Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by a Borrower under paragraph (b) of this Section may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by a Borrower (by notice to the Payment Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.08. Repayment of Loans; Evidence of Debt. (a) The Borrowers hereby unconditionally jointly and severally promise to pay (i) to the Payment Agent for the account of each Lender the unpaid principal amount of each Loan on the Maturity Date and (ii) to the Payment Agent for the account of each Lender the unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Payment Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period, if any, applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder and (iii) the amount of any sum received by the Payment Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Payment Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of a Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, each Borrower shall execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) in substantially the form attached hereto as Exhibit C. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09. Prepayment of Revolving Loans. (a) The Borrowers shall have the right at any time and from time to time to prepay any Revolving Borrowing in whole or in part, subject to prior notice in accordance with paragraph (c) of this Section and payment of any amounts required under Section 2.14; provided that the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) In the event and on each occasion that the total Revolving Credit Exposures and Competitive Loan Exposures exceed the total Commitments, the Borrowers shall promptly prepay Revolving Borrowings in an aggregate amount sufficient to eliminate such excess.

(c) The Borrowers shall notify the Payment Agent by telephone (confirmed by telecopy) or by telecopy of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of such prepayment, or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the Business Day of such prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Revolving Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07. Promptly following receipt of any such notice, the Payment Agent shall advise the Lenders of the contents thereof. Each partial prepayment, other than a mandatory prepayment, of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Revolving Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.11.

SECTION 2.10. Fees. (a) The Borrowers agree, jointly and severally, to pay to the Payment Agent for the account of each Lender a facility fee, which shall accrue at the relevant Facility Fee Rate specified in the definition of Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from the date of this Agreement to but excluding the Maturity Date; provided that, if such Lender continues to have any Revolving Credit Exposure or Competitive Loan Exposure after the Maturity Date or other termination of all the Commitments, then such facility fee shall continue to accrue on the daily aggregate amount of such Lender's Revolving Credit Exposure and Competitive Loan Exposure from and including the Maturity Date or other termination of all the Commitments to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure or Competitive Loan Exposure. Accrued facility fees shall be payable in arrears on June 30, 2001 and on the last day of each subsequent September, December, March and June of each year, on any date prior to the Maturity Date on which the Commitments terminate and on the Maturity Date, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the Maturity Date or other termination of all the Commitments shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrowers agree, jointly and severally, to pay to the Payment Agent, for the accounts of the Lenders, on the date hereof, the upfront fees separately agreed upon in the Fee Letter dated January 29, 2001, between the Borrowers and the Co-Administrative Agents.

(c) The Borrowers agree, jointly and severally, to pay to each of the Co-Administrative Agents, for their own accounts, fees payable in the amounts and at the times separately agreed upon between the Borrowers and the Co-Administrative Agents.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Payment Agent for distribution to the Persons entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest (i) in the case of a Eurodollar Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Revolving Borrowing plus the Applicable Rate or (ii) in the case of a Eurodollar Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrowers hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Revolving Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or

Adjusted LIBO Rate shall be determined by the Payment Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Payment Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Payment Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders or such Lender of making or maintaining the Eurodollar Loans included in such Borrowing or its Eurodollar Loan for such Interest Period;

then the Payment Agent shall give notice thereof to the Borrowers and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Payment Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Revolving Borrowing shall be ineffective, and such Revolving Borrowing shall be converted to or continued as an ABR Borrowing on the last day of the Interest Period applicable thereto, (ii) if any Revolving Borrowing Request requests a Eurodollar Revolving Borrowing, such Revolving Borrowing shall be made as an ABR Borrowing (or such Revolving Borrowing shall not be made if the Borrowers revoke (and in such circumstances, such Revolving Borrowing Request may be revoked notwithstanding any other provision of this Agreement) such Revolving Borrowing Request by telephonic notice, confirmed promptly in writing, not later than one Business Day prior to the proposed date of such Revolving Borrowing) and (iii) any request by the Borrowers for a Eurodollar Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrowers for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.13. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except to the extent any such reserve requirement is reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar or Fixed Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), in each case by an amount deemed by such Lender in good faith to be material, then the Borrowers will pay to such Lender, within ten Business Days following a demand therefor accompanied by the certificate referred to in paragraph (c) below, such additional amount or amounts as will compensate such Lender on an after-tax basis for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender, or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender within ten Business Days following a demand therefor accompanied by the certificate referred to in paragraph (c) below, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section, together with supporting documentation or computations, shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender notifies the Borrowers of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Revolving Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar or Fixed Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.07(d) or 2.09 and is revoked in accordance therewith), (d) the failure to borrow any Competitive Loan after acceptance of the Competitive Bid to make such Loan or (e) the assignment of any Eurodollar or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrowers pursuant to Section 2.17, then,

in any such event, the Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event (which loss, cost or expense will not be deemed to include lost profit). In the case of a Eurodollar or Fixed Rate Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate or LIBO Rate (without adding thereto the Applicable Rate or the Margin, as the case may be) that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits of a comparable amount and period from other banks in the eurodollar market or, in the case of Fixed Rate Loans, other market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section, together with supporting documentation or computations, shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

SECTION 2.15. Taxes. (a) Any and all payments by or on account of any obligations of the Borrowers hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if a Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions of Indemnified Taxes or Other Taxes (including deductions applicable to additional sums payable under this Section) the Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrowers shall indemnify each Agent, each Lender, within 10 Business Days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Agent or such Lender on or with respect to any payment by or on account of any obligation of the Borrowers hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate setting forth in reasonable detail the amount and nature of such payment or liability delivered to the Borrowers by a Lender, or by an Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrowers to a Governmental Authority, the Borrowers shall deliver to the Payment Agent the original or a certified copy of a receipt issued by such Governmental Authority

evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Payment Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrowers (with copies to the Co-Administrative Agents), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrowers as will permit such payments to be made without withholding or at a reduced rate.

(f) If an Agent or a Lender determines in good faith, that it has received a refund of any Taxes or Other Taxes as to all or a portion of which it has been indemnified by a Borrower or with respect to all or a portion of which a Borrower has paid additional amounts pursuant to this Section 2.15, it shall pay over such refund to such Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.15 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that such Borrower, upon the request of such Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Agent or such Lender in the event such Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require any Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to any Borrower or any other Person.

SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Setoffs. (a) Each Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest or fees, or of amounts payable under Section 2.13, 2.14 or 2.15, or otherwise) prior to 2:00 p.m., New York City time, on the date when due, in immediately available funds, without setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Payment Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Payment Agent at its offices at 270 Park Avenue, New York, New York, except that payments pursuant to Sections 2.13, 2.14 or 2.15 or 10.03 shall be made directly to the Persons entitled thereto. The Payment Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars. Any payment required to be made by the Payment Agent hereunder shall be deemed to have been made by the time required if the Payment Agent shall, at or before such time, have taken the necessary steps to make such payment in accordance with the regulations or operating procedures of the clearing or settlement system used by the Payment Agent to make such payment.

(b) If at any time insufficient funds are received by and available to the Payment Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by a Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to a Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower's rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless the Payment Agent shall have received notice from the applicable Borrower prior to the date on which any payment is due to the Payment Agent for the account of the Lenders hereunder that such Borrower will not make such payment, the Payment Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, the amount due. In the event, if such Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Payment Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Payment Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Payment Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(b) or 2.16(d), then the Payment Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Payment Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.13, or if a Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15; then such Lender shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15 as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Each Borrower hereby agrees, jointly and severally to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.13, or if a Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrowers may upon notice to such Lender and the Payment Agent, require such Lender to assign and delegate, without recourse, all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender if a Lender accepts such assignment); provided that (i) the Borrowers shall have received the prior written consent of the Payment Agent to the identity of the assignee (if not then a Lender), which consent shall not unreasonably be withheld or delayed and (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Revolving Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts).

ARTICLE III

Representations and Warranties

Each of the Borrowers represents and warrants to the Lenders that:

SECTION 3.01. Corporate Existence. Each Borrower and each Material Subsidiary: (a) is a business entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals, necessary to own its assets and carry on its business as now being conducted; and (c) is qualified to do business and is in good standing in all jurisdictions in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect.

SECTION 3.02. Certain Financial Information. (a) Financial Condition of Northrop Operating. The consolidated statement of financial position of Northrop Operating and its subsidiaries (i) as at December 31, 1999, and the related consolidated statements of operations, changes in shareholders' equity and cash flows of Northrop Operating and its subsidiaries for the

fiscal year ended on said date, with the opinion thereon of Deloitte & Touche LLP, and (ii) as at September 30, 2000, and the respective related consolidated statements of operations, changes in stockholders' equity and cash flows of Northrop Operating and its subsidiaries for the fiscal quarter and portion of the fiscal year then ended, certified by the chief financial officer of Northrop Operating, in each case as heretofore furnished to each of the Lenders, are complete and present fairly, in all material respects, the consolidated financial condition of Northrop Operating and its subsidiaries as at said dates and the consolidated results of their operations for such periods, all in accordance with GAAP applied on a consistent basis, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above. Neither Northrop Operating nor any of its subsidiaries had on said dates any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said statements of financial position as at said dates. Except as expressly disclosed in writing to the Lenders prior to the date hereof, since December 31, 1999, there has been no material adverse change in the consolidated financial condition or operations, or the prospects or business, taken as a whole, of Northrop Operating and its subsidiaries from that set forth in said financial statements as at said date.

(b) Financial Condition of Litton Operating. The consolidated statement of financial position of Litton Operating and its subsidiaries (i) as at July 31, 2000, and the respective related consolidated statements of income, stockholders' equity and cash flows of Litton Operating and its subsidiaries for the period ended on such date, with the opinion thereon of Deloitte & Touche LLP, and (ii) as at October 31, 2000, and the related consolidated statements of income, stockholders' equity and cash flows of Litton Operating and its subsidiaries for the fiscal quarter and portion of the fiscal year then ended, certified by the chief financial officer of Litton Operating, in each case as heretofore furnished to each of the Lenders, are complete and present fairly, in all material respects, the consolidated financial condition of Litton Operating and its subsidiaries as at said dates and the consolidated results of their operations for such periods, all in accordance with GAAP applied on a consistent basis, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above, except, in each case, for matters not known to the Company or Northrop Operating that would not, individually or in the aggregate, be material and adverse to the consolidated financial condition or operations, or the prospects or business, of the Company and the Subsidiaries (including Litton Operating and its subsidiaries) taken as a whole, giving pro forma effect to the Transactions. As of the date hereof, except as expressly disclosed in writing to the Lenders prior to the date hereof, since July 31, 2000, there has been no material adverse change in the consolidated financial condition or operations, or the prospects or business, taken as a whole, of Litton Operating and its subsidiaries from that set forth in said financial statements as at July 31, 2000.

(c) Projections. The Company has heretofore furnished to each of the Lenders projected consolidated financial statements of the Company and the Subsidiaries (including Litton Operating), on an annual basis through and including 2007. Such projected financial statements set forth projected consolidated balance sheets of the Company and such Subsidiaries and projected consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and such Subsidiaries (giving effect to the Acquisition and the related financing thereof, as if they had occurred on January 1, 2001) for the respective fiscal periods covered thereby. Such

projected financial statements are based upon assumptions believed by the Company to be reasonable as of the date hereof (it being understood that such projections are subject to uncertainty).

SECTION 3.03. Litigation. There are no legal or arbitral proceedings or any proceedings by or before any Governmental Authority, now pending or (to the knowledge of any of the Borrowers) threatened against the Company or any Material Subsidiary which, if adversely determined, would be reasonably likely to result in any Material Adverse Effect, except as heretofore disclosed to the Lenders in Northrop Operating's Annual Report on Form 10-K for the year ended December 31, 1999, Litton Operating's Annual Report on Form 10-K for the year ended July 31, 2000, Northrop Operating's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2000 and Litton Operating's Quarterly Reports on Form 10-Q for the quarters ended January 31, April 30, and October 31, 2000, copies of which have been furnished to the Lenders, or in Schedule 3.03.

SECTION 3.04. No Breach. Except as expressly disclosed in writing to the Lenders on or before the date hereof, none of the Transactions will conflict with or result in a breach of, or require any consent under, the charters or by-laws of any of the Borrowers, or any applicable law or regulation, or any order, writ, injunction or decree of any court or Governmental Authority, or any material agreement or instrument to which the Company or any Material Subsidiary (including Litton Operating and any of its subsidiaries that are Material Subsidiaries) is a party or by which any of them is bound or to which any of them is subject, or constitute a material default under any such material agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Company or any such Subsidiary pursuant to the terms of any such material agreement or instrument.

SECTION 3.05. Corporate Action. Each of the Borrowers has all necessary corporate power and authority to execute, deliver and perform its obligations under the Loan Documents and, in the case of the Borrower, to borrow the Loans hereunder; and the execution, delivery and performance by each of the Borrowers of the Loan Documents and the borrowing of the Loans hereunder have been duly authorized by all necessary corporate action on its part; and this Agreement has been duly and validly executed and delivered by each of the Borrowers and constitutes, and each of the other Loan Documents (assuming in the case of any promissory notes issued hereunder, execution and delivery thereof for value) will constitute, legal, valid and binding obligations of each of the Borrowers, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3.06. Approvals. No authorizations, approvals, consents or licenses of, and no filings or registrations with, any Governmental Authority are necessary to authorize or are necessary in connection with (i) the execution, delivery and performance of any Loan Document or the Merger Agreement, (ii) the legality, validity, binding effect or enforceability of any Loan Document or the Merger Agreement or (iii) the borrowing of the Loans hereunder or the consummation of the other Transactions, in each case other than those which have been or

concurrently with the effectiveness hereof shall be duly obtained, given or made, except consents of the Government set forth in Schedule 3.06, which are required with respect to the transfer to Northrop Operating of contracts between Litton Operating or its subsidiaries and the Government and which none of the Borrowers has any reason to believe will not be obtained in due course.

SECTION 3.07. Use of Proceeds, Etc. Neither the making of any Loan hereunder, nor the use of the proceeds thereof, will violate the provisions of Regulation U or X of the Board of Governors of the Federal Reserve System and no part of the proceeds of any Loan will be used to purchase or carry any Margin Stock in violation of Regulation U or X or to extend credit for the purpose of purchasing or carrying any Margin Stock in violation of Regulation U or X. Neither the Company nor any of the Subsidiaries is engaged principally, or as one of its primary activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

SECTION 3.08. ERISA. Each of the Company and the ERISA Affiliates has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan, is in compliance in all material respects with the applicable provisions of ERISA and the Code and has not incurred any liability to the PBGC or any Plan or Multiemployer Plan (other than a liability to make payments or contributions in the ordinary course of business). No Termination Event has occurred and is continuing.

SECTION 3.09. Taxes. United States Federal income tax returns of Northrop Operating and its subsidiaries and Litton Operating and its subsidiaries have been filed through 1999 and examined and reported on by the Internal Revenue Service or closed by applicable statutes and satisfied through the fiscal year of Northrop Operating ended December 31, 1991 and the fiscal year of Litton Operating ended October 31, 1985, respectively. Each of Northrop Operating and its subsidiaries, and Litton Operating and its subsidiaries has filed all United States Federal and State income tax returns which are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessment received by Northrop Operating and its subsidiaries, or Litton Operating and its subsidiaries, to the extent that such taxes have become due (except as to such taxes which are being contested in good faith by appropriate proceedings). The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of taxes and other governmental charges are, in the opinion of each of the Borrowers, adequate. The California Franchise tax returns of Northrop Operating have been examined and reported on by the California Franchise Tax Board or closed by applicable statutes and satisfied for all fiscal years prior to, and including, the fiscal year ended December 31, 1999.

SECTION 3.10. Funded Debt. As of the Effective Date, after giving effect to the Transactions, no default exists under the provisions of any instrument evidencing Funded Debt in an outstanding principal amount in excess of $50,000,000 or of any agreement relating thereto.

SECTION 3.11. Properties. The Company has, and each of the Material Subsidiaries has, good and marketable title to its respective material properties and assets, including the properties and assets reflected in the balance sheet as at December 31, 1999 herein above described in Section 3.02 (a) (other than Properties disposed of in the ordinary course of business), subject to no Lien of any kind except Liens permitted by Section 6.05.

SECTION 3.12. Environmental Matters. (a) Except as disclosed in Northrop Operating's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and Litton Operating's Annual Report on Form 10-K for the fiscal year ended July 31, 2000, neither the Company nor any Subsidiary (including Litton Operating and its subsidiaries) (i) has received notice or otherwise obtained knowledge of any claim, demand, action, event, condition, report or investigation indicating or concerning any potential or actual liability which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect arising in connection with: (1) any non-compliance with or violation of the requirements of any applicable Federal, state and local environmental health and safety statutes and regulations or (2) the release or threatened release of toxic or hazardous waste, substance or constituent, or other substance into the environment, (ii) to the best knowledge of each of the Borrowers, has any threatened or actual liability in connection with the release or threatened release of any toxic or hazardous waste, substance or constituent, or other substance into the environment which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (iii) has received notice or otherwise obtained knowledge of any Federal or state investigation evaluating whether any remedial action is needed to respond to a release or threatened release of any toxic or hazardous waste, substance or constituent or other substance into the environment for which the Company or any such Subsidiary, is or may be liable, which remedial action would have a Material Adverse Effect or (iv) has received notice that the Company or any such Subsidiary, is or may be liable to any Person under the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. (S)9601 et seq. ("CERCLA"), or any analogous state law, which liability would have a material Adverse Effect.

(b) Each of the Company and each Subsidiary (including Litton Operating and each of its subsidiaries) is in compliance in all material respects with the financial responsibility requirements of all Environmental Laws, including, those contained in 40 C.F.R., Parts 264 and 265, Subpart H, and any similar state law requirements.

SECTION 3.13. True and Complete Disclosure. All factual information (taken as a whole) furnished on or before the Effective Date by or on behalf of the Company or the Subsidiaries in writing to any Co-Administrative Agent or Lender (including, all factual information contained in the Information Memorandum) for purposes of or in connection with this Agreement or any transaction contemplated herein is, and all other such factual information (taken as a whole) furnished after the Effective Date by or on behalf of the Company or the Subsidiaries in writing to the Co-Administrative Agents or any Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. There is no fact known to any of the Borrowers which has, or is reasonably likely to have, a Material Adverse Effect which has not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders for use in connection with the transactions contemplated hereby.

SECTION 3.14. Acquisition. On and as of the Effective Date, all material consents and approvals of, and filings and registrations with, and all other actions in respect of, all Governmental Authorities required in order to make or consummate the Acquisition, or otherwise

required in connection with the Acquisition, will have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto will have been obtained) (except with respect to any vote of the stockholders of Litton Operating that may be required to effect the Litton Merger, in the event that less than 90% of the outstanding common stock of Litton Operating shall have been acquired by Litton Merger Sub in the Exchange Offer). All actions pursuant to or in furtherance of the Acquisition have been and will be taken in compliance with all applicable laws.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.02 or provided for, in the case of the conditions set forth in paragraphs (a), (b), (c) and (e) below insofar as they relate to Litton Operating, in the manner described in Section 10.14):

(a) Execution of Agreement. The Co-Administrative Agents (or their counsel) shall have received from each party hereto (including Litton Operating, as provided in Section 10.14) either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Co-Administrative Agents (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) Corporate Documents. Certified copies of the certificates of incorporation and the by-laws of each of the Borrowers and of all corporate action taken by each of the Borrowers approving each Loan Document and the borrowings by the Borrowers hereunder (including, a certificate setting forth the resolutions of the Board of Directors of each of the Borrowers adopted in respect of the transactions contemplated thereby).

(c) Incumbency Certificate. A certificate of the Secretary of each of the Borrowers, dated the Effective Date, in respect of the incumbency and specimen signature of each of the officers (i) who is authorized to sign the Loan Documents on such Borrower's behalf and (ii) who will, until replaced by another officer or officers duly authorized for that purpose, act as such Borrower's representative for the purposes of signing documents and giving notices and other communications in connection with the Loan Documents and the transactions contemplated thereby. The Co-Administrative Agents and each of the Lenders may conclusively rely on such certificates until it receives notice in writing from the applicable Borrower to the contrary.

(d) Officer's Certificate. A certificate of a senior officer of the Company, dated the Effective Date, to the effect set forth in clauses (a) and (b) of Section 4.02 hereof (after giving effect to the consummation of the Acquisition).

(e) Opinions. (i) An opinion of Sheppard, Mullin, Richter & Hampton LLP, counsel for the Company and Northrop Operating, dated the Effective Date, substantially in the form of Exhibit B-1 hereto, (ii) an opinion of John Mullan, Esq., Assistant General Counsel of Northrop Operating, dated the Effective Date, substantially in the form of Exhibit B-2 hereto, (iii) an opinion of W. Burks Terry, General Counsel of Litton Operating, dated the Effective Date, substantially in the form of Exhibit B-3 hereto, (iv) an opinion of Kaye, Scholer LLP, special New York counsel for the Borrowers, dated the Effective Date, substantially in the form of Exhibit B-4 hereto (and each Borrower hereby instructs each such counsel to deliver such opinions to the Lenders and the Co-Administrative Agents).

(f) Promissory Notes. To the extent requested by any Lenders, promissory notes evidencing the Loans of such Lenders, duly completed and executed and delivered.

(g) Merger Agreement. (i) A true and complete copy of the Merger Agreement (which shall include copies of all amendments, schedules, exhibits and other attachments thereto), together with true and complete copies of each material document, certificate and opinion referred to in or delivered in connection therewith, and (ii) a certificate of a senior officer of the Company, dated the Effective Date, to the effect that (x) the Merger Agreement and all related documentation have been duly executed and delivered by each of the parties thereto and are in full force and effect on the Effective Date and (y) the provisions of the Merger Agreement and such related documentation have not been amended, waived or otherwise modified, or executed and delivered in forms other than the forms delivered to the Co-Administrative Agents prior to the date hereof.

(h) Consummation of the Exchange Offer. A certificate of a senior officer of the Company, dated the Effective Date, to the effect that (i) the Exchange Offer shall have been consummated and there shall have been validly tendered thereunder and not withdrawn a majority of the capital stock of Litton Operating, such that Litton Merger Sub would be able to consummate the Litton Merger without the vote of any other stockholder of Litton Operating, in each case in accordance with applicable law; (ii) all conditions to the consummation of the Exchange Offer as set forth in the Merger Agreement have been (or will concurrently be) fulfilled or waived by the parties thereto (which waiver, in the case of any waiver by the Company or Northrop Operating, shall be given only with the consent of the Lenders, and which conditions, in the case of conditions to be fulfilled to the satisfaction of the Company or Northrop Operating, shall be fulfilled to the satisfaction of the Co-Administrative Agents); and (iii) the Northrop Merger shall have been consummated and Northrop Operating shall be a Wholly Owned Subsidiary of the Company.

(i) Terms of Acquisition. A certificate of a senior officer of the Company, dated the Effective Date, to the effect that (i) the cash portion of the purchase price paid by the Company in the Acquisition will not exceed $4,000,000,000 and (ii) the fees and expenses relating to the Acquisition will be substantially consistent with the amount set forth in the table of sources and uses heretofore furnished to the Co-Administrative Agents.

(j) Payment of Fees and Expenses. Evidence that (i) all principal of and interest on the loans under the Existing Credit Agreements and the Refinanced Debt shall have been (or will concurrently be) paid in full and (ii) all fees and expenses payable under the Existing Credit Agreements and the Refinanced Debt accrued to the Effective Date and unpaid and all costs, fees

and expenses, and all other compensation contemplated by the Loan Documents and by the Fee Letter dated January 29, 2001 among the Borrowers and the Co-Administrative Agents (including, legal fees and expenses) shall have been (or will concurrently be) paid by the Borrowers to the extent due.

(k) Senior Securities; Other Indebtedness and Preferred Stock. After giving effect to the Transactions and the other transactions contemplated hereby, the Company and its Subsidiaries shall have outstanding no Indebtedness or preferred stock other than the Loans under the Loan Documents, Indebtedness under Working Capital Credit Lines, Indebtedness under the 364-Day Credit Agreement, the Senior Securities, the preferred stock issued by the Company in connection with the Exchange Offer and any Indebtedness disclosed in [refer to pro forma financial statements included in Exchange Offer documents].

(l) Litigation. Except as set forth on Schedule 3.03, no litigation administrative or procedural action by any entity (private or governmental) shall be pending or threatened against any of the Borrowers (a) with respect to this Agreement or any other Loan Document, (b) that could reasonably be expected to restrain, prevent or impose burdensome conditions on the Transactions or (c) which the Required Lenders shall reasonably determine would be likely to have a Material Adverse Effect.

(m) Miscellaneous. The Co-Administrative Agents shall have received such other documents as the Co-Administrative Agents or any Lender shall reasonably have requested.

The Payment Agent shall promptly notify each Lender of the occurrence of the Effective Date.

SECTION 4.02. Initial and Subsequent Loans. The obligation of any Lender to make any Loan to the Borrowers upon the occasion of each borrowing hereunder is subject to the further conditions precedent that, as of the date of such Loan and after giving effect thereto:

(a) no Default shall have occurred and be continuing; and

(b) the representations and warranties made by the Borrowers in Article III hereof shall be true in all material respects on and as of the date of the making of such Loan with the same force and effect as if made on and as of such date (except to the extent such representations or warranties expressly relate to an earlier date, in which case they shall be true in all material respects as of such earlier date).

Each notice of or request for a Borrowing by a Borrower hereunder shall constitute a certification by the Borrowers to the effect set forth in the preceding sentence (both as of the date of such notice and, unless any of the Borrowers otherwise notifies the Payment Agent prior to the date of such borrowing, as of the date of such borrowing).

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, each of the Borrowers covenants and agrees with the Lenders as to itself and its subsidiaries that:

SECTION 5.01. Financial Statements. The Company shall deliver to each of the Lenders and to the Co-Administrative Agents:

(a) within 105 days after the end of each fiscal year of the Company, (i) a consolidated statement of financial position of the Company and the Subsidiaries as at the close of such fiscal year and consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and the Subsidiaries for such year, certified by Deloitte & Touche LLP or by other independent public accountants selected by the Company and reasonably satisfactory to the Co-Administrative Agents and (ii) the Consolidating Financial Statements for such year;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, (i) an unaudited consolidated statement of financial position of the Company and the Subsidiaries as at the end of such quarter and unaudited consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and the Subsidiaries for such quarter and for the period from the beginning of the fiscal year to the end of such quarter, certified by an authorized financial or accounting officer of the Company and (ii) the Consolidating Financial Statements for such fiscal quarter;

(c) promptly upon becoming available, copies of all financial statements, reports, notices, proxy statements and final prospectuses sent by the Company to stockholders or by any of the Borrowers to the SEC;

(d) subject to Government restrictions, such other statement or statements of the position and affairs of the Company and of the Subsidiaries and the status of their contracts, open accounts and budgets or forecasts, and other financial information, as may be reasonably requested by the Co-Administrative Agents;

(e) with each of the audited financial statements required to be delivered under Section 5.01(a), a certificate by the independent public accountants certifying such statements to the effect that they are familiar with the provisions of this Agreement and that, in making the examination necessary for their opinion on such financial statements, nothing came to their attention that caused them to believe that the Company was not in compliance with this Agreement insofar as it relates to accounting matters or, if the contrary is the case, specifying the nature of such non-compliance;

(f) with each of the financial statements required to be delivered under Section 5.01(a) or Section 5.01(b), a statement by an authorized financial or accounting officer of the Company to the effect that no Default has occurred and is continuing, or if any Default has occurred and is continuing, describing such Default and the action taken or proposed to be taken by the Company with respect thereto, and a detailed computation, in form and substance satisfactory to the Co-Administrative Agents, of the financial calculations required in Sections 6.08, 6.09 and 6.10;

(g) (x) promptly after each of Moody's and S&P first either reaffirms or announces revised ratings for the Senior Long Term Debt after the consummation of the Acquisition and (y) thereafter, promptly after (1) either Moody's or S&P first announces or publishes a revised rating for the Senior Long Term Debt or (2) either Moody's or S&P ceases to rate the Senior Long Term Debt, notice thereof; and

(h) promptly after the Company knows or has reason to know that any Default has occurred, a notice of such Default describing the same in reasonable detail and, together with such notice or as soon thereafter as is reasonably practicable, a description of the action that the Company has taken or proposes to take with respect thereto in such detail as the Company reasonably believes to be appropriate.

For the purposes of this section, the Company's obligation to deliver the items referred to in clauses (a), (b) and (c) above will be deemed satisfied by the posting of such items on a web site to which the Lenders have access, and which shall have been designated in a notice delivered to the Lenders and the Co-Administrative Agents.

SECTION 5.02. Existence, Payment of Taxes, ERISA, Etc. Each Borrower shall, and shall cause each of the Material Subsidiaries to:

(a) preserve and maintain its legal existence and all of its material rights, privileges, licenses and franchises (provided that nothing in this Section 5.02 shall prohibit any transaction expressly permitted under Section 6.02 or 6.04 hereof);

(b) comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities if failure to comply with such requirements is reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect;

(c) promptly pay and discharge all taxes, assessments and governmental charges prior to the date on which material penalties attach thereto, but only to the extent that such taxes, assessments and charges shall not be contested in good faith and by appropriate proceedings by the Company or such Material Subsidiary; and

(d) maintain all of its Properties used or useful in its business in good working order and condition, ordinary wear and tear excepted.

The Company shall furnish to the Payment Agent the following:

(i) As soon as possible and in any event within 30 days after the Company know or has reason to know that any Termination Event has occurred, a statement of a senior financial or accounting officer of the Company describing such Termination Event and the action, if any, which the Company proposes to take with respect thereto;

(ii) Promptly after receipt thereof by the Company, copies of each notice received from the PBGC of its intention to terminate any Plan or to have a trustee appointed to administer any Plan; and

(iii) Promptly after request therefor, such other documents and information relating to any Plan as the Co-Administrative Agents may reasonably request from time to time.

SECTION 5.03. Notice of Litigation. The Company shall promptly give notice in writing to the Co-Administrative Agents (which shall promptly notify the Lenders) of any litigation or proceeding against the Company or any Subsidiary if in the opinion of the General Counsel of the Company (or any individual acting in such capacity) such action or proceeding is reasonably likely to have a Material Adverse Effect. Without limiting the generality of the foregoing, the Company shall give notice in writing to the Co-Administrative Agents (which will promptly notify each Lender) of the assertion of any claim by any Person of violation of or non-compliance with any Environmental Laws against, or with respect to the activities of, the Company or any Subsidiary, and notice of any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations under Environmental Laws if in the opinion of the General Counsel of the Company (or any individual acting in such capacity) such claim or violation or non-compliance is reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect.

SECTION 5.04. Insurance. The Company shall maintain, and cause each Subsidiary to maintain, insurance with responsible companies in such amounts and against such risks as is usually carried by owners of similar businesses and Property in the same general area in which the Company or such Subsidiary operates, including reasonable war, comprehensive and commercial risk insurance, when and if available, subject to such deductibles, receptions and self insurance programs as the Company deems appropriate.

SECTION 5.05. Access to Books and Properties. The Company shall:

(a) keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied; and

(b) as may be reasonably requested, give any representatives of the Lenders reasonable access, subject to restrictions imposed by Governmental Authorities and customer confidentiality agreements, during normal business hours to, and permit them to examine, copy or make extracts from, any and all books, records and documents in the

possession of the Company or any Subsidiary relating to its affairs and to inspect any Properties of the Company or any Subsidiary.

SECTION 5.06. Ratings by Moody's and S&P. The Company will at all times use commercially reasonable efforts to cause Moody's and S&P (or, if applicable, a Substitute Rating Agency) to have in effect ratings for the Senior Long Term Debt.

SECTION 5.07. Consummation of Merger. The Company will cause (a) the Northrop Merger to be consummated on or prior to the Effective Date and (b) the Litton Merger to be consummated as promptly as practicable following the Effective Date.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, each of the Borrowers covenants and agrees with the Lenders as to itself and its subsidiaries that:

SECTION 6.01. Restricted Payments. The Company shall not declare, pay or authorize any Restricted Payment if (a) any such Restricted Payment is not paid out of Consolidated Net Income Available for Restricted Payments, (b) at the time of, and immediately after, the making of any such Restricted Payment (or the declaration of any dividend except a stock dividend) a Default has occurred and remains continuing or (c) the making of any such Restricted Payment would cause the Leverage Ratio to exceed the percentage which the Company will be required to maintain as of the next Fiscal Date pursuant to Section 6.08.

SECTION 6.02. Asset Dispositions. The Company shall not, and shall not permit any of its Subsidiaries to, sell, transfer, lease or otherwise dispose of any asset, including any Equity owned by it in any other Person, nor shall the Company permit any of its Subsidiaries to issue any additional Equity in such Subsidiary, except:

(a) sales of inventory, used or surplus equipment, surplus real estate and Permitted Investments in the ordinary course of business;

(b) sales, transfers and dispositions to the Company or a Subsidiary;

(c) sales, transfers and dispositions for which the Company and the Subsidiaries receive consideration with a value of less than $10,000,000 for any individual transaction or series of related transactions; and

(d) sales, transfers and other dispositions of assets (other than Equity in a Subsidiary) that are not permitted by any other clause of this Section; provided that the aggregate fair market value of all assets sold, transferred or otherwise disposed of in reliance upon this clause (d) after the date hereof shall not exceed 20% of the consolidated

assets of the Company as at December 31, 2000, after giving pro forma effect to the Transactions;

provided that all sales, transfers, leases and other dispositions permitted under clauses (a) and (d) of this Section (other than those resulting in the receipt by the Company and the Subsidiaries of consideration with a fair market value of less than $25,000,000 in the aggregate for any individual transaction or series of related transactions) shall be made for fair value.

SECTION 6.03. Guarantees. The Company shall not, and shall not permit any Subsidiary to, Guarantee any obligation of any Person, or suffer to exist any such Guarantee, except that:

(a) the Company may Guarantee any obligation of any Subsidiary;

(b) any Subsidiary may Guarantee any obligation of the Company or any other Subsidiary; and

(c) the Company or any Subsidiary may issue a Guarantee of any obligation of a Person other than the Company or any Subsidiary, or assume an obligation of any such Person; provided that (i) the excess (if any) of (x) the aggregate amount of all obligations referred to in this clause (c) (to the extent said obligations do not otherwise constitute Funded Debt) over (y) 5% of Consolidated Shareholders' Equity shall be deemed Funded Debt for the purposes of this Agreement.

SECTION 6.04. Fundamental Changes and Acquisitions. The Company will not, nor will it permit any of the Subsidiaries to, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). The Company will not, nor will it permit any of the Subsidiaries to, acquire any business from or all or any significant part of the Property of, or all or any significant part of the capital stock of, or be a party to any acquisition of, any Person.

Notwithstanding the foregoing:

(a) any Subsidiary may be merged or consolidated with or into: (i) any Borrower if such Borrower shall be the continuing or surviving corporation or (ii) any other Subsidiary; provided that if any such transaction shall be between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) during any Investment Grade Rating Period, any Borrower or any Subsidiary may merge or consolidate with any other Person if (i) in the case of a merger or consolidation of any Borrower, such Borrower is the surviving corporation and, in any other case, the surviving corporation is a Wholly-Owned Subsidiary and (ii) after giving effect thereto no Default would exist;

(c) the Borrowers may consummate the Acquisition and the related Transactions; and

(d) the Company or any of the Subsidiaries may acquire the business of, or all or any significant part of the Property of, or all or any significant part of the capital stock of, or be a party to any acquisition of, any Person engaged in the same line of business as the Company and its Subsidiaries, taken as a whole, or a related line of business (whether directly or through the merger of a Wholly-Owned Subsidiary with that Person) subject to the following:

(i) at the time of such acquisition, and after giving effect thereto, no Default shall exist; and

(ii) if the sum of (A) the aggregate value of the consideration to be paid in such acquisition and (B) the aggregate value of the consideration paid in all prior acquisitions that shall have been completed since the most recent fiscal quarter end of the Company shall exceed $150,000,000, the Company shall have delivered a certificate of a senior accounting or financial officer of the Company to the Co-Administrative Agents prior to such acquisition demonstrating compliance with Sections 6.08, 6.09 and 6.10 on a pro forma basis as if such acquisition and all such prior acquisitions had occurred at the beginning of the most recently ended period of four consecutive fiscal quarters of the Company;

provided that, during any period which is not an Investment Grade Rating Period, and notwithstanding the provisions of clause (i) above, the consideration for any such acquisition shall consist exclusively of Equity of the Company.

SECTION 6.05. Limitation on Liens. The Company shall not, and shall not permit any Subsidiary to, create, assume or suffer to exist any Lien on any of its Property, whether now owned or hereafter acquired, except:

(a) deposits or pledges to secure payments of workers' compensation, unemployment insurance, old age pensions or other social security, or in connection with or to secure the performance of bids, tenders, contracts (other than contracts for the repayment of borrowed money) or leases, or to secure statutory obligations or surety or appeal bonds, or other pledges or deposits for purposes of like nature in the ordinary and normal operation of its business;

(b) Liens created in favor of the United States of America or any department or agency thereof or any other contracting party or customer in connection with advance or progress payments or similar forms of vendor financing or incentive arrangements;

(c) mechanics', carriers', workers', repairmen's or other like Liens arising in the ordinary course of business in respect of obligations which are not overdue;

(d) Liens for taxes which at the particular time are not due, or remain payable without penalty, or which are being contested in good faith and by proper proceedings;

(e) Liens already existing on Property acquired after the date hereof, and securing obligations assumed in connection with a transaction permitted by Section 6.04 hereof (and not created in anticipation thereof);

(f) purchase money Liens on fixed assets (including trust deeds or first mortgages) given substantially concurrently with (or within 180 days after) the acquisition of the fixed assets and Liens existing on such fixed assets at the time of acquisition thereof, conditional sales agreements or other title retention agreements with respect to fixed assets hereafter acquired, and extensions and renewals of any of the same; provided that (i) the Indebtedness secured by any such Lien shall be reasonably related to the fair market value of the related asset acquired by the Company or a Subsidiary, as the case may be, and (ii) no such Lien shall extend to any Property other than that then being acquired; and

(g) Liens existing on the Effective Date, as set forth in Schedule 6.05(g).

provided that the aggregate amount of Indebtedness or obligations (whether or not assumed by the Company or a Subsidiary) secured by all Liens and agreements permitted by clauses (e) and (f) of this Section 6.05 shall not at any time exceed $375,000,000.

SECTION 6.06. Investments. The Company shall not, and shall not permit any Subsidiary to, make any Investment except:

(a) the Acquisition, and other acquisitions expressly permitted by Section 6.04;

(b) Investments existing on the date hereof in any Person;

(c) Permitted Investments;

(d) Investments made in the ordinary and normal operation of its business as presently conducted;

(e) reasonable advances to its subcontractors and suppliers in anticipation of deliveries;

(f) Investments in any Person or Persons, whether domestic or foreign, to the extent covered by Guarantees or insurance covering all political and credit risks issued by the Overseas Private Investment Corporation or another agency of the United States acceptable to the Administrative Agent or by an agency of a foreign government which is rated investment grade by Moody's or S&P; and

(g) other Investments in any Person or Persons, whether domestic or foreign, in amounts which do not exceed in the aggregate at any time outstanding 5% of the consolidated total assets of the Company and the Subsidiaries as at the last day of the most

recently completed Quarterly Period, so long as the aggregate amount of Investments in Person(s) that are not Wholly-Owned Subsidiaries does not as at such day exceed 2% of the consolidated total assets of the Company and the Subsidiaries.

SECTION 6.07. Indebtedness. (a) The Company will not, nor will it permit any of its Subsidiaries to, create, incur or suffer to exist any Indebtedness except:

(i) Indebtedness to the Lenders hereunder and under the 364-Day Credit Agreement and unsecured Indebtedness replacing in whole or in part the facility established by this Agreement or by the 364-Day Credit Agreement; provided that (a) the Loans outstanding under this Agreement or the 364-Day Credit Agreement will be repaid, and the Commitments under such Agreements shall be reduced, by amounts equal to the aggregate net proceeds of such replacement Indebtedness at the time of the issuance thereof, (b) the weighted average life of maturity of such replacement Indebtedness shall not be less than that of the Indebtedness under this Agreement or the 364-Day Credit Agreement, as the case may be, and (c) the obligors in respect of any such replacement Indebtedness shall be limited to the Borrowers;

(ii) the Senior Securities and the Guarantees thereof by the Company and Litton Operating;

(iii) Indebtedness outstanding on the date hereof and reflected in Schedule 6.07, and refinancings and extensions of any thereof that do not increase the outstanding principal amount of such Indebtedness;

(iv) Subordinated Indebtedness;

(v) Indebtedness of (x) Subsidiaries to the Company to the extent the Company is permitted by Section 6.06 to make Investments in Subsidiaries, (y) Subsidiaries to other Subsidiaries or (z) the Company to Subsidiaries;

(vi) Guarantees permitted by Section 6.03;

(vii) Indebtedness under Working Capital Credit Lines, provided that the Working Capital Credit Lines of Subsidiaries other than Northrop Operating and Litton Operating shall be in an aggregate principal amount not greater than $300,000,000;

(viii) Indebtedness in respect of letters of credit, banker's acceptances and similar instruments issued or accepted for the account of the Company or any Subsidiary in the ordinary course of its business;

(ix) Indebtedness issued under the Northrop Operating Senior Indenture or the Litton Operating Senior Indenture and outstanding on the date hereof;

(x) Indebtedness issued under the Northrop Operating Senior Indenture or the Litton Operating Senior Indenture after the date hereof; provided that at the time of and

immediately after giving effect to such issuance (A) the Leverage Ratio at the then most recent Fiscal Date, determined on a pro forma basis to give effect to such issuance as if it had occurred on such Fiscal Date, shall not exceed 50%, (B) the Senior Long Term Debt shall be rated at least BBB- by S&P and at least Baa3 by Moody's and (C) no Default shall have occurred and be continuing;

(xi) Indebtedness under Interest Rate Protection Agreements permitted or required by Section 6.13;

(xii) Indebtedness under the Existing Credit Agreements and the Refinanced Debt, but only until the Effective Date; and

(xiii) additional Indebtedness of the Company and the Subsidiaries (including Capital Lease Obligations and other Indebtedness secured by Liens permitted under clauses (e) and (f) of Section 6.05 hereof) up to but not exceeding $375,000,000 in the aggregate at any one time outstanding.

(b) The Borrowers will not permit the Indebtedness of all of the Subsidiaries that are not Borrowers (other than Indebtedness owing to the Company or another Subsidiary) to exceed $425,000,000 in the aggregate at any one time outstanding.

SECTION 6.08. Leverage Ratio. The Company will not permit the Leverage Ratio as of any Fiscal Date set forth below to exceed the percentage set forth below opposite such Fiscal Date:

Fiscal Date	Percentage
June 30, 2001	60.0%
September 30, 2001	60.0%
December 31, 2001 - September 30, 2002	57.5%
December 31, 2002 - September 30, 2003	55.0%
December 31, 2003 - September 30, 2004	52.5%
December 31, 2004 and each Fiscal Date thereafter	50.0%

SECTION 6.09. Funded Debt to Consolidated EBITDA Ratio. The Company will not permit the Funded Debt to Consolidated EBITDA Ratio as of any Fiscal Date set forth below to exceed the ratio set forth below opposite such Fiscal Date:

Fiscal Date	Ratio
June 30, 2001	4.75x

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Fiscal Date	Ratio
September 30, 2001	4.75x
December 31, 2001 - September 30, 2002	4.25x
December 31, 2002 - September 30, 2003	4.00x
December 31, 2003 - September 30, 2004	3.50x
December 31, 2004 and each Fiscal Date	3.00x

SECTION 6.10. Fixed Charge Coverage Ratio. The Company will not permit the Fixed Charge Coverage Ratio as of any Fiscal Date set forth below to be less than the ratio set forth below opposite such Fiscal Date:

Fiscal Date	Ratio
June 30, 2001	1.25x
September 30, 2001	1.25x
December 31, 2001 - September 30, 2002	1.25x
December 31, 2002 - September 30, 2003	1.75x
December 31, 2003 - September 30, 2004	2.00x
December 31, 2004 and each Fiscal Date	2.25x

SECTION 6.11. Use of Proceeds. The proceeds of the Loans hereunder will be used (a) to pay the cash consideration payable in the Exchange Offer and the Litton Merger, (b) to refinance the Existing Credit Agreements and Refinanced Debt, (c) to pay related fees and expenses and (d) for working capital, to finance capital expenditures and permitted acquisitions and for other general corporate purposes. All borrowings will be in compliance with all applicable legal and regulatory requirements, including Regulations U and X.

SECTION 6.12. Margin Stock. The Company shall not permit more than 25% of the value (as determined by any reasonable method) of the Property of the Company and the Subsidiaries subject to the restrictions of Section 6.02, 6.04 or 6.05 hereof (or any similar restriction) to be represented by margin stock (within the meaning of Regulation U or X).

SECTION 6.13. Interest Rate Protection Agreements. (a) The Company will not permit any of its Subsidiaries to enter into or become obligated in respect of any Interest Rate Protection Agreement, other than, in the case of any Subsidiary, any Interest Rate Protection Agreement entered into with respect to Indebtedness of such Subsidiary permitted under Section 6.07.

(b) Not later than 120 days after the Effective Date, the Company shall cause, and thereafter maintain, through a combination of Interest Rate Protection Agreements and fixed rate Funded Debt, the effective fixed rate component of its Funded Debt to be approximately equal to or greater than 50%.

SECTION 6.14. Modifications of Certain Documents. The Company will not consent to any modification, supplement or waiver of any of the provisions of the Northrop Operating Senior Indenture the Northrop Operating Subordinated Indenture or the Litton Operating Senior Indenture or any agreement, instrument or other document evidencing or relating to Subordinated Indebtedness, in each case to the extent that the same would adversely affect in any material respect the rights or interests of the Agents and the Lenders, without the prior written consent of the Co-Administrative Agents.

SECTION 6.15. Subsidiary Equity Issuance. The Company shall not permit any Subsidiary to issue Equity to any Person other than the Company or a Wholly-Owned Subsidiary except (a) directors' qualifying shares and (b) in connection with the establishment or capitalization of a bona fide joint venture with the Person or Persons to whom such Equity is issued.

ARTICLE VII

Events of Default

If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) the Borrowers shall default in the payment of any principal of any Loan when due; or the Borrowers shall default in the payment of any interest on any Loan or any other amount payable by them hereunder to any Lender or any Agent when due which nonpayment shall have continued for a period of two Business Days or more; or

(b) (i) default by the Company or any Subsidiary in the payment of any Indebtedness of the Company or any Subsidiary after any applicable period of grace, (ii) any event specified in any note, agreement, indenture or other document evidencing or relating to any of the Company or any Subsidiary Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due prior to its stated maturity or (iii) any event specified in any Interest Rate Protection Agreement of the Company or any Subsidiary shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit, any termination or liquidation payment or payments to become due thereunder; except for a default in respect of Indebtedness, (in the case of clauses (i) or (ii) of this paragraph), or payments (in the case of clause (iii) of this paragraph) not exceeding $50,000,000 in aggregate amount; or

(c) any representation, warranty or certification made or deemed made in any of the Loan Documents by the Borrowers or any certificate furnished to any Lender or Agent pursuant to the provisions hereof shall prove to have been false or misleading as of the time made or deemed made or furnished in any material respect; or

(d) any of the Borrowers shall default in the performance of any of its obligations under Section 5.01(h), Section 10.14 or Article VI hereof (other than Section 6.15); any of the Borrowers shall default in the performance of any of its other obligations in this Agreement and such default shall continue unremedied for a period of 30 days after notice thereof to the Borrowers by the Co-Administrative Agents or any Lender (through the Co-Administrative Agents); or

(e) any Borrower or any Subsidiary having total assets of $100,000,000 or more shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(f) any Borrower or any Subsidiary having total assets of $100,000,000 or more shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under any law relating to bankruptcy, insolvency, reorganization (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under any law relating to bankruptcy, insolvency, reorganization, or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) a proceeding or case shall be commenced, without the application or consent of any Borrower or any Subsidiary having total assets of $100,000,000 or more, in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of such Borrower or such Subsidiary or of all or any substantial part of its assets, or (iii) similar relief in respect of such Borrower or such Subsidiary under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 days; or an order for relief against such Borrower or such Subsidiary shall be entered in an involuntary case under any law relating to bankruptcy, insolvency, reorganization; or

(h) if (i) a final judgment which, with other outstanding final judgments against the Company and all Subsidiaries, exceeds an aggregate of $100,000,000, excluding (A) any amounts covered by insurance as to which the insurance company shall have acknowledged coverage and (B) the amount of any judgment against a Subsidiary other than a Borrower that exceeds the fair market value of the assets of such Subsidiary (but

only if neither the Company nor any other Subsidiary is directly or contingently liable therefor), shall be rendered against the Company or any Subsidiary and (ii) within 60 days after entry thereof, such judgment shall not have been discharged, vacated or reversed or execution thereof stayed pending appeal or within 60 days after the expiration of any such stay, such judgment shall not have been discharged, vacated or reversed; or

(i) an event or condition (i) which might constitute grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan or Multiemployer Plan and which involves a liability of the Company or any Subsidiary having total assets of $100,000,000 or more to PBGC in excess of $100,000,000 or (ii) leading to the receipt by the Company or any Subsidiary having total assets of $100,000,000 or more from the PBGC of a notice of its intention to terminate any Plan or Multiemployer Plan or to have a trustee appointed to administer any such Plan or Multiemployer Plan shall occur or exist and, as a result of such event or condition, together with all other such events or conditions, the Company or any ERISA Affiliate shall incur or in the opinion of the Required Lenders shall be reasonably likely to incur a liability to a Plan, a Multiemployer Plan or PBGC (or any combination of the foregoing) which is, in the determination of the Required Lenders, material in relation to the consolidated financial position of the Company and the Subsidiaries; or

(j) (i) any person or group of persons (within the meaning of Section 13 or 14 of the Exchange Act, it being agreed that an employee of the Company or any Subsidiary for whom shares are held under an employee stock ownership, employee retirement, employee savings or similar plan and whose shares are voted in accordance with the instructions of such employee shall not be a member of a group of persons within the meaning of said Section 13 or 14 solely because such employee's shares are held by a trustee under said plan) shall acquire, directly or indirectly, beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act, as amended) of more than 50% of the outstanding shares of stock of the Company having by the terms thereof ordinary voting power to elect (whether immediately or ultimately) a majority of the board of directors of the Company (irrespective of whether or not at the time stock of any other class or classes of stock of the Company shall have or might have voting power by reason of the happening of any contingency) or (ii) the Company shall cease to own, directly or indirectly, beneficially and of record, shares representing 100% of the issued and outstanding capital stock of (x) Northrop Operating or (y) after the Litton Merger, Litton Operating; or

(k) at any time during any period of 25 consecutive calendar months following the date hereof, a majority of the Board of Directors of the Company shall not be composed of individuals (i) who were members of the Board of the Company or the Board of Northrop Operating (in each case after giving effect to the consummation of the Exchange Offer) on the first day of such period, (ii) whose election or nomination to said Board was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of said Board or (iii) whose election or nomination to said Board was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of said Board; or

(l) the joint liability of any Borrower for any of the Obligations shall cease to be, or shall be asserted by any Borrower not to be, valid and enforceable;

Thereupon, (i) in the case of an Event of Default other than one referred to in clause (f) or (g) of this Article VII, (x) the Co-Administrative Agents, upon request of the Required Lenders, shall, by notice to the Borrowers, (x) cancel the Commitments and/or (y) declare the principal amount then outstanding of and the accrued interest on the Loans and all other amounts payable by the Borrowers hereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrowers; and (ii) in the case of the occurrence of an Event of Default referred to in clause (f) or (g) of this Article VII, the Commitments shall be automatically canceled and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrowers hereunder shall become automatically immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrowers.

Without limiting Section 10.02, the Required Lenders may, on behalf of all the Lenders, waive, for the period and on the conditions (if any) specified in such waiver, any Event of Default arising from the failure by any Borrower to perform any of its obligations under Articles V and VI hereof and any consequences thereof (including any termination of the Commitments and/or any declaration that the principal of and interest on the Loans and all other amounts payable by the Borrowers hereunder shall be forthwith due and payable). In the case of any such waiver, the Borrowers, the Lenders and the Co-Administrative Agents, for said period and on said conditions, shall be restored to their respective former positions and rights hereunder, and any Event of Default so waived shall, for said period and on said conditions, be deemed not to be continuing for the purposes of this Agreement; provided that no such waiver shall extend to any subsequent or other Event of Default or impair any other right of any Lender or Agent hereunder.

ARTICLE VIII

The Agents

In order to expedite the transactions contemplated by this Agreement, Chase and CSFB are hereby appointed to act as Co-Administrative Agents and Chase is hereby appointed to act as Payment Agent. Each of the Lenders hereby irrevocably authorizes the Co-Administrative Agents and the Payment Agent to take such actions on its behalf and to exercise such powers as are delegated to the Co-Administrative Agents and the Payment Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Any bank serving as Co-Administrative Agent or Payment Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not such Co-Administrative Agent or Payment Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrowers, any Subsidiary or other Affiliate thereof as if it were not such Co-Administrative Agent or Payment Agent hereunder.

The Co-Administrative Agents and the Payment Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) no Co-Administrative Agent or Payment Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) no Co-Administrative Agent or Payment Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Co-Administrative Agent or Payment Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02), and (c) except as expressly set forth in the Loan Documents, no Co-Administrative Agent or Payment Agent shall have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any Subsidiary that is communicated to or obtained by the bank serving as Co-Administrative Agent or Payment Agent or any of its Affiliates in any capacity. No Co-Administrative Agent or Payment Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02) or in the absence of its own gross negligence or wilful misconduct. No Co-Administrative Agent or Payment Agent shall be deemed to have knowledge of any Default unless and until written notice thereof is given to such Co-Administrative Agent or Payment Agent by the Borrowers or a Lender, and no such Co-Administrative Agent or Payment Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Co-Administrative Agent or Payment Agent.

Each Co-Administrative Agent or Payment Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Co-Administrative Agent or Payment Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each Co-Administrative Agent or Payment Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Each Co-Administrative Agent or Payment Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by such Co-Administrative Agent or Payment Agent. Each Co-Administrative Agent or Payment Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs and the provisions of Section 10.03 shall apply to any such sub-agent and to the Related Parties of the Co-Administrative Agents or Payment Agent and any such sub-agent, and shall apply to their

respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Co-Administrative Agent or Payment Agent.

Subject to the appointment and acceptance of a successor Co-Administrative Agent or Payment Agent as provided in this paragraph, any Co-Administrative Agent or the Payment Agent may resign at any time by notifying the Lenders and the Company. Upon any such resignation, the Required Lenders shall have the right (in consultation with, and with the consent of (unless an Event of Default has occurred and is continuing pursuant to clause (f) or (g) of Article VII) the Company, which shall not be unreasonably withheld) to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Co-Administrative Agent or Payment Agent gives notice of its resignation, then the retiring Co-Administrative Agent or Payment Agent may (in consultation with, and with the consent of (unless an Event of Default has occurred and is continuing pursuant to clause (f) or (g) of Article VII), the Company, which shall not unreasonably withhold such consent and which shall, if the retiring Co-Administrative Agent or Payment Agent shall so request, designate and approve a successor Co-Administrative Agent or Payment Agent) on behalf of the Lenders, appoint a successor Co-Administrative Agent or Payment Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Co-Administrative Agent or Payment Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Co-Administrative Agent or Payment Agent, and the retiring Co-Administrative Agent or Payment Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrowers to a successor Co-Administrative Agent or the Payment Agent shall be the same as those payable to its predecessor unless otherwise agreed among the Borrowers and such successor. After a Co-Administrative Agent's or the Payment Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for the benefit of such retiring Co-Administrative Agent or Payment Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Co-Administrative Agent or Payment Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Co-Administrative Agents or the Payment Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Co-Administrative Agents or the Payment Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

None of the institutions named as Syndication Agent or Co-Documentation Agents in the heading of this Agreement shall, in their capacities as such, have any duties or responsibilities of any kind under this Agreement.

ARTICLE IX

Joint and Several Liability of Borrowers

In order to induce the Lenders to extend credit hereunder, each Borrower agrees that it will be jointly and severally liable for all the Obligations, including the principal of and interest on all Loans requested by and made to either of the other Borrowers. Each Borrower further agrees that the due and punctual payment of the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound hereunder notwithstanding any such extension or renewal of any Obligation.

Each Borrower waives presentment to, demand of payment from and protest to any other Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Borrowers hereunder shall not be affected by (a) the failure of any Lender or Agent to assert any claim or demand or to enforce or exercise any right or remedy against any other Borrower under the provisions of this Agreement or otherwise or (b) any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement or any other agreement.

Each Borrower further agrees that its agreement under this Article IX constitutes a promise of payment when due (whether or not any bankruptcy or similar proceeding shall have stayed the accrual or collection of any of the Obligations or operated as a discharge thereof) and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of any Borrower or any other Person.

The obligations of each Borrower under this Article IX shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Borrowers under this Article IX shall not be discharged or impaired or otherwise affected by the failure of any Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification in respect of any thereof, by any default, failure or delay, willful or otherwise, in the performance of any of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of such Borrower or otherwise operate as a discharge of such Borrower or any Borrower as a matter of law or equity.

Each Borrower further agrees that its obligations under this Article IX shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the any Agent or any Lender upon the bankruptcy or reorganization of any other Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Agent or any Lender may have at law or in equity against any Borrower by virtue of this

Article IX, upon the failure of any other Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Borrower hereby promises to and will, upon receipt of written demand by any Agent, forthwith pay, or cause to be paid, in cash the amount of such unpaid Obligation.

If by virtue of the provisions set forth herein, either Northrop Operating or Litton Operating is required to repay and shall repay Loans the proceeds of which were received by the other, the Borrower that received such proceeds agrees to reimburse the Borrower that shall have repaid such Loans. Upon payment by any Borrower of any sums as provided above, all rights of such Borrower against any Borrower arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations owed by the Borrowers to the Lenders.

ARTICLE X

Miscellaneous

SECTION 10.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any of the Borrowers, to it at 1840 Century Park East, Los Angeles, CA 90067-2199, Attention of Albert F. Myers, Corporate Vice President and Treasurer and David H. Strode, Assistant Treasurer (both at Telecopy No. (310) 201-3088);

(b) if to the Agents:

(1) to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Richard Smith (Telecopy No. (212) 270-5150), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York, NY 10017, Attention of Doris Mesa (Telecopy No. (212) 552-5650); and

(2) to Credit Suisse First Boston, 11 Madison Avenue, New York, NY 10010, Attention of [ ] Telecopy No. [ ]); and

(c) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 10.02. Waivers; Amendments. (a) No failure or delay by any Agent or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents and the Lenders hereunder and under any other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by the Borrowers therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether any Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers party thereto and the Required Lenders or by the Borrowers party thereto and the Co-Administrative Agents with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable to any Lender hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.15 in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender affected thereby, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder or (vi) release any Borrower from its joint and several liability for the Obligations hereunder, or limit its liability in respect of such joint and several liability, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of any Agent hereunder without the prior written consent of such Agent.

SECTION 10.03. Expenses; Indemnity; Damage Waiver. (a) The Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Agents and their Affiliates named on the cover of this Agreement, including the reasonable fees, charges and disbursements of one outside counsel for the Agents, in connection with the syndication, prior to the date hereof, of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers (requested by or for the benefit of the Borrowers) of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all reasonable out-of-pocket expenses incurred by any Agent or any Lender, including the fees, charges and disbursements of any counsel for any Agent or any Lender, (A) related to the enforcement of its rights in connection with the Loan Documents (including its rights

under this Section) or (B) incurred during any workout, restructuring or related negotiations in respect of the Loan Documents or the Loans.

(b) The Borrowers shall indemnify each Agent, each Lender, each of their Affiliates and each officer, director, employee or agent of the foregoing Persons involved directly or indirectly in the Transactions (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and reasonable related expenses (other than Excluded Taxes), including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, except, as to each Indemnitee, for losses, claims, damages, liabilities and related expenses determined by a court of competent jurisdiction to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrowers fail to pay any amount required to be paid by them to any Agent under paragraph (a) or (b) of this Section each Lender severally agrees to pay to such Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against such Agent in its capacity as such.

(d) To the extent permitted by applicable law, the Borrowers shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor setting forth the amount and the nature of the expense or claim, as applicable.

SECTION 10.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that none of the Borrowers may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any of the Borrowers without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Agents and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, the Company and the Payment Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment is delivered to the Payment Agent) shall not be less than $10,000,000 unless the Company and the Payment Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to its rights in respect of outstanding Competitive Loans, (iv) the parties to each assignment shall execute and deliver to the Co-Administrative Agents an Assignment and Acceptance, together with (except in the case of an assignment by or to a Co-Administrative Agent) a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Payment Agent an Administrative Questionnaire; and provided further that any consent of the Company otherwise required under this paragraph shall not be required if an Event of Default under clause (f) or (g) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obliga tions under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13 and 2.14, 2.15 and 10.03. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Payment Agent, acting for this purpose as agent of the Borrowers, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Co-Administrative Agents and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by

paragraph (b) of this Section, the Payment Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrowers or the Payment Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Co-Administrative Agents, and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (f) of this Section, each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.15 unless the Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 2.15(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Co-Administrative Agents and the Borrowers, the option to provide to the Borrowers all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrowers pursuant to Section 2.01; provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall be deemed to utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made

by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any payment under this Agreement for which a Lender would otherwise be liable, for so long as, and to the extent, the related Granting Lender makes such payment. In furtherance of the foregoing, each party hereto hereby agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 10.04, any SPC may (i) with notice to, but without the prior written consent of, the Borrowers and the Co-Administrative Agents and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or (if consented to by the Borrowers and Co-Administrative Agents) to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans (but not relating to any of the Borrowers or their Affiliates, except with such Borrower's consent) to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 10.05. Survival. All covenants, agreements, representations and warranties made by the Borrowers herein, in the other Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Co-Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.13, 2.14 and 2.15 and 10.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Co-Administrative Agents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Co-Administrative Agents and when the Co-Administrative Agents shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto (other than Litton Operating, which shall execute a counterpart of this Agreement as provided in Section 10.14), and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a

signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions of such Loan Document; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Borrower against any of and all the obligations of the Borrowers now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement. The rights of each Lender under this Section are in addition to and shall not limit other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of the Borrowers hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that any Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrowers or their properties in the courts of any jurisdiction.

(c) Each of the Borrowers hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. Confidentiality. Each Lender and each of the Co-Administrative Agents agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to keep confidential, in accordance with their customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Borrowers pursuant to this Agreement which is identified by the Borrowers as being proprietary, private and/or confidential at the time the same is delivered to the Lenders or the Co-Administrative Agents, provided that nothing herein shall limit the disclosure of any such information (a) to the extent required by statute, rule, regulation or judicial process, (b) to counsel for any of the Lenders or the Co-Administrative Agents, (c) to bank examiners, auditors or accountants, (d) to the Co-Administrative Agents or any other Lender, (e) in connection with any litigation to which any one or more of the Lenders or the Co-Administrative Agents is a party or (f) to any assignee or participant (or prospective assignee or participant) SO LONG AS SUCH ASSIGNEE OR PARTICIPANT (OR PROSPECTIVE ASSIGNEE OR PARTICIPANT) FIRST EXECUTES AND DELIVERS TO THE RESPECTIVE LENDER A CONFIDENTIALITY AGREEMENT SUBSTANTIALLY IN THE FORM OF EXHIBIT D (WHEREUPON SUCH BANK SHALL PROMPTLY DELIVER A COPY OF SUCH CONFIDENTIALITY AGREEMENT TO THE COMPANY); provided, further, that (i) unless specifically prohibited by applicable law or court order, each Lender and the Co-Administrative Agents shall, prior to disclosure thereof, notify the Borrowers of any request for disclosure of any such non-public information (x) by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) or (y) pursuant to legal process and (ii) in no event shall any Lender or the Co-Administrative Agents be obligated or required to return any materials furnished by the Borrowers; and, provided, finally, that no Lender shall, without the applicable Borrower's prior consent, provide any information relating to projections of that Borrower's financial performance to any participant or any prospective assignee or participant (other than any bank or other financial institution identified to the Borrowers as a participant under the Existing Credit Agreement in a notice given to the Borrowers prior to the Restatement Date), and, in lieu

thereof, each of the Borrowers shall, promptly following the request of any Lender and at the Borrowers' expense, provide to a participant the projections of each of the Borrowers' financial performance that has been made available to such Lender. Each Lender agrees that money damages would not be a sufficient remedy for any breach of such Lender's obligations under this Section 10.12 and that, in addition to all other remedies available to the Borrowers at law or in equity, the Borrowers shall be entitled to injunctive relief against such Lender as a remedy for such breach.

SECTION 10.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 10.14. Execution by Litton Operating. At such time as Litton Operating shall have become a Subsidiary, the Company will forthwith cause Litton Operating to execute this Agreement in the space provided below, to deliver a counterpart hereof to the Co-Administrative Agents and to deliver such other documents as shall be required to satisfy the conditions set forth in Section 4.01(a), (b), (c) and (e) insofar as they relate to Litton Operating, and upon such execution and delivery, Litton Operating shall become a party to and a Borrower under this Agreement with the same effect as if it had originally been a party hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NNG, INC.,

by

_____
Name:
Title:

NORTHROP GRUMMAN CORPORATION,

by

_____
Name:
Title:

THE CHASE MANHATTAN BANK,
individually and as Co-Administrative Agent and
Payment Agent,

by

_____
Name:
Title:

CREDIT SUISSE FIRST BOSTON,
individually and as Co-Administrative Agent,

by

_____
Name:
Title:

by

_____
Name:
Title:

CITIBANK, N.A.,

by

_____
Name:
Title:

THE BANK OF NOVA SCOTIA,

by

_____
Name:
Title:

DEUTSCHE BANC ALEX. BROWN
SECURITIES INC.

by

_____
Name:
Title:

[OTHER BANKS],

by

_____
Name:
Title:

In accordance with Section 10.14 of the foregoing Agreement, Litton Industries, Inc., by its execution hereof, hereby becomes a party to and a Borrower under such Agreement with the same effect as if it had originally been a party thereto.

LITTON INDUSTRIES, INC.,

by

_____
Name:
Title:

EXHIBIT 12.1

Ratio of Combined Earnings to Fixed Charges and Preferred Dividends

	Pro Forma						
	Year ended December 31, 2000		Fiscal Year Ended December 31,				
	Minimum Equity Issuance	Maximum Equity Issuance	2000	1999	1998	1997	1996
Income from Continuing operations before income taxes and accounting change:.....	$1,047	$1,083	$ 975	$ 747	$ 309	$ 512	$ 478
Plus Fixed Charges:							
Interest on all Indebtedness:.....	503	467	175	224	232	257	270
Amortization of debt expense:.....	24	24	13	13	14	15	24
Portion of rental expenses on operating leases deemed to be representative of the interest factor:.....	61	61	41	32	32	33	25
Preferred stock dividend requirements of consolidated subsidiaries:.....	42	49	--	--	--	--	--
Total Fixed Charges:....	630	601	229	269	278	305	319
Less Preferred stock dividend:.....	(42)	(49)	--	--	--	--	--
Earnings:.....	$1,635	$1,635	$ 1,204	$ 1,016	$ 587	$ 817	$ 797
Fixed Charges Ratio:..	2.60	2.72	5.26	3.78	2.11	2.68	2.50

For purposes of computing the ratios of combined earnings to fixed charges and preferred dividends, earnings represent earnings from continuing operations before income taxes and fixed charges, and fixed charges consist of interest expense, the portion of rental expense calculated to be representative of the interest factor and preferred stock dividend. The ratios of earnings to fixed charges should be read in conjunction with the financial statements and other financial data included or incorporated by reference in this offer to purchase or exchange.

EXHIBIT 23.6

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Amendment No. 2 to Registration Statement No. 333-54800 of NNG, Inc. on Form S-4 of our report dated October 10, 2000, appearing in the Annual Report on Form 10-K of Litton Industries, Inc. for the year ended July 31, 2000 and to the reference to us under the heading "Experts" in such Registration Statement.

Deloitte & Touche LLP

Los Angeles, California

March 27, 2001

EXHIBIT 23.7

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Amendment No. 2 to Registration Statement No. 333-54800 of NNG, Inc. on Form S-4 of our report dated January 24, 2001, except for the subsequent events footnote, as to which the date is March 1, 2001 appearing in the Annual Report on Form 10K/A of Northrop Grumman Corporation for the year ended December 31, 2000 and to the reference to us under the heading "Experts" in such Registration Statement.

Deloitte & Touche LLP

Los Angeles, California
March 27, 2001